Governance and Public Sector Management

At a Glance

- Good governance and strong and accountable institutions are crucial for poverty reduction and development effectiveness. That’s why the World Bank actively supports governments to become more transparent, more accountable to citizens, less susceptible to corruption, and better in delivering services.

- The Bank does this by working with ministries, agencies and departments of the executive branch on managing public institutions and finances better, and on broader governance issues, including the legislative and judicial branches and other institutions that promote public accountability and greater engagement with society.

- In the fiscal year 2012 (FY12), the Bank provided 11.4 percent of its lending, or approximately US$4.19 billion, to help countries improve the performance and accountability of their core public sector institutions.

- The Bank projects under implementation during fiscal years 2010-12 helped 28 countries strengthen their civil service and public administration systems, 27 countries in improving tax policy and administration, 57 countries in upgrading their public financial management systems, and 11 countries in enhancing their procurement systems.

The Bank’s work on governance and public sector management

To assist governments in their efforts to improve transparency, accountability and service delivery, the Bank’s work on governance and public sector management has two main focus areas. It helps strengthen public sector management systems within the executive branch, including the management of public finances and public employment. It also seeks to improve the broader governance environment within which the public sector operates, supporting institutions for public accountability, such as parliaments and offices of the ombudsman, and tracking improvements by measures of the rule of law, state legitimacy and trust in government institutions. Efforts to reduce the risk of corruption are prominent in both of these.

Improving public sector management (PSM) is ultimately about providing firms and households with better services, such as health and education. It’s also about managing infrastructure and other public investments which the private sector may be unable to finance or for which the private sector may be unwilling to bear all the risk. A better public sector means better regulation of social and economic behavior, such as food or road transport safety. In Cameroon, for instance, the introduction of individual performance contracts in the two largest customs offices led to a sharp decrease of port clearance time and a 22 percent increase in revenues in the first quarter of 2011 over the comparable quarter in 2010.

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Improving Country Assistance Strategies

The 2009 Country Assistance Strategy defined weak governance as a binding constraint to inclusive growth in the Philippines and committed the Bank to embedding more systematic approaches to governance challenges across the portfolio, and at each step of the project cycle. Political economy analysis was introduced at the pre-concept stage to consider governance risks and mitigation strategies for all new proposed lending operations.

Governance and anti-corruption considerations have been prominent in the design of conditional cash transfers, enhanced anti-corruption measures were introduced in the roads project, and just-in-time technical assistance on financial accountability was provided in the security sector, where recent high-level corruption scandals revealed fundamental weaknesses in internal governance and control.

“What works?” in PSM reform varies greatly between contexts and is significantly influenced by political and other stakeholder interests. In public financial management, the Bank has developed robust diagnostics and an extensive financial management toolkit to assist in preparing practical strategies which take these incentives into account. In public management and employment reforms, the Bank helps align the structure of government and individual incentives with service delivery objectives: reviewing the functions and management structures of public agencies; strengthening meritocracy in the recruitment and management of civil servants; and ensuring the long-term affordability of the public sector wage bill. In Malawi, for instance, reforms removed nearly 5,000 ghost workers from the payroll in 2011 – a number that could fund a 10 percent increase in the number of primary teachers employed.

The measure of successful PSM reforms is no longer simply the introduction of new laws and regulations. The Bank’s Public Sector Management approach emphasizes that success is to be found in what the public sector actually does - its behavior and the outcomes it produces – not its formal legal or organizational structure. Similarly, the Bank’s updated Governance and Anti-corruption strategy notes that improvements in the governance environment are assessed by results at the country level with transparency, integrity and probity strengthened throughout government, and by improvements in the responsiveness of Country Assistance Strategies and projects to the distinctive country context through governance diagnostics and risk assessments.

Managing risk and working with uncertainty

Implementing Governance and PSM reforms is an uncertain business. Different contexts require different solutions while evidence on what works where and why remains scarce. The Bank emphasizes continuous engagement with client countries and careful, problem-focused diagnostics to identify context-tailored solutions. It also draws on expert knowledge and research evidence to develop tailored solutions.

There is an inescapable risk in balancing the Bank’s mandate to reduce poverty—even in environments where corruption is endemic and fiduciary controls are weak—with that of ensuring financial probity. The Bank’s approach combines an explicit recognition of the inherent implementation and fiduciary risks involved in various operations up front; improved diagnostics to identify underlying problems and binding constraints; and greater flexibility in design and implementation planning.

Some Results

The Bank measures results in governance and public sector management at the country and the project levels. The challenge is to measure the performance of public management systems, focusing on indicators that capture the de facto behavior of these systems, not their de jure design.

- At the country level, the Bank’s 2012 corporate scorecard reports that Bank projects under implementation during fiscal years 2010-12 helped 64 countries strengthen their public management systems.
- In projects, during that period, 31 (67 percent) relevant Bank projects made a positive difference in civil service and public administration systems, 33 (80 percent) projects concerning tax policy and administration, 88 (79 percent) projects on public financial management and 15 (50 percent) of projects concerning procurement systems.
- In FY 2010 to 2012, on average, more than 10 percent of the Bank’s overall commitments were dedicated to public sector management and governance.