



Challenges of re-building public sectors in fragile states

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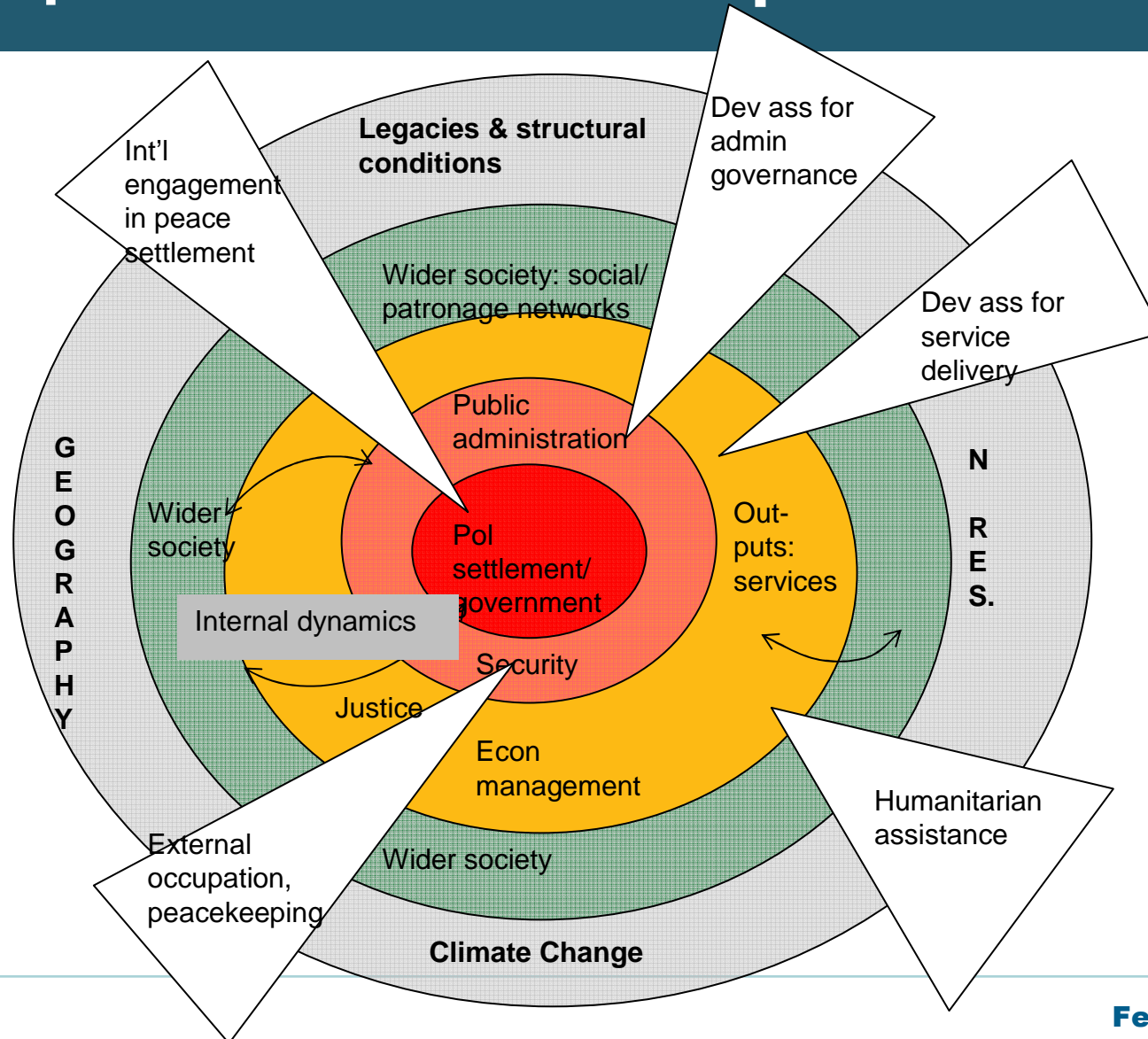
World Bank Public Sector Governance Group

Current state-building efforts vs. earlier state-formation

- Current state-building efforts different from historical trajectories
- Unprecedented availability of institutional models and of model transfer efforts
- High expectations
 - Service delivery
 - Economic management
 - Managing integration with the global economy
 - Effective, modern public administration



Public sector governance is one element of a wider process of state and peace building



Building states with 'good enough' public sector governance?

Frequently, states being re-built are patronage-based rather than 'modern/Weberian' (e.g. Cambodia, Afghanistan)

- Corruption can become a major problem in the context of post-conflict interventions (TIRI)
- Concentration of power vs checks and balances
- Pressures to accommodate patronage and fragile political settlements in public sector governance
 - To maintain buy-in from potential spoilers
 - To lessen pressures from unemployment



Accountability weaknesses

- States affected by (risks of) conflict and instability often have significant weaknesses of state capacity
- *Formal* accountability arrangements can vary considerably (more democratic vs. more authoritarian regimes)
- ... while *effective* accountability is often low/declining – i.e. politicians and bureaucrats frequently act in self-interest
- The international community (aid + diplomatic) has struggled in many of these situations to enhance state capacity & to improve effective accountability

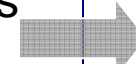


Two dimensions of state capacity

- Capacity to take decisions



Political arena: clarity of constitutional arrangements
Acceptance of existing rules of the game across elites vs. continuous contestation

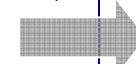


Can be a key weakness in MICs as well as in LICs

- Implementation capacity



Quality of the bureaucracy – level of education of bureaucrats, institutional capabilities, strength of meritocratic principles
Fiscal resources
Legacies of stateness – pre-conflict levels of service provision



IC in MICs > in LICs (generally)
But can erode/stagnate due to political stalemate & conflict
Progress on meritocracy is v. challenging



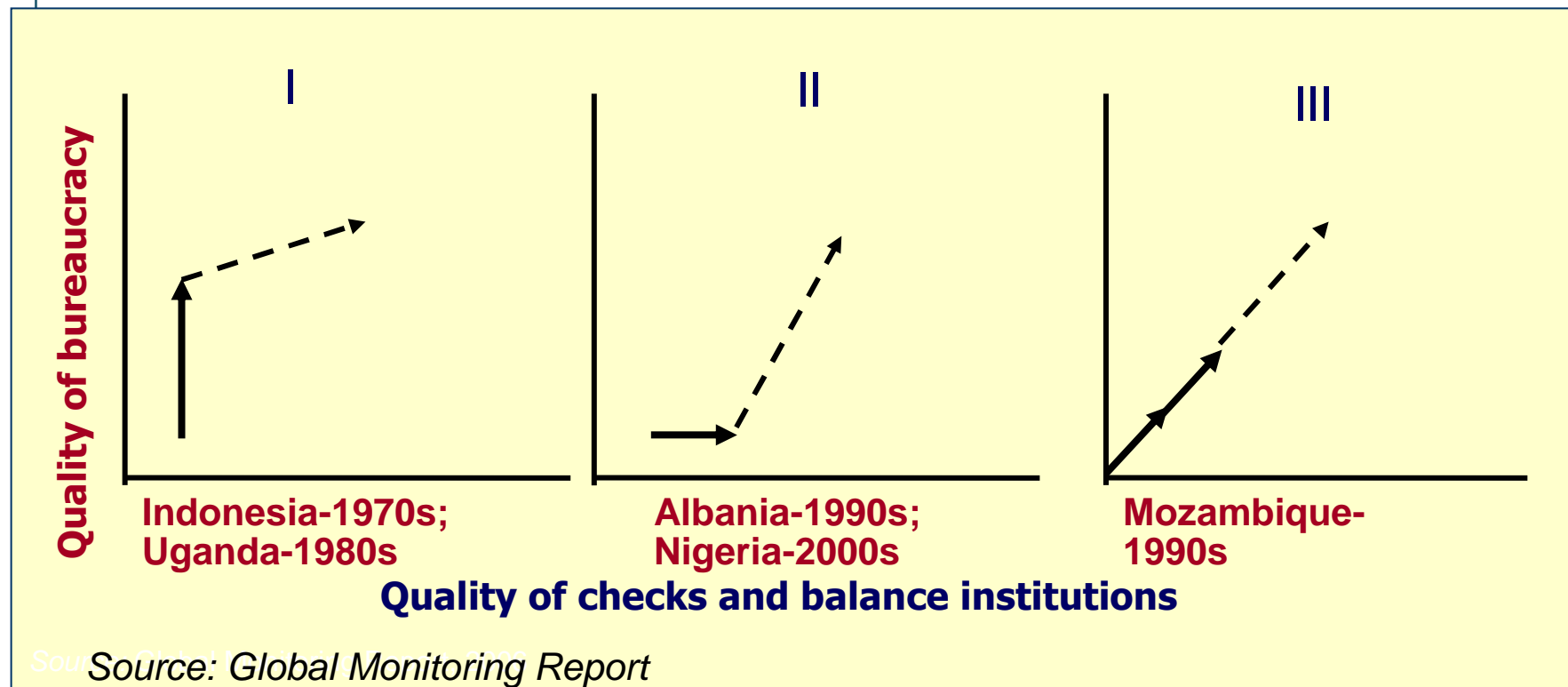
Working on implementation capacity – but links to the political level

- Work of WB and other DPs is primarily focused on the administrative dimension of state capacity & on particular policies (PFM, CSR, TAX)
 - Less on capacity for policy analysis and policy making
- But PSRs/efforts to strengthen state capacity and accountability are closely related to the political dynamics of fragility/conflict and state-building
- This requires analysis of the country context as well as of the specific dynamics within reform areas
 - Analysis & continuous monitoring rather than only a one-off effort
 - Continuous reflection about implications for planned/ongoing operations



Countries differ in trajectories in building capacity & accountability

- Trajectories are driven by political forces
- Some countries have strengthened bureaucracy (e.g., PFM) before broader checks and balances; others have done the reverse



What and how to prioritize?

- What to prioritize?
 - Balancing state capacity and accountability
 - Focusing on state-capacity vs. outsourcing
 - Building central government capacity and power vs. decentralization
 - PFM/CSR, controlling corruption, ensuring service delivery, re-building infrastructure, security etc.?
- Who sets priorities?
 - Government/client agencies (and various groups within government), development partners, wider international community, citizens, ... → may have conflicting and/or uncoordinated priorities
 - How to 'market' core governance reforms to political leaders?

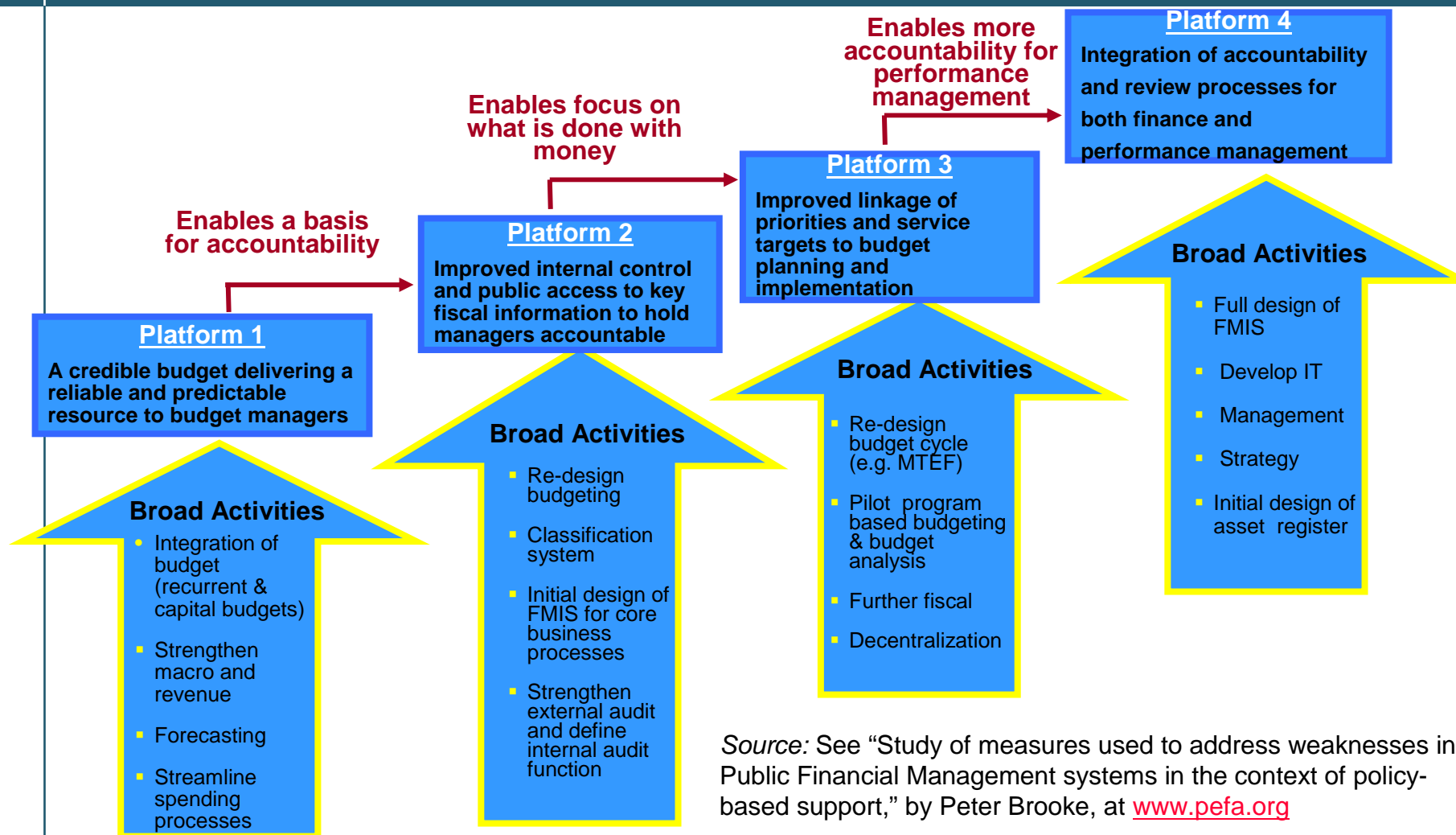


Sequencing PSG reforms: emerging key principles

- A primary driver of sequencing is country context – political momentum at country level
- Sequencing *within* various areas/aspects of public sector governance – rather than between
- Avoid doing harm
 - OECD principles on engagement in fragile states -- avoiding over-ambitious reforms not suited to fragile states
 - Balance state strengthening and engagement with the demand side (promoting a constructive relationship)
 - AC may not be a priority, but stoking corruption through massive reconstruction fund inflows should be avoided
- A challenge to be met is combining modern systems and (semi-)traditional structures



Sequencing within PFM – a platform approach



Source: See “Study of measures used to address weaknesses in Public Financial Management systems in the context of policy-based support,” by Peter Brooke, at www.pefa.org



Within sequencing CSR: early priorities (tentative)

- Civil service re-building:
 - Ensure that salaries are being paid
 - Harmonize with other aid providers on a system of paying top-ups/incentives for returning expats, int'l expats in line positions, etc.
 - Understand drivers of civil service expansion → is there any chance of at least channeling such a process to avoid 'missing middle' & to get some quality control
 - Attention to basics: e.g. basic planning, accounting, budgeting skills – with a 5+ years time-horizon



Operational experience: (re-)building public sector governance

Public sector reforms – 2008 IEG Evaluation & follow-up:

- PFM reforms have often had more traction than CSR reform, but ultimately the latter is also needed to achieve capacity
- Need for better diagnostic work especially on CSR, *including greater attention to political economy drivers*
- Diagnostic work on PFM has evolved (70+ PEFA reports, continuation of PERs, CPARs)
- Need for more *incremental and opportunistic* approaches to PFM & to CSR especially in weaker/politically challenging environments
- Challenge to better integrate core public sector reforms and institution-building in sectors



Experience: promoting accountability

- Frequent focus on creating anti-corruption agencies & legislation
 - But: ACAs have relatively rarely developed the hoped-for traction
- Increasing engagement with the 'demand side' for good governance/accountability
 - From general consultations with CSOs/funding of CSOs towards more targeted, policy and core governance focused engagement
 - Several pilots with third party monitoring – e.g. in procurement, infrastructure construction, education sector
- Enhancing effective accountability is multi-dimensional
 - Different components come together over time – legislation, judicial sector capacity, role of parliament, demand from civil society and private sector



Working on the multiple dimensions of accountability

- Accountability is multi-dimensional – horizontal and vertical accountability; long and short routes of accountability
- Horizontal – support the development of a real voice for parliament (e.g. on budgetary issues) & early foundations of some gov't institutions (e.g. external audit)
- Vertical – capacity for citizens to exercise accountability through short and long routes – while understanding that for citizens security often trumps accountability
- WB and others need to pay attention to global drivers of accountability problems in FS – Stolen Assets; 'robbery' of natural resources, etc.



PE analysis: helping to understand feasibility & entry points of reforms

Strategic value of PE work

- Help unveil underlying drivers of poor development outcomes
- Enhance likelihood of success through better design
- Propose where and how to engage: selectivity within existing space vs. proactive expansion of space for reform & development

Tangible results require

- Action-oriented PE rather than academic analysis
- Managerial attention to translate findings into action

Examples of recent PSR-focused PE analysis

CAS level

- South Sudan: GAC for CAS diagnostic on Civil Service Reform, Decentralization, Anticorruption

Sector level

- Bangladesh PER
- Bolivia: IGR on CSR & Decentralization
- Afghanistan CSR ESW

Project level

- Mongolia, Philippines: Stakeholder Analysis on PFM, AC



Benchmarking progress – use with care

- Public Financial Management – Public Expenditure and Financial Accountability (PEFA) indicators
 - 28 Performance indicators + 3 for Donor behavior
 - Four areas: aggregate fiscal discipline, allocative efficiency, technical efficiency, transparency and accountability
 - Applied to 70+ Countries
 - Prioritize/amend key indicators for initial platforms
 - Budget credibility
 - Frontline financing of service delivery
- Public Service Reform – development of “actionable indicators”
 - Three areas: affordability, performance, accountability
 - Incentives for “core” public servants
 - Integrating public and private (non-profit and profit) service delivery
- No separate benchmarking for accountability per se – in principle streamlined into core public sector and service delivery
 - Actual attention to accountability varies

