

# **Public Administration Reform: Lessons from International Experience**

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# Public Administration Reform

- In many developing countries (DCs), good progress has been made in liberalizing their economies and creating **enabling business environments for the private sector** – i.e., frameworks that would yield "incentive" and "control" systems for private businesses to operate efficiently in a free market economy.
- However, in many DCs little progress has been made in creating a similar favorable “**enabling**” **institutional environment for the public sector**.
- That is, many DCs have failed to adjust public roles/functions and to provide the "incentive" and "control" systems that would influence positively the **values and behavior** of government organizations to deliver superior government services.
- The simple definition of required reforms can be carried out by a small and capable group of leaders. But actual **implementation** requires a more extensive/comprehensive effort over time.

## .....PA Reform as a Precondition for Reforms

- Upgrading the capacity of Government institutions, both at the central and local levels, is necessary both (i) to improve the delivery of services to the people; and (ii) to **ensure the success of the implementation of other economic/social reforms**, programs and projects that the Government wishes to execute.
- **In fact, public administration reform is the reform that would facilitate the implementation of all other economic/social reforms.**
- But only 35% of about 120 PA reform programs in the world have been successful.
- Failures were due to lack of **political will** (no sense of urgency), lack of **leadership** (no reform champions capable of enthuse others), unclear reform **objectives** (lack of a compelling vision), failures to get wide **support** (poor communications), poor **management**, **conflicts** with vested interest and with informal rules-of-the game.

IMPROVE WELFARE  
(QUALITY OF LIFE)

HIGHER INCOME

LOWER UNEMPLOYMENT

LOWER INCOME INEQUALITY

HIGH RATES OF  
SUSTAINABLE  
ECONOMIC GROWTH

INVESTMENT IN  
EDUCATION,  
HEALTH AND  
ENVIRONMENT

PROTECTION  
OF THE POOR

*The Three Pillars  
of Sustainable  
Development*

FISCAL BUDGET  
RESOURCES

FOREIGN & DOMESTIC  
PRIVATE INVESTMENTS

PRODUCTIVITY  
GROWTH

IMPROVED BUSINESS ENVIRONMENT  
for superior profits and reduced risks

MACROECONOMIC  
POLICIES for Stable Prices  
and Foreign Exchange Rates

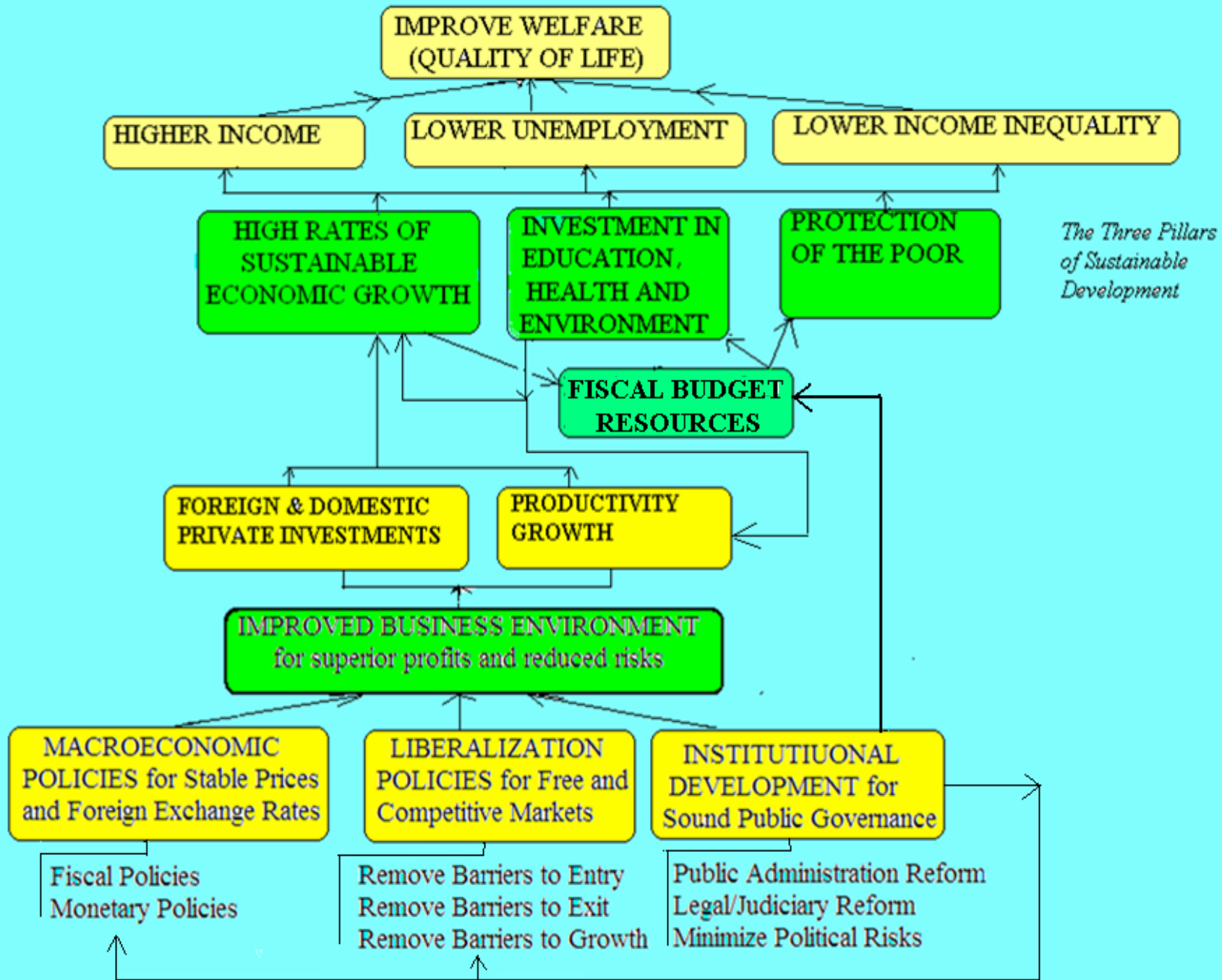
LIBERALIZATION  
POLICIES for Free and  
Competitive Markets

INSTITUTIONAL  
DEVELOPMENT for  
Sound Public Governance

Fiscal Policies  
Monetary Policies

Remove Barriers to Entry  
Remove Barriers to Exit  
Remove Barriers to Growth

Public Administration Reform  
Legal/Judiciary Reform  
Minimize Political Risks



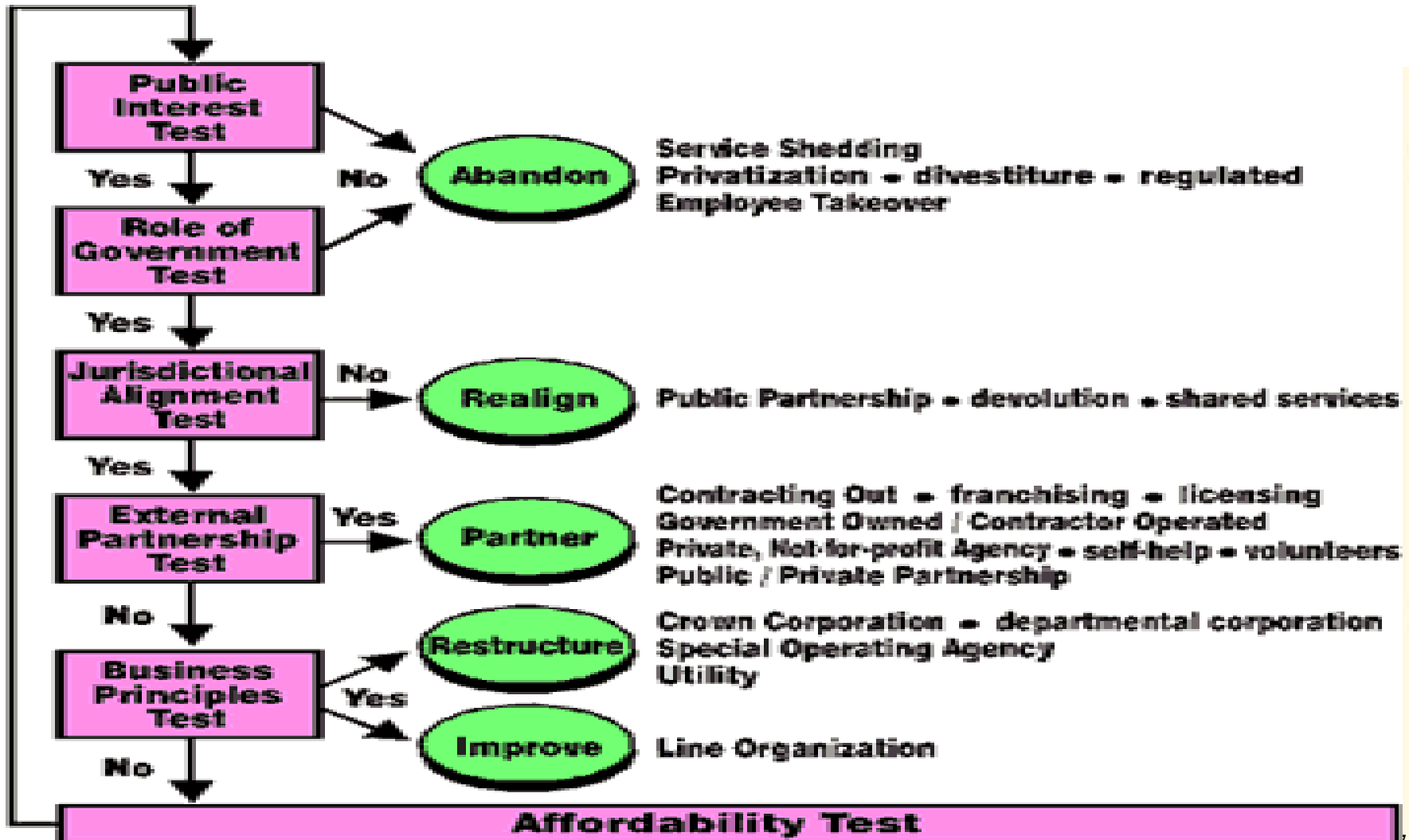
# International Experience: Canada

- By the mid-1990s, for decades Canada had developed a welfare state with expensive social programs that led to large fiscal deficits of 6% of GDP.
- During 1985-94, Canada tried to reduce fiscal deficits gradually while maintaining government programs (i.e., by limiting salaries & budgets).
- These public administration reform efforts were gradual and incremental.
- But they were also ineffective and de-moralizing.
- In 1995, a new PM decided to do “**urgent major surgery**” to carry out major changes in the government’s roles and size.
- The key to the success was that at the outset, the **objectives** of the reform were **agreed upon by stakeholders and civil society**: to reduce Gvt roles & expenditures to achieve a budget deficit of 3% of GDP, while improving the delivery of a more limited set of “core” government services.
- A **strong Central Unit** was created under the Ministry of Finance that would manage and coordinate the analysis and make recommendations to an Inter-Ministerial Committee with outside reviewers.
- The Central Unit decided to organize a comprehensive “Audit” of all government programs: all agencies were instructed to carry out a self-review of their own programs and operations.

## .....Canada

- Agencies were told that these Program Reviews had to be based on:
  - (i) target notional budget cuts of between 5% - 60% per agency; and
  - (ii) a pre-specified Questionnaire that contained only six questions for each pre-identified function/program:
    - (1) Is this program of clear "**public interest**" and is so why?
    - (2) Is there a strong case for a "**government's role**" in doing it?
    - (3) Can this be done better by other "**jurisdictions**" (the provinces?)
    - (4) Could this be done "**externally**" by a private sector/partnership?
    - (5) If kept, how can it be made more **business-like** & efficient?
    - (6) Is the program "**affordable**" & are there resources for it?
- Based on the responses from the agencies, the Central Unit identified and recommended to the Inter-ministerial Committee the following:
  - the set of government's "**core**" functions that should be retained and the "**reduced**" targeted allocation of budget resources to them.
  - Other essential "**non-core**" functions that should be delegated to local governments, subcontracted or privatized.
  - Other non-essential functions that should be eliminated.

# The choices that emerged in Canadian Program Review

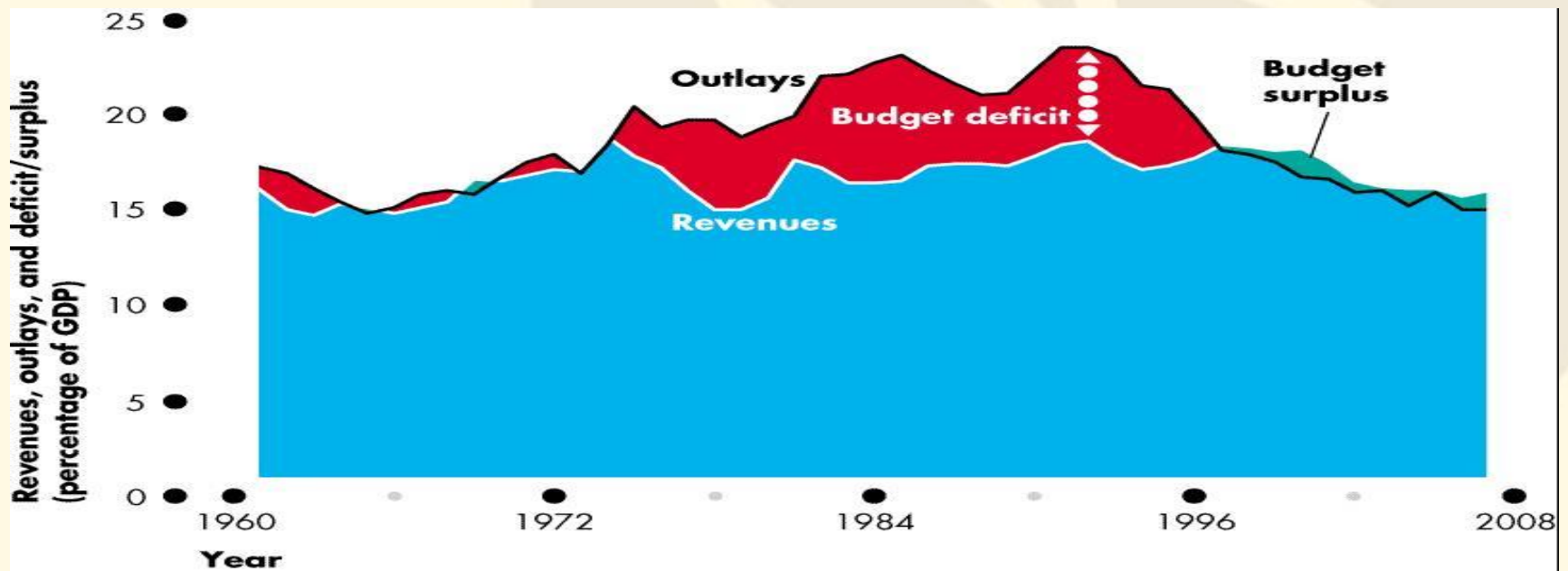
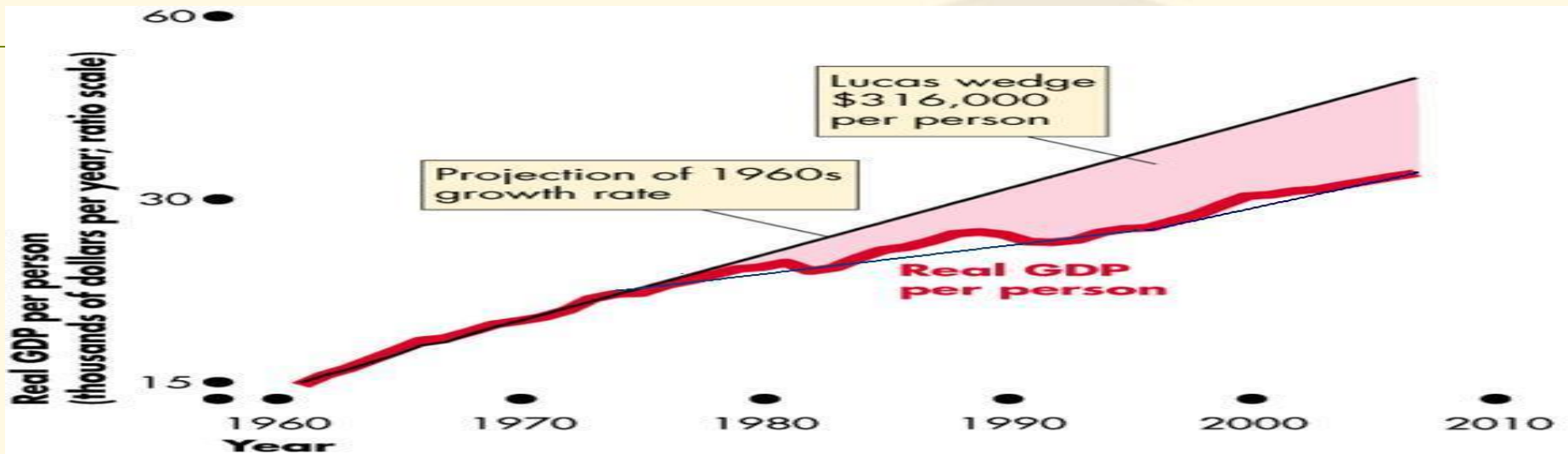


## .....Canada

- The reform measures included:
  - reducing the number of Cabinet Ministries from 35 to 23,
  - eliminating 73 government agencies/boards,
  - decentralizing, restructuring or privatizing 47 other agencies,
  - cutting/transferring civil service jobs by 18% (45,000 people)
  - ending agricultural and transportation subsidies, and
  - reducing state subsidization of the real sector by 60 percent.
- A further reform effort was initiated in 1997 to attract and retain skilled public servants.
- Subsequently, increasing emphasis was placed on:
  - developing performance-based fiscal budgets for agencies
  - incentives based on measurable and “contracted” performance
  - greater management flexibility
  - e-government, under which licenses, business registrations and similar tasks were done on-line.
- In two years, the fiscal budget was in surplus and consumer surveys showed that service delivery had improved.



# Canada's Government Budgets



# International Experience: New Zealand

- Before the mid-1980's New Zealand was overregulated and growing slowly. It had large fiscal budget deficits and declining exports.
- In 1985, a "**long-overdue**" reform of public administration was done to:
  - support a free-market economy and reduce government regulations,
  - greatly reduced the "core" government sector, and
  - improve government's financing, effectiveness, efficiency, accountability, transparency and consistency.
- The reform envisaged the following:
  - (i) Reaching a **wide consensus** on a redefined the role of the State: the State should do and fund only those activities relating to the exercise of its constitutional and coercive powers and those "public good" activities where it has a comparative advantage without duplicating or competing with the private sector;
  - (ii) Clear specification of each agency's function based on clearly defined "**programs/projects**" whose performance could be "measured" (every State agency should have unambiguous and transparent purposes, while significant functional conflicts should be exposed and eliminated);

## .....New Zealand

- (iii) Promote more effective management and allocation of public resources, delineating the “**Core State**” (central executive bodies) and the “**Non-core State**” (based on new independent agencies, semi-autonomous entities and regional authorities)
- The restructuring of core ministries had the objective of forming departments whose “**programs**” **could be quantitatively measured** and its performance assessed and rewarded on the bases of agreed upon Performance Agreements.
  - Compensation to civil service staff was based on actual results as measured by the Performance Agreements.
  - To facilitate performance measure, within each core ministry, different departments were created to separate the functions of:
    - (1) Making and Implementing **Policies** (e.g., fiscal policies, monetary policies, analysis of required reforms),
    - (2) **Service Delivery** (e.g., security, defense, diplomatic services, infrastructure, social services, legal, etc),
    - (3) **Regulatory Functions** (e.g., regulation of utility prices, procurement, auditing, personnel).

## .....New Zealand

- In defining and grouping the departments, elements of **competition** were introduced (e.g., not one but two competing departments providing similar services, such as sanitary meat inspections).
- Operational managers gained more **flexibility to manage**, and to exercise strong decentralized powers
- **Employment** in the central government was reduced from 88,000 to 37,000 over five years (by transferring and retiring staff).
- The Civil Service was reformed with the creation of a **Senior Executive Service**, whose members could be transferred around ministries, departments and entities, and trained for senior management positions.
- Legislations was passed to abolish **civil servant status** for public employees, who became covered by the general labor law.
- About 2,700 state-owned companies were either transformed into commercially driven corporations or were privatized.

# International Experience: Ireland

- After two failing public administration reforms, a third reform was introduced in 1994 to **accelerate growth** by improving the investment climate and service delivery. Fiscal budget issues were not major goals.
- Six initiatives formed the core of the 1994 reform:
  - (i) simplifying administrative processes and procedures by eliminating a large number of regulations and licenses;
  - (ii) improving quality of public services by giving more **discretion and freedom to agencies** to respond to public needs based on tradition while reducing the number of written rules;
  - (iii) introducing greater **accountability** by improving information, communications and transparency;
  - (iv) introducing new approaches to **human resource management** by developing better hiring, promotion and firing practices;
  - (v) introducing more effective **financial management** by setting clear and transparent accountability rules; and
  - (vi) making better use of **information technology** to meet business and organizational needs.

## .....Ireland

- Also, a new program, “**Reducing Red Tape**” was introduced to further eliminating paper work and increase efficiency, transparency and accountability, based on internet e-government initiatives.
- To oversee the reform process, the government appointed **nine top-level civil servants** from different departments to serve on the **Steering Group**.
- This high-level group was itself supported by **specialized working groups** of senior officials and experts, from both the public and private sectors, focusing on particular actions or issues.
- A strong judicial review mechanism promoted reforms and quality of **public governance**
- The program has been quite successful in improving the business climate in Ireland and delivering government services: Ireland was able to attract significant amounts of foreign direct investments.
- In less than 2 decades Ireland went from being one of the poorest in Europe to having the second highest income per capita in Europe.
- However, excessive and inappropriate lending by local private commercial banks and inadequate bank supervision led to the 2008-2009 financial crisis.

# International Experience: Poland

The major problems that triggered Polish reform of public administration in 1998 were the following:

- highly **centralized decision-making** with direct central government participation in decisions on a variety of local level issues,
- the **central administration was also involved in the control** of “decentralized” local entities through a broad range of regulations,
- a highly centralized system of **public finance** that envisaged financing of all budget-funded entities out of state budget;
- **unclear delineation of responsibilities** between different levels of government; with conflicting priorities of state and local authorities;
- low **public participation in the process of policy development** and formulation;
- low **accountability** of public administration to the public;
- huge **network of public administration bodies** that sometimes contradicted the principles of territorial differentiation;
- **weak delivery of public services.**

## .....Poland

- **The major public administration reform of 1999 made the central ministries responsible only for policy and strategy, with decentralization of service delivery to territorial self-governments** (the Act on Branches of the Government Administration of 1999).
- Functional and operational reviews eliminated complicated administrative regulations and procedures at various levels of government.
- They also reformed the system of **public finances**, with local governments receiving own source revenues, shared taxes and general transfers from the center.
- The monolithic structure of the state administration was replaced by a decentralized model that **clearly separated** local/regional affairs from national affairs of “countrywide character”.
- The main principle of decentralization was that the resolution of all social problems should be done by **committees of local communities** based on territorial, cultural and economic ties.
- The central government intervened in situations when the problem could not be solved in the community, due to the problem of scale or problem of coordination with other communities.



## .....Poland

- In the 1990's, about 100,000 central staff were fully transferred to local governments. Nevertheless, the **central government still retained** some authority over these staff, including appointment rules.
- The outcome of decentralization was a public administration that looks like a classical pyramid: **the basic tiers** are in charge of everyday matters focusing their activity on the delivery of basic social services to the public; and **the top tiers** of administration were concentrated on policy, strategic, and general problems of the country's development.
- **Local affairs** were entrusted to **municipalities** ("Gminas"), the basic and the most important level of public administration. More than 2,500 Gminas were established in Poland.
- It was here that the most important collective needs of local communities were met: they are now responsible for local transportation, social welfare, water and sewerage, public health, nurseries, primary education, sports, libraries and culture, housing, parks, fire protection, etc.

## .....Poland

- Each Gmina was run by democratically elected councils which established management boards with executive powers.
- 370 **Provincial governments** (“Powiats”) are responsible for secondary education and other services that extend beyond the municipality borders.
- Regional affairs were entrusted to 16 **Regions** (“Wojewodztwa”), the largest administrative unit in the sub-national organization of the state, with its head appointed by the Prime Minister.
- The Executive bodies of the Regions (Wojewodztwa) took responsibility for university education, major hospitals, regional roads, maintaining public order and environmental protection within their jurisdiction.
- The **Central government** retained responsibilities to decide on strategic matters and to develop national policies.
- Decentralization has moved ahead, **but checks have been put in place:** fiscal budget decentralization is considerable, but program standards place restrictions on how the money is spent; staff have been devolved, but the interests of unions have been preserved through appointment rules. **Some of these restrictions have created political tensions between govt. levels.**

# International Experience: Brazil

- In the mid-1980's Brazil was facing:
  - Excessive **centralization** of the federal government
  - **Arbitrary and non democratic** formulation and implementation of public policies and programs by dictatorial governments
  - Exclusion of important segments of the Brazilian population from **access to public services** and social policies
  - **Unresponsiveness of public policies** and government agencies to people's needs
  - Lack of **social control, evaluation and accountability**.
- Two factors motivated the government to change in the late 1980's:
  - the **democratization process** after 20 years of dictatorship which led to decentralization to sub-national governments, particularly municipalities under the Constitution of 1988 - the new role of municipalities required new institutions and practices; and
  - the 1980's **fiscal financial crises** which affected the capacity of the federal government to meet the country's demand for social services.

## .... Brazil

- The central government changed its role from provider of civil employment to facilitator of local and private sector development.
- These factors led to more democratic and **participatory mechanisms** to set public policy and to seek more efficient ways to deliver services.
- Starting on 1995, Brazil undertook:
  - a further civil service reform to **downsize staffing** and enhance skills, and attract more qualified staff,
  - **functional reviews** to define more clearly government functions and separate functions among different agencies,
  - reductions in the **government's role** as provider of services,
  - Improvements in operational efficiency through **more managerial flexibility**, use of performance agreements and use of IT,
  - A **reformed budget management**.

## .....Brazil

- This process was **managed centrally by a single new entity**: the Ministry of Federal Administration and State Reform. This ministry had extensive authority but was supported by an inter-ministerial task force.
- It also made extensive use of **change management approaches**, including coalition building and networking and other consultative mechanisms including academic networks (Brazil's **CONFAZ** – Council of Secretaries of Public Administration of the Federated States, is one of the most successful examples on this consultative mechanism).
- These consultative mechanisms were useful for **cross-fertilization and to spread best practices among states and municipalities**.
- As a result, increasingly sub-national governments **set the pace of PA reforms** with modernizations occurring bottoms-up in areas such as creation of autonomous agencies for service delivery, one-stop shops for all paperwork (IDs, birth certificates, drivers licenses, tax documents, etc), introduction of performance-based systems, introduction of e-government, etc.

# International Experience: Russia

- Russia's public administration has been more appropriate for a command rather than **market economy**. The number of civil servants was not large, but decision-making/functions were out-of-line with a market economy.
- In 2000, Russia initiated a comprehensive and complex PA reform that included institutional reform, civil service reform and budget reform.
- The initial efforts were concentrated on **fiscal budget reform**, with little progress in institutional and civil service reform.
- In 2003-2004, Russia undertook a major program of **Functional Reviews on a very centralized and non-participatory manner**:
  - The Government undertook functional reviews of 5,000 functions of federal executive bodies, of which 800 were found redundant, 350 were duplicative, and for 500 function major efficiency gains were possible
  - Based on these FRs, a new government structure was designed and approved by the President in 2004, under which government agencies were grouped into three categories: agencies responsible for policy development/legal regulation, those responsible for service provision, and those responsible for control and supervision functions.

## .... Russia

- In 2004-05, the implementation plan called for the centralized issuance of needed legal and regulatory acts, establishing maximum staffing and payrolls per agency, and draft regulations
- Functional Reviews were also started in five regional governments using a similar methodology to the central FRs.
- **But very few these reforms have been actually implemented.**
- Under a recent Administrative Reform Concept 2007-2008, the government wants to carry out implementation and give emphasis to performance management, service delivery standards, and transparency.
- The same concept paper envisages that budget allocations will reflect outcomes measured by performance indicators and service delivery.
- To implement the program, the government established an Interdepartmental Commission and envisages the participation of federal ministries and the office of the President. The Commission was chaired by the Deputy Prime Minister.
- So far, the process has been centrally managed, and little results are evident in the field. So far, the PA reform has just produced tons of paper.

## .... Russia

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- One of the issues is that there is still little involvement of civil society and local authorities.
- For the future, following the example of Brazil, the Commission intends to make greater use of change management approaches, including networking and coalition building (to identify and nurture change champions), interactive training and knowledge exchange meetings, rotation and placement schemes, etc.
- However, the reform process still:
  - lacks a sense of urgency (as the country's economic and fiscal situation is strong),
  - lacks leadership with the administration preoccupied with other matters,
  - lacks clear goals and benchmarks for progress,
  - lacks involvement of the participatory agencies.



# International Experience: Moldova

## Moldova Public Administration Context:

- A politicized, bureaucratic and centralized civil service;
- Excessive government staffing levels;
- Lack of focus on core functions;
- Low salaries;
- Low motivation and productivity among personnel;
- A failure to attract the best personnel;
- High levels of corruption;
- Limited accountability;
- Failure to separate functions – e.g. policy and service delivery;
- In 2006, the President announced the need to reform the administration and cut civil service by 70%, but many doubted the Government's seriousness.

## .....Moldova

### Coverage of reform and resources

- In less than 6 months, the government did a complete horizontal and vertical review of 160 central public administrative agencies and 63 de-concentrated agencies and public enterprises.
- All managed by a Project Director, a Team Leader and 7 international experts covered 5 ‘Sectors’ which were further divided into 29 ‘Blocks’:
  - Justice, Home Affairs & Security;
  - Agriculture & Environment
  - Health, Education & Culture;
  - Economic Development (actually miscellaneous);
  - Governance (Centre of Government) & Public Finance
- Employed 25 local consultants in teams organized as above;
- Needed a pool of 25 translators and interpreters.

## .....Moldova

### Key issues and risks

- The methodology endorsed by GoRM was well-proven internationally and tried to be adapted to the Moldovan context.
- But strong central control and micro-management of the process led to limited stakeholder engagement.
- Therefore, the process was unable to gain commitment and ‘buy-in’ from key Ministers and stakeholders, who boycotted it;
- It was also done too fast, with unreasonable time pressures; but it was difficult to persuade GoRM to phase over time the program;
- Also, there was insufficient absorptive capacity for the large scope and scale of the emerging recommendations;
- Ministries felt threatened (fearing loss of power), and many initiated their own “internal” reviews to delay the process;
- There was a lot of fear of downsizing implications (retrenchment);
- There were significant new reporting and performance issues;

## .....Moldova

### Lessons from the reform:

The reform produced only limited results, because:

- The government did not allow sufficient time for the exercise;
- Communication and consultation are vital but were ignored: GoRM did not take this seriously. Stakeholders felt marginalised and were not real participants in the analysis and recommendations;
- Feedback workshops are essential but they just paid ‘lip service’ to two-way consultations;
- Political announcements before or during process (e.g. need to reduce civil service by 70%) led to scepticism;
- There was not a good change management plan with the Government to manage and mitigate inevitable resistance;
- Government agencies did not ‘own’ implementation plan after the initial agreement on recommendations.
- In late 2009, GoRM re-started the process of PA reform and is now proceeding slowly but with broader participation ([www.rapc.gov.md](http://www.rapc.gov.md))

# International Reform Lessons

## Reform Support and Government's Role

- There must be a sense of “urgency” and strong incentives for implementation (such as the need to reduce fiscal deficits in Canada).
- This means that “realistic” goals of the reform must be “quantified”.
- There must be strong leadership, political commitment and “ownership” of the reforms by all stakeholders and agencies.
- At the outset, there should be a comprehensive program to build civil servant support, interest, capacity and training on the approach and techniques for PA reform.
- The reform should be implemented internally.
- The government should seek broad consensus by other key stakeholder for the PA reforms and seek national agreement on a Plan of Action for implementation of the PA reform.
- Popular “pressure” for reform will also help to provide impetus to the reform.

## .....International Reform Lessons

- For this there must be broad engagement of civil society in the design and implementation of the reforms, which means that there must be:
  - close grassroots consultations and feedback from all groups of society.
  - information disclosure and transparency (to the press, businesses, unions, students, civil service) and greater accountability.
- There must also be broad acceptance that a gradual reform is more painful than a more comprehensive and drastic one: attempts to strengthen individual institutions in a given sector may fail because of factors such as low civil pay scales go beyond a given sector.
- Nevertheless, if there is no broad consensus and leadership for a comprehensive and drastic PA reform, a second best option is to reform gradually taking any windows-of-opportunity as they emerge: i.e., concentrate on those agencies/programs where there is "urgency" for reforms, and leadership to carry it out.

## .....International Reform Lessons

### A Review of Government Functions/Roles is Critical

- Horizontal and Vertical Functional Reviews should be based on clear objectives with budget/resource ceilings for the agencies.
- Ideally, budget/resource ceilings for each agency should be set on the basis of Public Expenditure reviews focused on **programs** not entities.
- The process must promote strong client orientation: The functions/roles of the staff in close contact with the clients must receive special attention.
- The work must be carried out in partnership. It should be done by:
  - a strong central group to manage, coordinate and recommend changes,
  - each government agency to make its self-analysis of its functions based on a clear guidance prepared centrally and with the participation of the staff of the agencies.
  - The reviews should not be delegated to outside consultants. External technical assistance could be useful only to identify and benchmark with best international practices.
  - Outside interested groups of the society to participate continuously in the process to provide feedback.

## .....International Reform Lessons

- The new structure of government should:
  - provide for a clear allocation of mandates, responsibilities, and accountabilities, avoiding ambiguity;
  - It should be based on programs, not “departments”;
  - ideally only one agency should be responsible for one function or program avoiding over-lapping and duplications;
  - provide appropriate spans of control for each agency;
  - be simple and robust, with basic principles clear to everybody: each agency functions should be clear and related in some way.
  - provide appropriate accountabilities and checks-and-balances
- The functions for each agency should be grouped into categories:
  - (i) policy formulation and implementation and analytical reviews;
  - (ii) public service provision; and
  - (iii) regulatory and control activities.



## .....International Reform Lessons

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- The presumption is that
  - (i) policy formulation, regulations and controls should remain as central government functions,
  - (ii) revenue-generating activities in competitive markets should be privatized or executed under public-private partnerships;
  - (iii) revenue-generating activities in non-competitive markets, if retained by government, should be moved into corporation form; and
  - (iv) other service delivery should be decentralized to local governments.
- In defining functions/programs, greater competition in the provision of government services should be considered, for example, by permitting open enrollment in schools or health clinics; or by establishing more than one Government agency providing a service in competition among them.

## .....International Reform Lessons

- The Functional Reviews should include a medium term implementation plan -- “Restructuring Plan of Action” - with clear benchmarks for the achievement of quantifiable performance goals for the programs, with allocation of responsibilities and timing.
- The Implementation Plan should contain proposed actions to (i) improve policy formulation and implementation; (ii) improve the delivery of services; and (iii) eliminate unnecessary regulations and regulatory agencies. It should also include a "Quick Wins" program.
- The Functional Reviews should also include the preparation of an “Inventory” or “Central Depository” of (i) public policies, and (ii) regulations and controls that are retained in the role of each agency.
- The Functional Reviews should include a precise estimation of budget resource requirements for “each” of the proposed functions of the re-defined agency, staffing tables, and Job Descriptions for key senior staff (this link between resources and functions will also be reflected in the budgets for future years).

## .....International Reform Lessons

### Operational Reviews should follow the Functional Reviews

- Operational Reviews should include the review of the **internal processes and procedures** by which (i) policies are formulated, decided upon and implemented; (ii) services are provided; and (iii) regulations are considered, reviewed, and implemented.
- Open and transparent processes should be developed to define agency outputs, performance and costs, and to measure, monitor and publish them widely.
- Measures of performance and output are needed to improve information for accountability. In the absence of a market test, transparency and openness of information and public processes are the best ways to ensure accountability for performance.
- Agency management should be held accountable through "open files" involving the publication and monitoring of such information.
- Lack of performance should be meaningfully penalized, including dismissal of those responsible.

## .....International Reform Lessons

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- Use of other competition surrogates -- particularly "voice" (the active participation of clients, users and beneficiaries in agency's activities) and market contestability should be encouraged.
- Emphasis should also be given to enhanced accounting and auditing processes in the public sector through changes in laws and procedures.
- Improving information transparency and openness will also be an important weapon to combat corruption, which is a major cause of distortions in public sector behavior.

### **Civil Service Reform should be the third step**

- The reform should include the development of "incentives" and "control mechanisms" to encourage the public sector employees to operate effectively with minimum supervision

## .....International Reform Lessons

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- Incentives and controls should encourage sound job, performance, hiring, promotion and separation of employees.
- The merits of a Senior Executive Corps, modeled after the US Government's SES or the New Zealand's Senior Executive Service, should be considered as a short term solution; under this approach in return for higher salaries, job security is given up.
- Non-monetary incentives should also be enhanced; in particular, the perceived stature and professionalism of Government employment should be strengthened by involving employees in setting objectives and work programs, by providing them with sufficient autonomy and accountability to produce the expected outcomes, participating in training programs.

## .....International Reform Lessons

### **Decentralization should be a key factor in the reform program**

- Decentralization of key social services (health, education, housing, etc) should be a fundamental aspect of the reform as the proximity of authority to service delivery will improve accountability and transparency.
- When the services are managed closest to the users, they will be more inclined to pay for the services. This is the case for most basic services, such as water, sanitation, education, health, etc.
- However, decentralization is one of the institutional reforms that may have the highest potential for failure, principally through conflicts among levels of responsibility, authority, and financing.
- Therefore, decentralization may be ill-advised and fail, if it is not carried out in a comprehensive manner. To be successful, decentralization should include the following:

## .....International Reform Lessons

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- A precise and clear definition of the functions, authorities and responsibilities transferred to local levels.
- A clear identification of the local entities at the lowest possible level that would received the delegated functions.
- The mechanisms to provide adequate financing, technical assistance, and management training to enable local agencies to assume effectively their new responsibilities.
- Local governments should also undertake functional and operational reviews to redefine functions, eliminate functional overlapping, and improve operational efficiency.
- Local governments should be made responsible for the decentralized staff, including their performance and evaluation, and should be able to reallocate them.
- Local governments should be able to manage its financial resources, including control of civil service wages and numbers.

# Public Administration in Ukraine

- Despite many attempts to improve public administration in Ukraine, it still remains a problem.
- Deficiencies in public administration are still the main constraints to the implementation of social and economic reforms in Ukraine.
- These inadequacies include an excessive number of agencies with unclear roles, overlapping responsibilities, coordination problems, cumbersome decision-making with multiple consultations, and excessive government interference in productive activities.
- In fact, few social and economic reforms will be successfully implemented unless the public administration is reformed first.
- This is the reform that will facilitate the implementation of all other reforms.
- It is clear that government institutions have not yet adjusted to the requirements of a free and competitive market economy.



## .....Public Administration in Ukraine

- They retain many of the features of a command economy.
- In particular, many institutions are quite closed to the public, with very little transparency on their activities.
- Without transparency, they are not accountable to taxpayers.
- Furthermore, until the reforms announced recently by the President, too many ministries and state committees were responsible for the similar government functions.
- For example, an issue such as seeking agreement of a free trade agreement with the EU involved too many institutions, including the ministries of economy, the ministry of finance, the ministry of foreign affairs, and a number of state committees.
- In Ukraine, there were about 70 ministries and state committees with autonomous roles. This was excessive and led to fragmentation of government functions.

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- As a result of overlapping roles and functions among institutions, the responsibilities and accountability of individual public institutions are not well defined. The boundaries of power are blurred.
- Therefore, the design and implementation of every reform requires a lot of coordination, committee meetings, many signatures, etc.
- Furthermore, in many of these meetings, instead of coordination, there is a lot of competition among the agencies.
- As a result, things are just delayed or not done at all: Ministers report often that they did not know what happened to their decisions.
- This lack of capacity to operate efficiently – due to overlapping of functions -- has **led the top leaders of the government to centralize decision-making** at the top level of the cabinet of ministers, putting aside the central ministries and agencies.
- Indeed, this centralization of decision-making may ensure that decisions are made more expeditiously at the top.

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- But if this is done with little participation of the key people in the agency that would have to implement these decisions later on, then without their involvement in the decision making process, there will be little commitment and dedication to follow up on implementation later on.
- Just giving “orders” will not work. But even if there is a willingness to implement the reform, the excessive number of agencies with overlapping responsibilities and competition among them among them makes implementation of any decision a very slow process.
- Administrative corruption, with strong vested interests, also makes implementation of any change of the status quo quite difficult.
- As a result, the government could be good in defining and deciding on what needs to be done, and what reforms are needed to encourage economic and social development.
- But at the lower level of the institutions, there is either a lack of capacity to act expeditiously, or a lack of commitment to implement the reforms.
- The good intentions of the top are rarely implemented at lower levels.

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## What reforms are needed?

- The key reform is to de-sovietalize public institutions.
- There is a need to adjust their functions, organizations, management and decision-making to be compatible with a free and competitive market economy.
- A free market economy functions on the basis of “incentives” (possibility of rewards) and “control mechanisms” (competition).
- In the public sector, there is a need to create a similar “enabling” environment, with “incentives” and “control mechanisms” that would induce them to act in the best interest of the country.
- Under this structure, it may then be feasible to effectively transfer to a single public institution the overall responsibility and accountability for the design and implementation of policy reforms.

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- At the same time, there is a need to transfer many of the current government responsibilities to local authorities together with adequate fiscal budget resources. Local authorities are closer to the final beneficiaries, who can exercise better control over the authorities, particularly if they are elected by the community and not centrally appointed. Local authorities must be given a stronger spending power and should be more vocal on issues important to local communities.

### **What steps are involved in public administration reform?**

- First, since it is not feasible to reinvent the entire system overnight, there is a need to develop **a medium term program** of public administration reform, where the sequence of steps are clearly spelled out and placed in a time-bound frame.

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- A second step should be to have a national agreement about the proper role of the government.
- There should be a strong mandate that the government's main job is to support private sector activities, and not to compete with it.
- Its role should be limited to non-commercial activities, to the provision of necessary “public” goods (goods not undertaken by the private sector), and to the provision of necessary regulatory services.
- All commercial revenue generated functions should be privatized or seconded under public-private partnerships.
- **Third, a “horizontal functional review”** should be undertaken to eliminate overlapping functions and responsibilities across agencies, making them leaner, more efficient and more accountable for well-defined functions.

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- This horizontal review should follow the principle that one agency is whole responsible and accountable for a well-defined government program or function. Decision-making, implementation and accountability should be placed in one single entity.
- A first step has already been taken by reducing the number of ministries and placing the autonomous state committees under them.
- **Third, a “vertical” functional review** should be undertaken for each agency, starting with the main ministries, to define roles, eliminate unnecessary functions, privatize some of them or transfer them to local authorities, together with their corresponding fiscal budgets.
- This vertical review should eliminate the overlap of responsibilities between the COM and individual line ministries, and to devolve functions (including policy administration and implementation) to the line ministries.

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- In this vertical review, it is necessary to ensure that key players in the institution are “engaged” in the decision-making process and become committed to their implementation.
- **Fourth**, once the functional reviews had been completed and new organizational set-ups established, **operational reviews** of all ministries and government agencies should be done to:
  - simplify their *modus operandi*, including improvements in internal processes, practices, procedures, and decision-making;
  - separate policy formulation and analysis from policy implementation to make the government decision-making process more effective,
  - establish legislation and clear procedures to improve transparency of government information, making any non-national security information freely available to the public,



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- improve Government procurement procedures, and
  - implement large-scale simplification of regulatory procedures (through regulatory guillotine mechanism, for example) in order to eliminate many obsolete and unnecessary supervisory functions performed by government agencies.
- **Fifth, a civil service reform** should be implemented to ensure that the right people are recruited and trained and that they will operate under appropriate “incentives” and “controls”.
  - An important step is that the “incentives” should be linked to the adoption of clear performance targets and performance evaluation procedures (including a clear certification system for personnel hiring, payment and advancement linked to good performance and dismissal rules for civil servants.)

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- The “control systems” would be facilitated by full disclosure of information and transparency.
- A strong anti-corruption program is needed to eliminate corruption, based on preventive as well as coercive measures.
- **Sixth, decentralization** to local governments should be pursued.
- Decentralization will bring decision-makers into closer contact with the intended beneficiaries (improving information and shortening the political feedback loop) who can now exercise control over performance.
- Decentralization will increase opportunities for local initiatives and reduce internal communication and decision-making costs.
- But inadequacies in revenues transfers may create tensions as local authorities are still dependent on central funding.
- Decentralization of government services to the lowest levels will improved cost recovery with local councils establishing most utility tariffs.

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## Long term strategic Planning

- The government must also pay much more attention to long-term strategic policy making.
- For this, the government must strengthen its capacity to design and implement medium-term economic programs.
- In addition, the government must be committed to its long-term policy targets by reporting periodically on government's progress.
- This work will considerably boost transparency and accountability of the government.
- To do this auditing work, an independent agency should be created.
- This agency will (for example, the Office for Budget Responsibility (OBR) was formed in May 2010 in the United Kingdom to make an independent assessment of the public finances and the economy for each budget and pre-budget report).