

**Public Administration and
Functional Reviews:
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 "incentives" and "controls" 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 "incentives" and "control" systems that would influence positively the **values and behavior** of government organizations to deliver high quality government services.
- The definition of the required reforms can be carried out by a small and capable group of leaders. But its 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 reforms, programs and projects that the Government wishes to execute to sustain growth.
- In fact, public administration reform is the reform that would facilitate the implementation of all other economic reforms.

International Experience: Canada

- For decades Canada had developed a welfare state with expensive social programs that led to significant 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 “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 clearly agreed upon: to reduce fiscal budget expenditures to achieve a budget deficit of 3% of GDP, while improving the delivery of a more limited set of “core” government services.
- A Central Unit was created under the Ministry of Finance that would 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 agencies: all agencies were instructed to carry out a self-review of their own operations.

.....Canada

- But 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 identified function/program:
 - (1) Is this program of clear "public interest"?
 - (2) Is this something the government should be doing?
 - (3) Can this be done more effectively by the provinces?
 - (4) Could this be done by the private sector?
 - (5) If maintained, how can it be made more efficient?
 - (6) Are there resources for this program and if not what to cut?
- Based on the responses from the agencies, the Central Unit identified and recommended to the Inter-ministerial Committee:
 - the 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.

.....Canada

- The reform measures included:
 - Reducing the number of Cabinet Ministries from 35 to 23;
 - eliminating 73 government agencies/boards,
 - privatizing, decentralizing or restructuring 47 others,
 - cutting/transferring civil service jobs by 18% (45,000)
 - 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.
- Increasing emphasis was also 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 services were reported to have improved.

International Experience: New Zealand

- Before the mid-1980's New Zealand was overregulated and economically inefficient. It had large fiscal budget deficits and declining exports.
- In 1985, a reform of public administration was done to:
 - support a liberalized economy and reduce regulations,
 - greatly reduced the “core” government sector, and
 - increase government's effectiveness, efficiency, accountability, transparency, consistency and financing.
- 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” (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 functions could be quantitatively measured and its performance assessed 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, some elements of competitions were introduced (e.g., 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 with the aim of improving the business climate and service delivery. Fiscal budget issues were not critical.
- Six initiatives formed the core of the 1994 reform:
 - (i) simplification of 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 accountability rules; and
 - (vi) better use of information technology to meet business and organizational needs.

.....Ireland

- A new program, “Reducing Red Tape” aims at 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 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 today attracts significant amounts of foreign direct investments.

International Experience: Poland

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

- highly centralized decision-making with direct central participation in deciding on a variety of issues at local levels.
- A broad range of regulations involved the central administration in the management and control of “decentralized” local entities.
- 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 only responsible 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 procedures at various levels of government.
- It 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 model that separated local/regional affairs from 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 retains some authority over these staff, including appointment rules.
- The outcome of decentralization was a public administration sector that looks like a classical pyramid: the basic elementary 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 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 “Wojewodztwa”, the largest administrative unit in the sub-national organization of the state.
- Executive bodies of Wojewodztwa took responsibility post secondary education, major hospitals, regional roads, maintain public order and environmental protection within their jurisdiction.
- Responsibilities to decide on strategic matters and to develop national policies were left to central government.
- 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 though appointment rules. Some of these restrictions have created political tensions.

International Experience: Russia

- During the 1990s, Russia's public administration was more appropriate for a command rather than market economy. The number of civil servants was not excessive, but decision-making and functions were out-of-line with government priorities.
- 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 budget reform, but emphasis has now shifted to institutional and civil service reform.
- In 2003-2004, Russia undertook a major program of Functional Review that included:
 - 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 this FR, a new government structure was designed and introduced in 2004, under which government agencies were grouped into three categories: agencies responsible for policy development and legal regulation, agencies responsible for service provision, and agencies responsible for control and supervision functions.

.... Russia

- In 2004-05, the implementation plan called for the issuance of needed legal and regulatory acts, establishing maximum staffing and payrolls per agency, and draft regulations
- Functional Reviews have started in five regional governments using a similar methodology to the central FRs.
- Implementation is still ongoing.
- Under the recent Administrative Reform Concept 2006-2008, further implementation will give emphasis to performance management, service delivery standards, and transparency.
- Outcomes measured by performance indicators and service delivery are expected to be reflected in budget allocations
- To implement the program, the government established an Interdepartmental Commission with 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, which was needed give the complexity of the tasks.

.... Russia

- But there has been little involvement of local authorities and civil society.
- In 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.

International Experience: Brazil

- In the 1980's Brazil was facing:
 - Excessive centralization of the federal government
 - Non democratic formulation and implementation of public policies and programs
 - 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 financial crises which affected the capacity of the federal government to meet demand for social services

.... Brazil

- These factors also led to more democratic and participatory mechanisms to set public policy and to seek more efficient ways to deliver services.
- The central government had to change its role from provider of civil employment to facilitator of development of the private sector.
- 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,
 - Reduce the government's role as provider of services,
 - introduce operational efficiency through more managerial flexibility, use of performance agreements and use of IT,
 - and reform budget management.

.....Brazil

- This process was managed centrally by a single new entity: the Ministry of Federal Administration and State Reform. This new ministry had extensive authority but was supported by an inter-ministerial task force.
- But it 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).
- These consultative mechanisms were useful for cross-fertilization and to spread best practices among states.
- As a result, increasingly sub-national governments are setting 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: Ukraine

- In Ukraine, the size of the Central Government (excluding health, education and the military) was reasonable in terms of numbers of people (250,000 or 2% of the labor force).
- But there was an excessive number of central public agencies with unclear roles, overlapping responsibilities, coordination problems, cumbersome decision-making with multiple consultations and excessive intervention in productive and semi-commercial activities.
- Cabinet meetings were prolonged dealing mainly with trivial but “urgent” matters and not with priorities. Ministers reported often that they did not know what happened to their CoM decisions.
- Therefore, in 1998, the government concluded that the key task of Public Administration reform was to improve decision-making capacity by streamlining the central machinery for policy analysis, formulation and coordination, and for the provision of market-oriented public goods and regulatory services.

..... Ukraine

- Emphasis was also put in developing greater stakeholders participation though the creation of a National Council for PA and the People's Voice Program that included surveys of satisfaction with service providers, public forums, press contacts, discussions with local government authorities.

The original PA reform Action Plan for Ukraine was developed in 1998 and contained the following elements:

- A. Redefinition of the Role of the Government
- B. Undertaking of Functional Reviews
- C. Undertaking of Operational Reviews
- D. Carrying out a Civil Service Review
- E. Decentralization

A. Role of the Government

- The Government's role should be compatible with a market economy: limited to non-commercial activities and the provision of necessary "public" goods (goods not normally undertaken by the private sector) and market-oriented regulatory services. The main objective of the government was to support private-sector led growth, not compete with it.

..... Ukraine

B. Functional Reviews

- The fragmentation at the Center was expected to be addressed by a “Horizontal” Functional Review aimed at the consolidation, elimination of overlapping responsibilities, transfer to local governments, or privatization of activities.
- This would led to a new Organization chart for the government based on Functions, not Sectors, and the definition of broad roles for each agency.
- A number of Inter-Ministerial Committees were created to coordinate decision-making in areas that cut across agencies (similar to the successful experience in Canada and Lithuania).
- “Vertical” Functional Reviews would be undertaken to re-define the detailed functions/roles of individual agencies and departments. The review was expected to be based on a questionnaire similar to the one used by Canada.
- The reviews would start with the President’s Secretariat, followed by the Cabinet of Ministers, and then individual ministries.

..... Ukraine

- The Functional Review the role and functions of the President's Administration aimed at converting it into a small Secretariat for the President. The reform should devolve functions to the line ministries such as issuance of Presidential Decrees on economic regulations and organization of agencies. It should also transfer reporting of most Central Committees to line ministries.
- The Functional Review of the Secretariat to the Cabinet of Ministers (COM) was expected to limit its role to its original purpose of being a Secretariat to the Prime Minister to facilitate decision-making by the Prime Minister.
- This would be accomplished by eliminating the current overlap of responsibilities between the COM as a whole and individual line ministries, and by devolving functions (including policy administration and implementation) to the line ministries.
- The collective process for decision making (requiring multiple signatures for most matters) should be streamlined by transferring most decision making power to single line ministries.
- The reviews would also eliminate conflicts of interest and consolidate the flow of funds from collecting agencies (State Tax Administration, Custom Service) subordinating them to the Ministry of Finance.

..... Ukraine

C. Operational Reviews

- Once the functional reviews had been completed and new organizational set-ups established, operational reviews of all ministries and government agencies would be undertaken to simplify their *modus operandi*, including improvements in internal processes, practices and procedures.
- These reviews would also eliminate un-necessary regulations and licenses of business activities.
- In order to increase the effectiveness of the government decision-making process, policy formulation and analysis would be separated from policy implementation. Legislation and clear procedures would be established to improve transparency of government information, making any non-national security information freely available to the public.
- Government procurement procedures would be improved to make them more competitive and transparent.

..... Ukraine

D. Civil Service Reform

- Strengthening the Civil Service was considered to be the “Key” element for the success of Public Administration Reform
- The Civil Service suffered from low salaries, lack of performance incentives, and unclear rules for civil service hiring, promotion and separation.
- Civil service reform aimed to upgrade the quality of government staff, including a clear certification system for personnel hiring, payment and advancement linked to good performance and dismissal rules for civil servants.
- Introduce system of incentives for civil servants (review system of benefits to link it to performance)
- Reduce the number of civil servants while increasing the salaries of the remaining staff

.....Ukraine

- Define roles and process for monitoring performance for each operational unit
- Delegate authority to managers to empower them
- Introduce training programs in order to increase civil servants' qualifications to EU standards
- Adopt legal regulations and policy statements that deal with problematic issues in the management of enterprises in which the state is still a shareholder
- The above measures were expected to permit a reduction in the number of civil servants. Together with increases in salaries and benefits packages, this should make civil servants less prone to rent-seeking (corrupt) behavior.

.....Ukraine

E. Decentralization to Local Administrations

- The Functional Reviews of Central agencies should have identified those public goods and services that should be decentralized to the Regional, Oblast or Rayon levels.
- An objective was to empower communities and bring decision-makers into closer contact with the intended beneficiaries (improving information and shortening the political feedback loop) who can exercise more direct control over performance.
- Decentralization would also increase opportunities for local initiatives, reduce internal communication and decision-making costs (reducing the time and money costs of consultations and approvals from the center).
- Decentralization of government services to the lowest levels that are economically feasible would also improve cost recovery.
- In the decentralized social areas, to improve the efficiency of public administration can be done through better efficiency, better targeting of benefits, greater cost recovery, and better mechanisms for the transfer of central resources.

.....Ukraine

Outcomes of the Reform

- Horizontal functional reviews reduced the number of central ministries and agencies from 55 to about 35, still a large number.
- Decision-making initially improved thanks to inter-ministerial committees for decision-making, but these committees were eliminated by subsequent more autocratic government authorities.
- Financial management and processes were successfully introduced and are credited with the solid country's fiscal and macro situation.
- Delegation to local government proceeded with health and education now at local levels. But inadequacies in revenues transfers still create problems.
- The methodology for vertical functional reviews was developed and initiated in two ministries (Finance and Economy) but were abandoned due to political changes.
- Good consultation mechanisms with civil society were developed. The People's Voice program is regarded by the World Bank as a best practice case.
- Civil service reform did not make much progress.
- The agenda for reform is still wide open.

Reform Lessons for Developing Countries

- Only 35% of about 120 PA reform programs in the world have been successful.
- Failures were due principally to lack of political support/ownership, conflicts with vested interest and informal rules-of-the game, and lack of managerial capacity.

The following lessons are pertinent for DCs:

1. Reform Support and Government's Role

- At the outset, there should be a comprehensive program to build public servant capacity and training on the approach/techniques for PA reform.
- There must be “real” and strong incentives for implementation (such as the need to reduce fiscal deficits in Canada, New Zealand). This means that “realistic” objectives of the reform must be “quantified” and “measured”.
- Popular “pressure” for reform will also help to provide impetus to the reform.
- These also mean that the government should seek broad support and consensus for the PA reforms and seek national agreement on a Plan of Action for implementation of the PA reform.
- Information disclosure (to businesses, unions, students, the press, the civil service) and greater accountability should also aim at building popular support for the reform.

.....Lessons for DCs

- There must be broad engagement of civil society in the implementation of the reforms, which means that there must be close grassroots consultations and feedback mechanisms from all key groups of society.
- There must also be agreement that an incremental gradual public administration reform is more painful than a more comprehensive and drastic one: Attempts to strengthen individual institutions in a given sector fail because of factors such as low civil service pay scales that go beyond the particular sector.

2. Functional Reviews

- The Reviews should follow some sequencing, starting with an Horizontal Functional Review that would aim at consolidating agencies, eliminating overlapping roles/functions, and avoiding excessive fragmentation. It should end up with an “Inventory” of all government functions.
- The Functional Reviews of individual agencies should be based on clear objectives, budget resource ceilings for the agency and measurably performance goals. Ideally, budget ceilings for each agency should be set on the basis of Public Expenditure reviews focused on programs not entities.

.....Lessons for DCs

- The FR work must be carried out in partnership. It should be done by:
 - a strong central group to coordinate and recommend changes,
 - each government agency making its self-analysis of its functions based on a clear Questionnaire/guidance prepared centrally (as in Canada) and with the participation of the staff of the agencies.
 - Outside interested groups of the society participating in the process.
- International experience suggest the following principles for the structure of government:
 - Provide for a clear allocation of mandates, responsibilities, and accountabilities, avoiding ambiguity, duplication and overlap.
 - Provide appropriate spans of control
 - 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,
 - Promote strong client orientation.

.....Lessons for DCs

- The functions for each agency should be group into three categories: (i) Policy formulation and implementation and analytical reviews; (ii) public service provision; and (iii) regulatory and control activities.
- The presumption is that (i) policy formulation and regulations should remain as central government functions, (ii) service delivery should be decentralized; (iii) revenue-generating activities in non-competitive markets should be moved into corporation form; (iv) revenue-generating activities in competitive markets should be privatized or executed under public-private partnerships.
- In defining functions, greater competition in the provision of government services should be sought, 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.

.....Lessons for DCs

- The FR would include a “Restructuring Plan of Action” with proposed responsibilities and timing. It 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).

.....Lessons for DCs

3. Operational Review

- Operational Reviews should include the review of 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.

.....Lessons for DCs

- 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.

4. Civil Service

- The reform should include the development of "incentives" and "control mechanisms" to encourage the public sector employees to operate effectively
- Incentives and controls should encourage sound job, performance, hiring, promotion and separation of employees.

.....Lessons for DCs

- 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, and by providing them with sufficient autonomy and accountability to produce the expected outcomes.

5. Decentralization

- 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.

.....Lessons for DCs

- 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:
 - 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 receive 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.
