

# Public Administration and Law Reform

A decade ago, the International Development Association (IDA), the World Bank's fund for the world's poorest countries, focused its support for issues such as public administration, decentralization, and rule of law almost exclusively on technical, supply-side measures such as pay and employment reforms, civil service reform, fiscal decentralization, and court case management. However, IDA has increasingly recognized the importance of focusing on the broader public sector governance systems as well as simultaneously developing domestic demand for such reforms. This has led to greater focus on transparency and accountability issues such as freedom of information laws, asset declaration legislation, and strengthening citizens voice mechanisms such as ombudsmen. It has also involved the monitoring and publishing of information about the impacts of reforms and what citizens can expect from their governments. Analytical work and benchmarking tools have supported this work.

IDA's current strategy for supporting public administration, decentralization and rule of law reform is embedded within an overall governance and anti-corruption strategy as outlined in Strengthening Bank Group Engagement on Governance and Anticorruption (GAC), recently endorsed by the Bank's governors at the 2007 Spring Meetings.

### At a glance

- Support for public administration and law reforms accounted for one quarter of IDA's total lending on average over the last seven years (Fiscal Years 2000–06).
- IDA financing in this sector doubled between 2000 and 2006, rising from US\$1.37 billion to US\$2.76 billion, with the largest growth in lending for public administration.
- The range of IDA assistance in this sector has included supporting competitive recruitment of civil servants in Albania; decentralization to regional, district, and sub-district levels in Ethiopia; court modernization in Honduras and Georgia; capacity building of public administrations in post-conflict countries such as Afghanistan, Sierra Leone or Timor Leste; and the integration in Development Policy Lending of the use of citizen report cards to strengthen the voice of users of social services in Georgia, Laos, and Peru.
- IDA's work in these areas has aimed to help develop capable and accountable states and institutions that can devise and implement sound policies, provide public services, set the rules governing markets, and combat corruption, thereby helping to reduce poverty.

## IDA CONTRIBUTIONS

### A major area of focus.

In Fiscal Year (FY) 2006, public administration, including law and justice, received the largest share of IDA support with US\$2.76 billion, or 29 percent of the total. IDA lending in the sector has increased significantly over the past years, rising from US\$1.37 billion in 2000 to US\$2.76 billion in 2006. In FY06 this lending was concentrated in three areas—central government administration (55.9 percent), decentralization (22.9 percent) and general public administration (15.8 percent).

### An evolving role.

About a decade ago, IDA concentrated on supply-side interventions such as pay and employment reform, civil service reform and court case management. Over time, IDA has increasingly recognized the need to simultaneously build the capacity of institutions as well as develop domestic demand for such reforms in order to enhance governance, service delivery and reduce opportunities for corruption.

This has led to a greater focus on transparency and accountability issues, often supported by programmatic lending and investment operations.

These include integrating demand-side interventions into IDA's projects and programs, such as: support for freedom of information laws; asset declaration laws; creating or strengthening external oversight and citizen voice mechanisms such as ombudsmen and monitoring and publishing information on what citizens can expect from their governments through Citizens Charters; and

developing tools such as Public Expenditure Tracking Surveys (PETS) to detect leakage in budget allocations.

### The Power of Supervision

IDA pioneered the Public Expenditure Tracking Surveys (PETS) in Uganda. Thanks to this innovation, 80 percent of funding reached schools in 2000 as opposed to only 13 percent of the funds intended for student grants between 1991 and 1996. By announcing education transfers in newspapers and on the radio, the government informed parent associations of the amount of money their schools should be receiving. The government's campaign for better tracking and transparency helped reduce leakage and increase enrollment and learning outcomes at the school level. The percentage of pupils achieving defined levels of competency in literacy in primary level three increased from 19 percent in 1999 to 46 percent in 2006.

At the same time, IDA is increasingly working with other donors and shifting its lending instruments toward combining investment and technical support with policy-based lending, supporting structural policy reforms in a sustainable manner and helping build the capacity for these reforms to reach their intended goals. A greater focus on analytical work and benchmarking tools has helped support this approach.

### IDA's multi-faceted approach.

1. IDA has taken a leading role in the development and deployment of effective means for **monitoring** the impacts of reforms. Last year, the World Bank launched a new initiative to develop "actionable indicators" to drill down and provide sufficient detail to provide helpful guidance on what interventions are required. This is important since public administration

reforms tend to be undertaken in a more *pro forma* fashion when their impacts are not monitored. With actionable indicators, government officials can see improvements from reforms before downstream benefits, such as service delivery improvements, are realized. The Public Expenditure and Financial Accountability (PEFA) indicators are one example of these actionable indicators. Others under development will apply to human resources management, to better monitor civil service reforms, and public accountability indicators to measure the implementation of anti-corruption and transparency reforms.

2. IDA is supporting the provision of **public goods** such as improved governance and donor harmonization. It has taken the lead in placing governance reforms at the centre of poverty reduction strategies, improving the effectiveness of all public spending and donor assistance. Similarly IDA has helped facilitate donor harmonization and alignment with potentially large gains in terms of transaction costs and the efficient use of resources. Pooled financing arrangements are now used in Tanzania, Zambia, Ethiopia, Mozambique, Kenya, Uganda, Sierra Leone, Nepal, Bangladesh and Ghana.

A key comparative advantage of IDA is its ability to help facilitate donor harmonization and reduce transaction costs for external resource use. This includes IDA coordination of in-country donor groups, joint undertaking of technical assistance work (e.g., the multi-donor PEFA program's PFM assessment) or working with bilateral and multilateral donor partners on coordinated strategies (e.g., the OECD-DAC Governance Network's proposed code of conduct on the part of donors to harmonize actions in very corrupt settings, to avoid *ad hoc* responses and mixed signals).

3. IDA is a leader in the design and support of **public sector reforms**. It regularly participates in international forums and provides expert advice to research institutes and global monitoring groups on these issues. This is a result of IDA's broad range of analytical work.

4. IDA is able to deal with both the **supply side** of public management-related reforms and **the demand side** of supporting stronger, more accountable and transparent states. For example, the recent Bangladesh CAS proposed interventions ranging from justice reform to improved freedom of information, and the Indonesia CAS supported a national-level Partnership for Governance Reform of civil society, donors, and government.

5. Finally, IDA has a **multi-sectoral** approach to public administration reforms. Over the last decade it has broadened its focus beyond core government reforms such as public financial management, procurement and civil service reform, toward a more systematic integration of governance analysis and support to sector projects and programs, beginning with the Bank's main country strategy document, the Country Assistance Strategy, and within sectors such as infrastructure, health, education, forestry, natural resources, and others.

## RESULTS

Public sector management and rule of law practices have shown modest overall improvement in IDA countries over the last few years. IDA has helped achieve real progress in several countries.

### **Modest aggregate results.**

The Country Performance and Institutional Assessment (CPIA) indicators include measures

## IDA Support by Region

**In Africa**, “building capable states and improving governance” is one of three strategic priorities, and the region is finalizing a major task force report on capacity development. More than 25 percent of IDA support to Africa has targeted private and public sector governance at country and regional levels. The public sector governance portfolio has focused on: (i) public financial management, facilitated by action plans prepared for 23 African HIPC; (ii) improving public sector management of central governments (Burkina Faso, Tanzania and Zambia), decentralization and local governance (Ethiopia, Malawi, Rwanda and Sierra Leone), and service delivery (Madagascar, Mozambique and Uganda); (iii) integrating governance and service delivery in PRSCs and national capacity-building programs (Ethiopia and Rwanda); and (iv) building capacity, with WBI and other partners, in institutions of domestic accountability.

**In East Asia and the Pacific**, challenges are highly diversified: from IDA countries in post-conflict situations, with endemic governance challenges (Timor Leste, Cambodia) to the world’s last IDA communist state with market transition governance issues (Vietnam). Programs have been equally diversified ranging from focused integrated PFM modernization operations (Vietnam) to building the demand-side of reforms (Cambodia) to the conduct of new approaches to political economy analysis to inform the design of programs (Lao PDR).

**In Europe and Central Asia**, despite highly differentiated country circumstances, the focus of the Bank’s work continues to be the improving core public management systems, and strengthening accountability and transparency. IDA participates actively in country-based research, policy dialogue, and provides various forms of lending. The governance component in PRSCs has become increasingly important (as in Georgia and Albania). Demand has also remained substantial for work in various areas: public expenditure management (all IDA countries); administrative and civil service reform (Albania); and legal and judicial reform (Albania, Armenia, Georgia). On the analytical, monitoring and evaluation side, the on-going *Business Environment and Enterprise Performance Survey* (BEEPS) serves as a key tool for monitoring progress in governance reform in the region.

In Latin America and the Caribbean, demand for core public sector management reforms has been longstanding and met through a broad array of operations, analysis and policy dialogue. Public sector governance programs include: financial management reforms in nearly the entire region; innovative programs of court modernization (Honduras); and more recent initiatives focusing on accountability and transparency, strengthened service delivery and congressional institutional capacity. A regional focus on inequality, and intense use of *Transition Policy Notes*, underpin much of the region’s policy dialogue and lending on governance.

In the **Middle East and North Africa**, governance issues are now at the forefront of the developmental debate. Governance is one of five major pillars in the regional strategy, and a major report, *Better Governance for Development in the Middle East and North Africa*, was produced in 2004. IDA’s work program has historically focused on helping clients improve the quality of their public administration through initiatives such as the civil service modernization project in Yemen. In 2005, IDA began broadening its approach to address more controversial issues such as transparency, accountability, decentralization and anticorruption, which are highlighted in the governance report.

In **South Asia**, where there is growing demand for governance reforms, the strategy has been to be opportunistic, supporting incremental reforms by unbundling the vast governance reform agenda and choosing entry points carefully. IDA initiatives to improve the investment climate and enhance service delivery at the sectoral level have been the main vehicles to promote greater public sector accountability and improved governance. Many innovative programs are being implemented successfully in the region. These include: strengthening voice, participation and transparency through decentralization initiatives in Nepal; improved procurement systems in Bangladesh and Sri Lanka; and efforts to strengthen the fiduciary environment by enhancing the capacity, independence and effectiveness of oversight institutions throughout the region.

of the implementation of reforms to improve public sector management. CPIA tracks four key governance systems—revenue management, budget management, public administration, and law and justice administration.

In IDA countries the average rating for 2001–05 on the CPIA indicator of Property Rights and Rule-based Governance increased from 2.60 to 2.93 (on a scale of 1 to 6) and the average rating on the indicator of Quality of Public Administration increased from 2.87 to 3.01 with the number of countries with very poor ratings (2 or under) falling from 10 to 6; and the average rating on Transparency, Accountability and Corruption in the Public Sector also increased from 2.78 to 2.90.

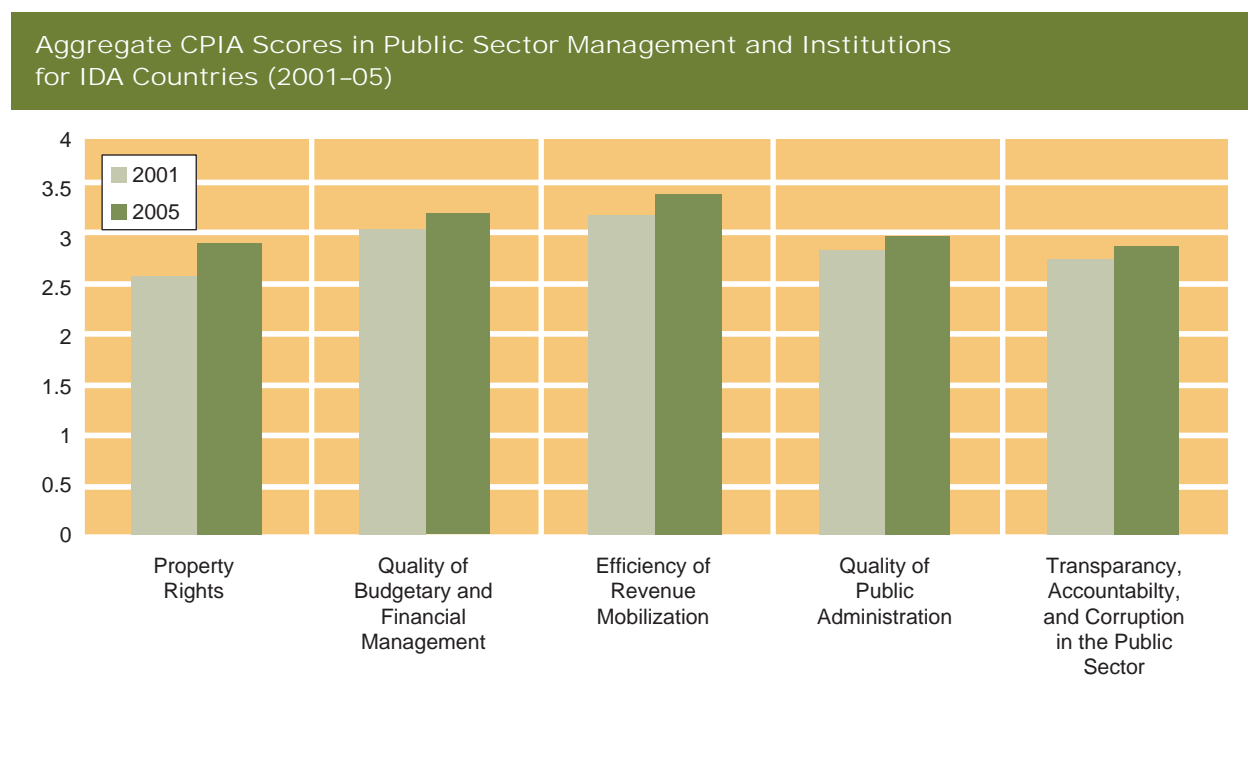
Compared to public financial management reforms which tend to perform well regardless of country context, public administration reform operations appear to be much more sensitive to country context because they

often threaten to change systems that have a large degree of patronage. Still, IDA helped achieve real progress. A few examples are listed below.

### ‘Supply-side’ examples

In **Tanzania**, significant employment reductions and salary improvements were made. As part of the government’s Poverty Reduction Strategy Program (PRSP), supported by Poverty Reduction Support Credits (PRSCs), salary improvements were only provided in ministries, departments and agencies which undertook reforms.

In **Ghana**, IDA significantly improved efficiency and governance in the customs service, reducing delays and opportunities for corruption through computerizing its administration. The average clearance time at Tema Port fell from several weeks to between one and five days.



Important progress was made towards decentralization in **Uganda** under a series of Local Government Development Projects built upon a Community Driven Development approach which gives community groups a role in decision-making over local projects.

In **Lesotho**, IDA support for legal capacity building included the introduction of service standards in the judiciary and the fight against corruption.

IDA has helped improve professional and ethical standards, accountability, education, and operational efficiency of the judiciary in **Madagascar**.

It assisted the creation of **Cameroon's** *Chambre des Comptes* (audit chamber) and the *Conseil Constitutionnel* (Constitutional Council).

With support from policy and technical assistance lending from the Bank, between 1999 and 2004, **Albania** has introduced merit-based competitive recruitment of civil servants. This has resulted in lower turnover compared to political appointees (2.7 percent versus 11.7 percent), an increase in the number of qualified applicants per advertised positions (from 5.9 in 2003 to 9.3 in 2004), and the creation of a reasonably independent appeals body.

The **Guatemala** Judicial Reform Project has brought justice closer to the people (6,000 poor in peri-urban neighborhoods and indigenous communities in its first year) through mobile courts providing free mediation services and a forum for resolving small claims and civil, family, and labor disputes.

Through **Peru's** Urban Property Rights Project, over 1.1 million property titles were recorded, which benefited more than 5.7 million Peruvians in marginal communities; property values increased by over US\$1 billion; and US\$400 million of formal credit was mobilized.

**Sierra Leone's** Institutional Reform and Capacity Building Project has improved local public resource management through a decentralization and empowerment program that has established an inter-governmental transfer system, including block grants to finance local government development projects. Using a Rapid Results Approach, local councils have developed project management, procurement and accounting capacity, accelerated service delivery, and improved inclusiveness, transparency and accountability.

The multi-donor Planning and Capacity Building Program in **Timor Leste** includes an innovative approach to capacity building, which integrates skills and knowledge, systems and processes people work within, and a staff performance framework built around transparency, accountability, leadership, ethics, teamwork, and communications components, and assistance from expatriate advisors.

### **'Demand-side' & learning examples**

The GDLN Municipal Anticorruption Digital Program, part of the Africa Digital Radio Project, uses innovative digital radio technology to reach remote and rural areas and disseminate instruments and practices in anticorruption and good governance. It provides a structured platform for local officials and citizens to learn specific anticorruption strategies.

Governance & Anticorruption (GAC) Surveys provide in-depth diagnostic analysis of governance dynamics at the micro level and generate specific input for country-specific action programs. The Bank has supported the design and implementation of such tools in client countries, in partnership with bilateral agencies and local NGOs (for example, Benin, Haiti, Guinea, Madagascar, Mozambique, and Paraguay).

The Government of Karnataka, **India**, is undertaking innovative improvements in service delivery, including compacts with service-providing agencies. Bangalore has dramatically improved the quality of services provided by city agencies; survey-based report cards show user satisfaction increasing from: 6 to 94 percent for electricity; 4 to 73 percent for water; and 25 to 73 percent for public hospitals.

In FY06, the World Bank Institute's Media, Information and Governance Program launched a multi-year program to support media's role in increased transparency and accountability in the governance environment in **Nigeria**. The program employs a comprehensive approach to media and information issues, highlighting media institutions, journalism capacity, access to information and public information capacity.

The World Bank-supported Partnership for Transparency Fund (PTF), an international NGO dedicated to helping civil society play an effective role in the design, implementation and monitoring of anti-corruption programs, provides financing of up to US\$25,000 for specific, discrete and time-bound activities or projects aimed at fighting corruption.

## Lessons learned

Lessons learned in the field of public administration and legal and judicial reforms include:

- Country ownership and commitment plays an important role in the success of public sector governance projects. Public administration reform (PAR) operations perform well in most environments, although less well in the most poorly governed. For example, the success of PAR operations is 84 percent in most countries, yet falls to 36 percent in the most poorly governed countries. Public administration and law reforms have a much greater probability of success when tailored to country circumstances.
- Attention to working with local governments needs to be increased, as decentralization in many countries has shifted governance and corruption challenges to the local level.
- A special emphasis needs to be placed on capacity building in countries with strong commitment to governance improvement, but with severe shortfalls in skills and organizational capabilities.

## LOOKING AHEAD

IDA's strategic approach to public administration and rule of law reform is embedded within the Bank's overall governance and anti-corruption strategy. At the country level, the Bank's approach is to strengthen basic institutions of governance to be more efficient, accountable, and transparent.

For instance, moving forward the Bank will:

- Support a broader range of stakeholders to help build capable and accountable states, including more participatory prioritization of policies and public spending, strengthening transparency and oversight of the use of budgetary resources, enhancing user participation and oversight in service provision, strengthening participatory local governance, and strengthening other formal oversight institutions (such as the judiciary, ombudsmen, and supreme audit institutions).
- Support civil service wage reform and codes of conduct to reduce incentives for corruption and enable better delivery of services to citizens.
- Assist local governments to enable them to be more responsive and accountable to local communities.

- Support legal and judicial reform and parliamentary capacity that can strengthen checks and balances to executive power. Outside the executive branch, the Bank will work in partnership with other donors to more systematically help legislatures, supreme audit institutions, and other formal oversight institutions develop the capacity to oversee public expenditures.

By the end of the period covered by IDA15 resources (FY08-11), the Bank expects to see progress on public administration and rule of law impacts, as monitored through actionable and other indicators. Additional IDA resources could help ensure that more IDA countries establish the capacity to monitor such indicators and use them as management tools for guiding their own public administration and rule of law reform efforts.

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<http://www.worldbank.org/ida>.