

Division for Public Economics and Public Administration  
Department of Economic and Social Affairs

**RETHINKING PUBLIC ADMINISTRATION:  
AN OVERVIEW**

NOTE

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## INTRODUCTION

This publication was prepared by the Governance and Public Administration Branch (GPAB), Division of Public Administration and Development Management (DPADM), Department for Economic and Social Affairs (DESA) of the United Nations, as one of the Branch's activities under paragraph 10.36 (Governance and Public Administration) of the programme budget for the biennium 1994-1995. It connotes the continuance of the practice of the United Nations programme in public administration to provide sources of information on public administration.

*Rethinking Public Administration: an Overview* is a successor to three earlier publications issued by the United Nations: *Standards and Techniques of Public Administration* (1951), *Handbook of Public Administration: Current Concepts and Practices with Special References to Developing Countries* (1961), *Development Administration: Current Approaches and Trends* (1975). These three publications served as useful sources of information for public administrators worldwide.

Over time many changes have taken place in the environment, technology, assumptions and dynamics of public administration. Recent globalization trends, the computer and communications revolution, easy movement across borders of professional and technical personnel, data, information and technology, have had a significant impact on the practice of public administration. These trends have not only stimulated new opportunities, but also generated new problems. In particular, due to new national and international realities, many of the earlier concepts, standards and techniques of public administration have been changed, adapted, augmented or even replaced, although many basic principles remain valid.

*Rethinking Public Administration* takes a new look at public administration, identifies major influencing forces, and highlights public administration approaches and techniques which need updating and revision. It is intended to provide an overview and a comparative perspective on public administration in developing countries and particularly, the evolution of administrative problems, practices and strategies. It depicts the functioning of the State and a checklist of current scenarios, issues and approaches in public administration. The checklist facilitates the identification of opportunities for institutional development, capacity building and performance improvement.

Accordingly, the publication can serve as a new or revised handbook on public administration for those who wish to continue their efforts to improve public administration systems. Five major trends are especially important for their efforts and illustrate key emerging concerns.

1. *The changing role of the State.* Many of the prevailing concepts and practices of public administration were developed and formulated around the centrality of the State and public administration in the process of national development. While the role of the State in national development continues to be important, consensus is shifting about the precise functions to be assigned to the State vis-a-vis other institutions and non-governmental organizations, and the appropriate modalities for discharging different national functions. For example, while maintaining a policy role, many States have opted for competition in a variety of service delivery areas. The application of market mechanisms in place of administrative action in economic activity is now widely recognized and increasingly applied in many countries.

2. *Democratization trends.* Democratic institutions are becoming more widespread and democratization movements are manifesting themselves in many countries. The number of politically aware individuals demanding empowerment is also on the increase in most countries.

3. *The changing nature of public policy management.* Public management is being affected by two seemingly contradictory forces. On the one hand, many national issues have been redefined by globalization trends: environmental concerns; human rights; economic, trade and aid imperatives; and the need for international standards. The increased speed of, and access to, communications have also catapulted national problems into international arenas. On the other hand, there are demands for independence, greater autonomy and decentralization within multi-nation and nation-State systems. Unitary systems of planning and administration are no longer acceptable in many countries of the world.

4. *The many voices of the policy process.* Emerging concerns have dramatically shifted social agendas. For example, environmental concerns, labour costs and international labour mobility have become major preoccupations. Similarly, human rights and the role of women and other disadvantaged groups have become major issues. Natural and human-made disasters create new problems and demand urgent government attention and resources.

5. *The imperative use of information technology.* With the development of microcomputer and data communications technologies, computerization and information systems development have become essential in improving the effectiveness and efficiency of public administration and an organic part of the economic and social development process. Effective use of modern information technology leads to opportunities for speeding up development as well as to the challenge to manage these changes. At the same time, management of information systems provides both a more objective basis for decision-making and a demand for targeted training and resource utilization.

In general, all of the foregoing represent challenges to administrative practice. To effectively meet these challenges and their consequences, public administration needs to modify its style and substance. In many cases, far reaching institutional changes are required and involve strengthening inter-institutional cooperation to promote harmony among changing administrative, political, market and non-governmental institutions. Administrative processes also need to be reviewed and/or re-engineered. For example, planning, control and accountability are becoming increasingly decentralized and diffuse. Finally, public managers need more training in the new realities and skills which are required for more effective performance in increasingly complex environments. Within

this context, *Rethinking Public Administration* presents a wide array of experiences and approaches to public administration reform.

At the same time, this diversity reveals some caveats. The number of countries which are the focus of this study is indeed large. They represent great diversity in location, population, ecology, history, culture, religion, colonial heritage, political evolution and economic progress. Naturally, it is difficult, if not impossible to enter into a detailed discussion of each administrative system with all its subtle nuances and customs. The analysis is therefore kept at the level of general principles which are relevant for many countries. Even then, we must be mindful of the many ways in which different countries have chosen to interpret these principles in everyday practice.

Likewise, the number of public administration issues requiring urgent attention by developing countries is large. We attempt to highlight the major problem areas which are common to a sizeable number of countries, and to flag urgent issues whose consideration can lead to a review and strengthening of administrative capabilities.

While some countries have made significant progress in managing change and controlling their future, others have lagged behind. Whatever their level of progress, all Governments feel the need to make continuous improvement in public administration. We have attempted to highlight the opportunities and strategies for meeting the challenges to improve public administration. An overview of the evolution of public administration concepts and practice is both humbling and enabling. In doing so, we recognize those public managers who have attempted administrative reforms, and we look to those who will do so in the future.

*Rethinking Public Administration* is primarily addressed to public administration professionals, training and research institutions, and those interested in public administration systems and dynamics. Public managers as well as politicians will benefit from an overview of the functioning of the State and public administration. They may also find the checklist of current scenarios, issues and approaches in public administration to be useful. We hope that this publication will serve as a stimulus both to intellectual engagement and to practical innovations in the field of public administration.

Special acknowledgement and appreciation go to Dr. Faqir Muhammad, former Director of the United Nations programme in public administration and finance, who prepared the bulk of the text. Dr. Muhammad's long association with the United Nations programme in public administration and his unique combination of practical experience and knowledge of subject have contributed significantly to the publication. The two chapters on the use of information technology and information resource management were prepared in the Governance and Public Administration.

## CHAPTER ONE

### GOVERNANCE, DEVELOPMENT AND THE ECOLOGY OF ADMINISTRATION

To understand public administration correctly, one has to know the forces which shape it and the environment in which it functions. Public administration represents the authority system for government in action, which is the product of political dynamics. The public administration is instrumental in its operation, and is expected to carry out politically determined goals and values. Above all, public administration is part of the web of governance, deriving its form and substance from public policy. Thus, the most important attribute of public administration is its place in the political system.

#### **National Goals and Institutional Resources**

Developing countries are formally committed to three goals.

1. Survival of the State and strengthening of national political and economic independence;
2. Modernization of society through industrialization, social development, the application of science and technology, and changes in socio-economic relationships and behaviour;
3. Increased participation, thereby bringing about representative institutions, political equality, participative governance and the guarantee of collective and individual rights.

These goals are the products of the colonial experiences of most developing countries, and, where not already existing, often emerged with independence. Participative, nationalist values have also resulted from the aspirations of freedom struggles, and represent the hopes and desires of developing countries to reap the benefits of modernity. For many years, the experiences of the industrialized countries fuelled the ambitions of only a small ruling elite in most developing countries. Over time, with the revolution in communications technology, and increasing international mobility and educational opportunities, a mind set of rising expectations has spread in most developing societies.

Some of the most intractable problems facing developing countries have involved attempts to eliminate basic inequalities and inequities in society. Thus, considerable attention has been given to developing mechanisms to deal with competition among groups for wealth and participation in decision-making. A critical success factor in modernizing societies is their capacity to build institutions and organizations which can promote consensus and reduce conflict, get things done, facilitate equitable well-being and check abuses of power. Organizing for these tasks has overwhelmed many countries.

Faced with severe scarcities of organizational, human, technical and financial resources, many politicians, public managers and international donors have given priority to the centralized State. They argued that a well-organized State was the best hope for achieving wide-scale social transformation and nation-building. It was also reasoned that, over time, the centralized State could generate and strengthen appropriate societal institutions.

The accumulated experiences of developing countries show that governance and the development processes are difficult, and often quick-fix temporary solutions create new problems. For example, the institutional capacity available to new States was rarely adequate to undertake all the tasks visualized. In fact, some key institutions were never established, and others were poorly organized or negatively oriented. Some institutions were openly hostile to change and development. The emphasis on centralization resulted in massive concentration of relevant resources in government institutions. The expectation that government institutions would voluntarily shed power proved illusory. Starved for resources, autonomous centres of power outside of government rarely developed. The legacy of the centralized state endures. In many countries, the imbalance between a strong State and weak societal capabilities persists.

A few countries have been successful in institutionalizing political processes, and now have in place a framework for the peaceful transition of power. The achievement of this precarious equilibrium between State and society has facilitated the growth of civil society in these countries. The gradual reawakening of civil society is an important factor in reorienting State-society relations, and may be the State's best hope in establishing its legitimacy to govern. Many countries, however, have not yet succeeded in updating traditional or colonial administrative patterns. The more familiar situation is to find an array of modern institutional forms and practices formally espoused, but rarely practised. Developing countries differ widely in their spectrum of institutional capacity. Nevertheless, there are certain generalizations which apply to most of them.

For example, institutional capacity is generally weak and inadequate, both inside and outside of government. In the best of times, State-society relations are tenuous, and the political-administrative environment is rarely conducive to the development of autonomous centres of expertise and authority. The result is an inability to amass the wide array of resources needed to confront large-scale problems in society. Both the formulation and implementation of public policy have suffered. A weak institutional base has frequently resulted in sterile policy debates and the absence of feedback about policy impacts. The public policy process, because it lacks information both about inputs and outputs, has adopted a crisis management approach. The improvement of public administration is an integral part of governance and social transformation. It is the arena where technical applications and methods combine with political mandates and social sensitivities in the pursuit of the public interest and welfare.

*Historical perspective on the strong executive*

The emergence of the executive as the dominant institution in society is characteristic of many developing countries. Historical factors are important in understanding how this came about. On achieving independence or entering the industrial age, the strongest and most reliable institutions were often the military and public administration. Although frequently weak in relation to their assigned functions, these institutions were the only entities in many developing countries with a modicum of organization and knowledge.

Thus, the military and public administration served as instruments for consolidating and stabilizing power as Governments relied on them as vehicles for achieving nation-building and modernization. A great deal of effort and money was invested in their renovation and enhancement. The approach was based on the need for stability during the transition phase to modernity. There was much talk of guardian bureaucracies, tutelary democracy, and the mobilization potential of these institutions. The post-independence period involved the extensive expansion of state functions. For example, economic management programmes and projects were launched, and new public organizations and parastatals were created. Mobilization programmes were also established, and variously labelled community development or nation-building programmes. Their main goal involved bringing people into the mainstream of economic and social development.

Public organizations and career civil servants were the centre-piece of most of these new endeavours. Doctrines of guardianship and technocracy were promoted to justify their role. The international aid agencies reinforced the central role of these development administrations. In a few cases, national political parties took the lead in mobilization programmes. But most of these political parties quickly merged with public administration organizations, or became public bureaucracies in their own right. The cumulative effect of these developments was the creation of a serious imbalance between a strong State and what should have been an institutional network outside of government. The executive, whether drawn from the society or from the military, dominated the management of public affairs largely to the exclusion of other institutions.

At the national level, potential institutional contenders for governance participation include a legislature and a court system. The absence or weakness of legislative institutions in many developing countries is well known. The result is that policies and programmes are adopted through executive decrees, rather than legislation. Many legislatures are used as rubber stamps and cheerleaders, and sometimes completely ignored. In many cases, judicial powers combined with executive functions. Where courts, at one or more levels, have tried to assert themselves, their powers have been circumscribed. The end result has been executive and administrative discretion unfettered by legislative or judicial constraints.

The institution of a strong executive has many sources of rationalization and support. Old wisdom advocated government by a wise, benevolent leader with a cadre of virtuous officials. Classical political thought included the concept of guardianship of government over society. Likewise, imperialism emphasized power by might in most of the colonies. Under the imperium, civil servants ruled their subjects and assumed responsibility for them. More recently, it has been argued that subjects need to adjust to whatever administrators developed for them, and that specific forms of

government were immaterial. A history of complementary relations between the ruler and the ruled developed into a pattern that was replicated throughout the third world.

In the post-independence era, many third world rulers espoused an ideology that stressed the saviour aspects of their mission, including the claim to provide protection for the people from exploitation. Many people believed in the role of benevolent dictators and charismatic leaders. Even some academic observers noted the utility of a strong executive as a stabilizing and modernizing force in society. But the argument for a strong executive characterizes the incumbent and his officials as being upright, honest, morally cultivated, devoid of self-interest and genuinely committed to public welfare. These assumptions arise from notions of integrity and moral education, rather than institutional control and accountability, as the means to achieve strong, modern government oriented to facilitating the well-being of the general population. An alternative view holds that many countries with strong and charismatic leaders are more similar to dictatorships, and illustrate the failures of nation-building, modernization, and even continuity of the State.

The more recent experiences of both developed and developing countries show that power and authority must be responsive and accountable, and that a flourishing network of institutions throughout society is necessary for undertaking economic and social endeavours. While the exact mix of institutions may vary among countries, the realization of the fundamental principle is imperative for continuity and modernization. The principle also applies to government. In this view, the strong executive would be one institution among many, both inside and outside of government.

Public administration should be a key element in the web of governance institutions – sometimes influencing other institutions, and sometimes being influenced by them. Within this complex network, the capacity, productivity and accountability of public administration may depend upon the strengthening of extra administrative institutions. The accumulated experience of public administration, given its capacity and relationships, illustrates the difficulty in bringing about strong national integration, development and modernization. In fact, optimistic rhetoric has raised people's expectations of public administration beyond reasonable levels. National goals must reflect what public administration can realistically achieve, both alone and as part of the necessary institutional framework for implementing policy goals.

#### *Political and administrative nexus*

Public administration comprises two levels. One level consists of the political directorate (cabinets, councils, advisory bodies). Members of the political directorate may be elected, co-opted, nominated by interested groups or selected through some other means. The political directorate may also include members from the military or civil services. The other level comprises permanent career officials and bureaucratic organizations. Civil servants are supposed to be selected on merit, and spend their entire careers in the civil service subject to satisfactory performance.

In theory, both civil service neutrality and the policy-administration dichotomy emphasize the role differentiation between the members of political directorates and the career services. In practice, there is a close nexus between political directorates and civil servants within the executive branch.

The result is a blurring of the distinction between political and administrative roles, especially at the senior levels. Political directorates frequently introduce their supporters in the career services through lateral entry or special programmes. Civil servants, under pressure, temptation or ambition may become amenable to partisan political actions. Tendencies toward the politicization of the civil service can arise with each transition in political leadership.

Sometimes career civil servants and professional institutions are used for largely political functions. For example, administrative systems through their web of organizations can be used for partisan purposes to hold the State together, consolidate power, maintain or transform social relations, and control and influence economic management. When there is confusion concerning the role of career and political institutions, the identification of responsibility and the linkages between administrative performance and political accountability can be threatened.

Administrative systems also carry out a number of other activities which can be readily used for political ends. For instance, they provide intelligence services to political directorates, manage public information systems, run or regulate the electronic and print media, perform law and order functions, organize receptions for political dignitaries and gather crowds to greet them, and exercise legal controls over the right to assemble and organize meetings. The police, security, intelligence and general administration agencies are particularly vulnerable to political orientation because of the nature of their activities. In some cases, administration has become so politicized that administrators are the actual political decision makers. While typically this will occur under the façade of political directorates, it has been known to take place quite openly. In other instances, a partnership to manage public affairs has developed between the careerists and politicians in support of public and private interests in varying proportions.

A number of consequences follow from the political-administrative nexus. For instance, many administrative abuses emanate from the close connection between political directorates and civil servants. Principles of responsibility and responsiveness can become difficult to enforce, and role ambiguities and frequent collusion occur. Both the civil service and parastatals can become overstaffed for political reasons. Motivation and performance of the civil service can also suffer, causing some competent administrators to leave. This, in turn, negatively impacts the legitimacy of the civil service.

Where possible, there is a need to clarify and better demarcate political and career roles. Ambiguities give rise to problems of responsibility and responsiveness. In some cases, permanent secretaries have been officially designated state functionaries, and given conflicting responsibilities and roles. The end result is that public administrators are charged with policy formulation and execution, as well as being the custodian of public funds. However, it is the ministers who are responsible to the public and legislative bodies, and who are supposed to supervise the work of civil servants.

The nature of evolving relationships between politicians and careerists depends upon the personnel involved, as well as the emergence of conventions and precedents over time. Nevertheless, the legal situation requires clarification to avoid misunderstandings, and to inform the public about who has

responsibility for specific government actions. Many administrative doctrines are also in need of revision to reflect emerging realities.

In countries that have achieved independence since 1945, the institutionalization of public administration preceded the emergence of legislative bodies and political processes. The civil services usually combined legislative, administrative and frequently judicial functions in the same officials, and administrative discretion was a major feature of governance systems. With changed circumstances, differentiation should be encouraged as the basis for greater specialization and professionalization of the civil services. This would also make administrative discretion more responsible and accountable.

### *Legal frameworks*

The march of history shows an inexorable movement from personal and absolute dictates to the primacy of the rule of law. Almost all countries now subscribe to the principle, although there are many differences among them about the nature and source of law.

The majesty of law is now a well-established doctrine. Law provides the basic principles for the organization and survival of civil society. To be effective, however, laws have to be explicit and universally acceptable within society. They should be applicable generally and without discrimination. The resolution of doubts or ambiguities in individual laws, and their application in specific cases, must be handled by strong institutions which can interpret, apply and enforce the laws in an objective manner.

The highest governing principles or laws are enshrined in constitutions. Within the constitutional framework, statutory laws are enacted. Delegated legislation or administrative law is the result of executive orders, rules and regulations. Collectively, this body of law provides the legal framework and the authority exercised by public administration.

Developing countries have attempted constitution-making with varying degrees of success. To the extent that some countries have succeeded in bringing about constitutional regimes that enjoy a degree of legitimacy among the people, their governance and public administration system has functioned rather smoothly. A more common experience is countries whose constitutions have proved ephemeral, or whose legitimacy is not accepted by certain segments of society. These conditions can lead to a wide gap between formal constitutions and realities, and weak processes to resolve constitutional problems through judicial review and interpretation. There may also be differences among national institutions on the role of the judiciary in interpreting laws. In some cases, judgements have been given which have rendered constitutions virtually inconsequential, conferring legal legitimacy on whoever is in power.

Equally important in creating a just society is the guarantee of fundamental human rights. These have been codified in the United Nations Declaration of Human Rights, and frequently are included in national constitutions. As with other laws and even some constitutions, many countries have also chosen to ignore human rights violations when it suits political purposes. Some laws are actually

biased against citizens. Examples include such practices as preventive detention and administrative or collective punishment. Other laws discriminate against minorities or other disadvantaged groups, or seek to regulate the private behaviour of individuals.

Laws regarding access to information also vary widely across developing countries. Protecting state secrets is an obsession in many countries, and their secrecy laws are so sweeping that even trying to get legitimate information can be a crime. Few countries have laws that guarantee and protect access to information, and both privacy rights and property rights can change quickly if political regimes feel threatened.

### *Law and public administration*

The legal dimensions of public administration stem from a number of factors. In many countries law making processes do not inform public administration structures and practices. Instead, recourse is made to executive action in setting up departments and other administrative entities. For example, there is a widespread practice of establishing non-statutory corporations and authorities to carry out economic, educational and social activities. Similarly, monitoring and inspection functions and contracting procedures are modified through administrative actions. These practices create anomalies, and encourage expediency rather than rational criteria in organizing administrative institutions and processes. While it is not feasible to subject every minor issue to the law-making process, major issues of organization and management should be dealt with by it. It is equally important to establish legally guidelines for the setting up of non-statutory corporations, authorities and procedures.

There are also fundamental weaknesses in many of the laws that provide public administration with implementation responsibility, such as ambiguities in the laws themselves, arbitrariness, contradictions and complexity. Some laws give vast discretionary powers to the State and its functionaries, or allow for the suspension of fundamental rights under certain conditions. Sometimes old laws are retained on the statute books alongside new laws on the same subject. Laws may also be made or unmade arbitrarily when a country suffers from political discontinuities. More important perhaps is the absence of laws covering emerging issues. This is frequently the case in economic and white-collar crimes. Similarly, administrative law has failed to keep current with emerging issues regarding the introduction of market principles and market-based systems.

Policy implementation continues to be a problem because the judicial system is weak, inconsistent and slow. The law may provide for the rule of exception or necessity, which then becomes the norm and defeats the intent of the original law. No procedures may exist for the making and enforcement of administrative laws. Obscure laws may be resurrected when deemed useful to leaders. The majesty of law may be ignored when powerful people are involved, shaking society's confidence, and launching an increasing disrespect for the rule of law. For example, laws may give excessive privileges to senior officials and political directors.

Many observers have lamented that competition for political power and the use of power for material gains are related to a reduced reverence towards the majesty of law. Others have attributed the

weakening respect for laws to exploding populations, scarce resources and the rapid pace of change. All agree there is a need to change many of the laws inherited from the colonial era to make them compatible with the workings of a modern independent State. The objectives of colonial law were control and stability, rather than justice or political empowerment. Frequently, these laws combined executive and judicial powers in the same civil servants, a system still retained in some countries.

Legal reforms should be a high priority on government agendas if they are to bring about administrative reform and strengthen the rule of law. The reforms need to include the codification of laws to eliminate conflicts and confusions, as well as the revision of old laws or enactment of new laws to reflect changed conditions. Judicial institutions also need strengthening to enhance the enforcement of administration law procedures. Likewise, more needs to be done to inform citizens about their rights and responsibilities under the law.

One way to promote respect for the rule of law is for public organizations to become models of legal compliance. Public officials must treat the laws and rules as common standards of official behaviour. More importantly, public officials need to vigilantly review their own and others' behaviour to maintain the highest standards of ethics and performance. In many countries, citizens are disdainful of the law because they see their government and its officials disregard it. Consequently, many individuals have chosen to exit the state system. Many of the reforms currently being attempted are designed to bring large segments of the national economy and polity back into the state system. These efforts will not be successful unless the average citizen feels the system is fair and just and the rules are clear and transparent.

### **Development administration**

Development administration originated during the 1950s as a convenient way to describe the new role of the State and public administration in national progress and modernization. In contrast to law and order administration, the aim of development administration was change and innovation. Public officials would serve the people rather than the empire. Finally, it was anticipated that public officials would approach their tasks with creativity and persuasiveness. Development administration also made larger assumptions.

*Goals and tasks.* Foremost among these assumptions was the possibility and desirability of establishing a welfare state. The State, and by extension public administration, would be the engine of development. The welfare state would come about through government's command of the national economy. Accordingly, government took on several important tasks: centralized economic planning, the preparation and execution of development programmes and projects, the promotion and management of industrial growth, and meeting the basic needs of citizens through the provision of social services, economic opportunities and social welfare programmes.

*Resources.* Another assumption was that financial, material and human resources were plentiful. The challenge was to harness and develop them. Strategies were formulated in terms of institutional development, resource flows, industrialization, social engineering and human resource development. International aid and technical cooperation would add to, and enhance, the mix of skills and

resources available. Later, international trade was added to the list. It was also believed that the application of science and technology would speed resource development and hasten progress and prosperity.

*Policies and impacts.* The impact on public administration was immediate and extensive. Central planning, the administrative allocation of resources and administered prices became the hallmarks of most state systems. Administrative systems expanded rapidly, with public organizations and the number of civil servants growing dramatically in a very short time. In addition to regular departments, Governments set up public enterprises, corporations and authorities to manage the myriad of economic activities. The typical response to any emerging issue, opportunity, pressure or programme was to create another new public corporation.

Initial enthusiasm soon gave way to new worries and concerns. Foremost among these were the limits and constraints on growth concepts. Disillusionment with many development concepts quickly followed. For example, many projects that were established with external resources did not become a self-generating process when external assistance ended. Environmental degradation and growing pollution also tempered initial enthusiasm for unlimited growth potential. Industrial projects did not produce a culture that could contribute to a self-modernization process. Rather, dual economies were the norm. Moreover, gains from economic development did not trickle down to the poorer strata of society. Modest gains in some cases were negated by exploding populations.

*Debt and structural adjustment.* Over time national debts (domestic and international) grew beyond manageable proportions. Deficit financing and unbalanced budgets became the common experience of countries. Year after year, public enterprises lost money and had to be bailed out by the public exchequer. Many countries were forced in the 1970s and 1980s to negotiate restructuring of their debts and undertake basic reforms in agreement with international lending agencies. On the social side, industrialization brought about new problems such as urbanization, housing shortages and labour unrest. International flows of resources did not reach anticipated levels. Finally, technology transfers turned out to be more complicated and restrictive than initially assumed.

### *Sustainable development*

The current scene is gloomy and worrisome for many countries. Analysis of their experiences is leading to new concepts and policy initiatives. For example, unlimited growth concepts have been supplanted by advocacy for sustainable development. The role of government in economic management has been criticized for being wasteful, inefficient and politically meddlesome. Many national and international initiatives are now under way to replace the visible hand of government with the invisible hand of the market. For example, Governments are urged to leave economic enterprise management to the private sector, and to return to the more basic functions of the State. Structural adjustment programmes have become the blueprint for eliminating deficit financing, reducing government spending and re-adjusting allocations among various sectors. While the

purpose of these reforms is to improve national economies, in the short term most countries have suffered economic stagnation, reductions in social programmes and spiralling prices for essential commodities.

Public administration has been at the centre of the unfolding crisis. Most public officials are attempting to unlearn the earlier lessons and strategies for national development. The context for the new strategies and thinking is one of scarce domestic resources and dwindling international aid resources. Pragmatism and flexibility are the hallmarks of the new thinking. Public administration is being asked, in effect, to re-invent itself and find ways to do more with less resources. Structural adjustment programmes in particular call for reductions in current expenditures, including retrenchment of the civil service. Much of the initiative has fallen to international financial institutions because of conditionalities attached to aid and loan programmes. The result is that recipient countries have lost a substantial degree of autonomy to formulate and implement their own initiatives.

Action is needed at many levels of government to successfully meet these new challenges. For example, the role of public administration in economic management is being redefined, and the contours of central planning are changing. Instead of direct management of economic enterprises, the State has to equip itself for macroeconomic management through institutions which in many developing countries may not currently exist. Other new tasks include organizing for effective regulatory administration to safeguard the national interest, protect consumers and assure fair play in private markets. New standards of accountability are also being imposed on public administration. In doing more with less, the emphasis now is on getting value for money .

#### *Motivation and administrative reform*

Developing countries Governments face resource shortages, retrenchments and recession. Criticized for the failures of state planning, the administrative allocation of resources and operational inefficiencies, Governments are now attempting to develop renovation and performance improvement strategies. Simultaneously, politicians and public administrators are faced with the challenge of redefining the role of government and market in economic growth and development. Politicians are worried about the future of society, as well as their own political staying power in the midst of rapid change. Civil servants are demoralized and uncertain.

Many Governments have been unable to keep the salaries of civil servants at subsistence levels. The result is lack of motivation to perform effectively. Many civil servants have been forced to take second and third jobs, or to resort to other means to survive economically. Development projects have also been affected, and many projects are left incomplete unless fully funded and staffed through international sources.

There are also underlying uncertainties and anxieties. Many businessmen, political leaders and senior administrators have made the journey from traditional milieus to modern roles in one generation. Frequently, they represent varying combinations of rational and irrational beliefs, as well as old and new values. The same person may show conscious or unconscious shifts from one way of thinking to

another in the course of his/her work. This has serious implications for individuals and organizations, and the reforms and change efforts that are being attempted. For example, all types of leaders may profess one set of values, but practise an entirely different behaviour. Individual managers may feel lonely and frustrated in their work, but prove incapable of deviation from prevailing norms. Decision-making can also be adversely affected by this seemingly irrational behaviour. A common phenomenon in the civil service is the split between the intellectual knowledge and operational behaviour of senior administrators. While administrative reform programmes have devoted considerable attention to some problems such as urbanization and enterprise management, inadequate attention has been given to the social, psychological and morale issues affecting public management.

### *The toll of rising expectations*

While some material progress has taken place in almost all developing countries, it has been limited in nature, and feelings of relative deprivation are common. The dramatic rhetoric of development and the welfare state, and greater mobility of ideas and people have made most populations aware of the possibilities of material gain, and the physical amenities that accompany increasing incomes. The result is that popular aspirations and expectations usually run ahead of the realities and possibilities in most developing countries. Frustration about missed opportunities, as well as the dislocation of families, often results in social dysfunctions and the loosening of traditional social bonds.

Although the so-called welfare state is now considered beyond the reach of most countries, aspirations continue to rise. One reason is that populist leaders continue to promise services and benefits to get elected or to stay in power. Global communications also play a major role in promoting images of affluence.

More concrete manifestations of rising expectations have accompanied industrialization and urbanization. For example, industrial projects, commercial centres and even administrative locations act as magnets for rural populations, and increase the pace of urbanization beyond the needs or capabilities of such centres. The rate of urbanization, the population densities of urban centres and the prevalence of shantytowns are a well-known phenomenon of developing countries. Unfortunately, the promise to meet basic needs is beyond the capacity of most Governments. Shantytowns continue to mushroom in these areas despite state capacity to provide water and sanitation, electricity and public transport. In addition, demands for housing, education and health services far outstrip society's ability to satisfy people. While the private and public sectors are being asked to join in partnerships to address these problems, most demands far exceed current resources.

Such conditions fuel frustration, law-and-order problems and social conflicts. Given the breakdown of old value systems and the lack of consensus on new behaviour patterns, tensions assume widespread proportions. Every encounter becomes a crisis. Even where industrialization has generated material benefits for some societies, it also has generated serious social problems. Not enough attention has been paid to the human side of development. Frequently, manpower planning and education are discussed in terms of the trained manpower necessary for the various sectors and sub-sector specialities. More recent attempts to focus on development banks and small-scale

entrepreneurial development may have come too late to match the magnitude of the problem. While many of the poor will benefit from such programmes, the problem also needs to be addressed beyond the individual level. Massive concentrations of the poor, and shifting populations of refugees are becoming all too familiar. Disease, conflict and deprivation on this scale have the potential to overwhelm even well-conceived and implemented programmes to assist individuals. Some problems now require international efforts by consortiums of countries.

### **Interdependencies**

Public administration is evolving within an emerging framework of interdependence among different countries and groups of countries. Many global forces and factors now impinge on national decision making.

*Communications.* In today's world, many ideas and issues are played out on the global stage. Even local wars and strikes are seen in homes all over the world. In the 1990s, issues such as human rights, the environment, preservation of human heritage and the protection of wildlife and forests are widely discussed. This brings pressures on individual States to conform to international expectations. Moreover, international expectations can exert considerable influence, particularly if these issues are advocated by powerful States, regional alliances, multilateral organizations or any combination of these. Administrators have an obligation to be aware of the debates in these areas and how they impact upon local policy decisions.

*Economic diplomacy.* Increasingly the content of diplomacy is shifting to emphasize economic relations. Every State is now engaged in diplomacy to promote trade and commercial interests. At the administrative level, standardization through common nomenclature and classification of goods and services has become an important activity in the promotion of trade. The creation of the World Trade Organization is testimony to the power of trade issues in the global economy. Moreover, the world today is populated with commodity regimes of one type or another. These include oil, rubber, rice, various metals, coffee and wheat. Small decisions by such regimes can wreak havoc upon exchange reserves. Many administrators have little understanding of commodity regimes or how global trade organizations operate. Similarly, private foreign investment is becoming a significant factor in many countries. But many administrators are unaware of how foreign corporations should be monitored, or how joint ventures work. Issues in contract management, in particular, are assuming rapid importance.

*Technology transfers.* Increasingly, industrialized countries are not only limiting access to technologies, but exerting pressures to regulate the types of technologies which can be used by developing countries. However, issues of intellectual property rights, patents and access rights are poorly understood by administrators.

*Resource flows.* Many developing countries have incurred external indebtedness to the extent that they are unable to make loan repayments and to continue investing in development activities. Consequently, international financial institutions have imposed conditionalities on the flow of financial resources to developing countries, and have insisted on structural adjustment programmes

and macroeconomic stability before releasing additional funds. Moreover, they have often designated the sources and patterns of allocation of national finances as conditions for making external resources available. Conditionalities have also affected social action programmes, pricing levels and subsidies. More recently, issues of good governance have been added to the list of conditionalities.

Some critics have asserted that developing countries have chosen to reduce their independence in exchange for international investment. These are important issues for public administration because some conditionalities such as administrative reform directly impinge on administrative performance. Too few administrators understand the implications of such conditionalities and more needs to be done to both educate and assure them about developments in this area.

*Non-governmental organizations (NGOs).* Practically every issue in public affairs has become a matter of interest to multilateral and international non-governmental organizations. Current examples include employment practices, wage policies, child labour, women's rights and human rights more generally. These issues are frequently linked to trade and aid negotiations. Administrators are increasingly being asked to monitor and regulate aspects of these policies and work more closely with NGOs. Many public agencies and personnel are unfamiliar with these issues and feel uncomfortable in working with non-governmental organizations. More needs to be done to inform administrators about their responsibilities and obligations in these areas.

Public administration and governance are no longer purely domestic matters. Today, national decisions may have to take into account a multitude of international dimensions and the possible repercussions from abroad. International relations have grown beyond the exclusive domain of foreign offices to encompass all sectors and functions of government. The implications for public organizations can include establishing special units and upgrading skills to better follow international developments, and more determined efforts to disseminate information more generally on important international issues.

### **New dynamics in public administration**

Public administration can be understood only with reference to the larger forces within which it operates. No single dimension conveys the true picture. Likewise, the various sources of influence on public administration are separable only for analytical purposes. In reality, they operate simultaneously and press upon public administration in various ways and to varying degrees.

Consequently, there are frequent contradictions and tensions within public administration, and between it and other political and social institutions. These conflicts and contradictions give rise to the dynamics of public administration. Societies with adaptive capabilities can keep the various forces in some semblance of equilibrium and manage change and conflict. The breakdown of state systems is testimony to how difficult managing conflict and change can be for some countries. Some of the new dynamics of public administration are described below.

*Management science and managerial technologies.* The relationship between the management sciences and public administration is highly complex and multidimensional. On one level, public

administration in developing countries for several decades was treated as a purely technical subject. It was argued that traditional societies needed a vanguard force for their modernization and development. The vanguard force was supposed to be provided by public administration organized on scientific and technical principles. This thinking has greatly influenced the structures of public organizations, the management of civil services and modern management techniques. For example, the division of labour and bureaucratic organizational forms have been applied to public administration. This has brought about a remarkable commonality of nomenclatures and formal organizations among countries, even though the underlying national realities remain extremely divergent.

On another level, there is an unresolved debate about what kinds of techniques and technologies can be transferred to developing countries. A lesson learned late in developing countries is that management is an art, as well as a science. Particularly at the higher echelons of administration, there is no substitute for university training and a solid foundation in analytical skills. Managing conflict and change, managing organizations and personnel and managing the economy require high capabilities. Much valuable time and many resources were wasted as short courses and certificates became a substitute for well developed thinking. The rush to localize positions also brought on many management crises that continue to adversely affect public administration.

*Management information systems.* Computers and various software applications influence public administration, both in terms of administrative methods and in the content of public affairs. Communication and information technologies have a direct bearing on the scope, nature and strength of administrative capabilities. The administration of public affairs, particularly those of a developmental nature, relies on management information systems (MIS) to aid in the design of programmes and to provide feedback information. In addition, MIS technology is increasingly being used in national security and defence systems and in policing systems.

*Ideologies.* Ideology impinges upon public administration directly and indirectly. For example, forms of property ownership, the application of market principles, and the extent of government control over the economy have a direct impact on the role of public administration and the type of capabilities needed. Similarly, patterns of social organization, the prevalence of traditional and modern organizations, and differing civic cultures directly influence public administration. Thus, ideology creates the socio-economic milieu within which public administration must operate.

*Civil society.* Public administration competes with other institutions in society for access to resources and shares of power. As a result, State-society relations have an impact on internal public administration, as well as the relationships public administration has with other social institutions over time. In countries with weak political mechanisms and weak societal-based organizations, public administration itself may in effect become the governing system.

*National context and international concerns.* National and international factors of varying intensity also operate upon public administration. For example, demographics, the national mix of ethnic-linguistic populations, and even the length of the growing season can become important dynamics for

public administration. Similarly, regional groupings, refugees and the foreign policy initiatives of developed countries can impinge on public administration.

Administrative capacity can be described as the maintenance of a dynamic equilibrium between public administration and other forces, ideas and institutions in society. It is therefore imperative to monitor developments in various fields to ensure the manageability of change and conflict, and the smooth operation of a dynamic balance. This chapter has summarized important and emerging issues in governance, development and the ecology of administration in developing countries. The remaining chapters take up many of these issues in more detail and consider strategies for improving public administration capabilities.

## CHAPTER TWO

### GOVERNANCE SHARING SYSTEMS

#### **Governance sharing and public administration**

A major determinant of the shape, functions, structure and process of public administration in a state is the power-sharing arrangements in place. These may apply to levels and branches of government, as well as to the major units and even processes of administration.

Most states have a multiplicity of administrative systems with varying degrees of overlap and interaction. Similarly, public organizations combine different clusters of executive, legislative (usually delegated legislation) and judicial functions. These may also enjoy different levels of autonomy from the central administrative institutions.

Power-sharing arrangements may be represented by states organized on the constitutional principles of federalism and separation of power among the branches of government. They can also be the result of statutory measures. For example, local and regional government systems are generally the creation of statutory laws. Then there are arrangements and accommodations which are of a political nature and change over time. Finally, there may be special geographical areas or institutions which are protected under law or through the constitution, and which enjoy the right of divergence from general laws and norms of public administration applicable in the country at large.

Taken together these constitutional, legal, political and special arrangements present an infinite variety of alternatives. For example, there are various forms of federal government, with differing concepts of the autonomy and powers of the constituent units. There also are unitary governments in which power is formally vested in one level, with some powers delegated to lower levels through a variety of mechanisms. In both types of governments there may be statutorily created local government systems with varying degrees of autonomy.

The separation of powers among the legislative, executive and judicial branches of government prevails not only in systems where it is constitutionally required, but also in other systems where it may be the result of laws and conventions evolved over time. These functions may merge in the apex authority, but generally remain separate and distinguishable.

Statutory laws may also establish special authorities with varying degrees of autonomy from the central government. A common example is that of a central monetary authority or a central bank. Similar authorities, particularly of a regulatory nature, may prevail in the various sectors of the economy.

Generally, each level of government (central, provincial or local) organizes its own system and processes of administration. There may be similarities as well as dissimilarities among them. The principle of separation of powers makes most administrative processes part of a continuum which encompasses legislative and judicial processes as well. For example, special authorities may carry

out a variety of rule-making (delegated legislation), rule enforcement (administration) and adjudication (judicial) functions.

All of these power-sharing arrangements make public administration a complex mix of jurisdictions, competencies and processes. National governance and development usually require concerted action by a maze of institutions and jurisdictions. Thus, the management of most public affairs can involve different systems of government and a variety of administrative organizations. Today, there are few state functions which can be administered by central authorities alone.

This has many implications for public administration. First of all, public organizations and administrators need to be aware of the prevailing complexities and the necessity of cooperative administration. This is important for cultivating mutual respect for the role of different institutions operating at different levels. While reformers may talk in terms of policy analysis, development and management as an integrated process, senior administrators in the real world have to interact with different branches and levels of government and administration in every phase of the policy process.

These realities call for administrative reform movements to extend their scope beyond central administration and general processes. A basic task still to be completed in many developing countries is to survey or map the entirety of the administrative maze. Such an exercise can bring into relief the weak links and contradictions which have to be removed and resolved, while highlighting the gaps to be filled to improve nation-building and development.

If the overall exercise seems difficult, it should at least be approached on a piecemeal basis for each of the major functions of the State. Only then can the prospects improve for converting paper plans into reality. While this is true of all major functions, it is particularly applicable to social programmes, where tasks are delegated through a multiplicity of administrative levels. Often, the programmes never get implemented, or are greatly modified by the time they reach the grassroots level.

Because it is not possible to deal with all the manifestations and complexities of this subject in one chapter, some of the relevant issues will be pointed out in other chapters as appropriate. The goal here has been to touch upon a few of the power-sharing arrangements to show their relevance to and relationships with administrative affairs.

### **The devolution of state power**

The best known form of power-sharing is devolution, where there is a constitutional or political division of powers between the central government and other levels of government. Other levels of government usually include state/provincial government and local government. Under devolution, there are constitutional or legislative mandated legal depositories of power for carrying out specified or residual functions through formally constituted authorities. The arrangement is primarily political in nature, as the decision-making authority is vested in a political body, a state/provincial legislature or a local council as appropriate. As such, devolution differs significantly from delegated power and field administration.

The distinction between a federation and a unitary state is a constitutional function. When the constitution vests substantial legislative and executive powers to the provinces, while reserving critical authority (including sovereignty) to the central government, the nature of the State that emerges is normally a federation. In a federation, the constituent units may be known as provinces or as states. The states/provinces in a federation can become a major vehicle for democratization and development. Barring a few exceptions, however, their administrative capabilities have not received the kind of attention warranted by their importance.

A number of factors have joined to keep the focus on central government, including the emergence of central planning, international aid and loans, the pre-eminence of central government in the prevailing international nation-State system, and local political dynamics. The result has been the concentration of developmental and administrative powers in the centre. In many federations, provincial/state governments have been reduced to performing agency functions because of their dependence on central government for resources (including a share in foreign aid and loans).

Central governments frequently bypass state/provincial governments or reduce their role in development projects by setting up special authorities. Where these situations occur, it often leads to a great deal of administrative duplication because the central government establishes administrative organizations to deal with subjects which are essentially provincial/state subjects. The rationale for bypassing other levels of government is often based on the dictates of the planning process and the requirements of international aid and loans. Given the administrative imperatives, these central units tend to grow and assume operational control. Many federal governments today have large departments for education, health, agriculture, rural development and population welfare, even though these areas are supposed to be administered by the provinces/states. The reasons may be political, administrative, or both.

The first priority in intergovernmental relations in federal systems should be to rationalize administrative structures at the centre and state/provincial levels. While central administrations may need some small policy units to deal with devolved powers, the mainstay of administration should remain at the state/provincial level. These in turn must be rationalized and strengthened.

Another area requiring attention is the division of financial resources. These can include revenue sharing, grants-in-aid (general or conditional), apportionment of revenue sources, royalties, subventions and similar devices. There is no ideal formula and each nation has to find its own solution. The objective should be to enhance the scope of state/provincial governments so that they can act on their own, contribute to national capabilities for development, and be held accountable. Many state/provincial governments are totally dependent on central governments for development finance, and even for recurring expenses.

State/provincial administrations also have the responsibility for local government and general purpose field administration (districts and their subdivisions and units down to the village level). Without the active involvement of provincial/state governments, plans for the empowerment of people and mobilizing for development, the delivery of services and the promotion of

nation-building activities cannot succeed. Thus, there is a need for joint centre-state initiatives to renew and invigorate provincial/state administrations to carry out these tasks effectively.

Unfortunately, state/provincial administration has received far less scrutiny and investment levels than central administration. Comparatively, more resources for administrative reform and management development have gone to central administration than to provincial/state administration. This is particularly true of projects funded by outside agencies. The trend needs to be reversed to remedy the earlier neglect.

### **Decentralization and local government**

Local government provides a stark example of the dichotomy between stated intentions and realities on the ground. For example, senior officials generally agree on the need to promote the role of local government as an integral part of the national decision making system. Likewise, local government is considered an ideal institution for democratization, development, participation and nation-building efforts. Most governments also formally endorse the concept of decentralization and local government in official pronouncements and legal instruments. It is also widely agreed that people have to be involved in solving their own problems, realizing their civic responsibilities, mobilizing resources and carrying out projects on a self-help basis. Local government is recognized as the proper institution for these purposes. During the 1980s, many States, particularly in Latin America, gave attention to decentralizing planning and development to local government. The rapid growth of urban populations, and the need to deal with the many problems of urban areas, also have significantly affected the discussions on local government and decentralization. Unfortunately, central governments have frequently used the burgeoning problems of urban areas as a justification for direct action.

In practice, local government reform has been uneven in different countries. Many countries have been preoccupied with economic and political crises, leaving little time or resources for local government. Thus, many countries have displayed a lukewarm attitude toward local government, considering it a luxury beyond their current resources and possibilities.

Where there has been a genuine commitment to local government, Governments have often been frustrated by a number of constraints, including limited administrative and managerial capabilities. The result has been direct administration or establishment of special authorities, generally bureaucratic and under the direct supervision of state/central administration. In many cases, typical local government functions such as housing, water supply, sanitation and community welfare are entrusted to specially established authorities outside the jurisdiction of local government. In some instances, central government simply supersedes local government and appoints administrators to look after their functions. The latter are generally from the career services of the state/provinces or central government.

A new phenomenon in some countries is the usurpation of local government functions by officially elected members of national and sub-national assemblies. For example, to maintain influence in their constituencies, members have insisted on making decisions on local development projects and

become involved in implementation activities. While national Governments have tended to support these practices for a variety of reasons, the end result has been the undermining of local government.

The neglect of local government has many consequences. For example, central administration can become overburdened and overextended. As a result, it is viewed both as the source of all bounties and the source of all shortcomings. Similarly, administrative capacity for local government is frequently underutilized and deteriorates over time for lack of a challenge. Perhaps more importantly, the neglect of local government retards the emergence of a civic culture, and deprives citizens and leaders of training opportunities in managing public affairs.

Dynamic local government systems can remove many of the adverse consequences mentioned above. They can also reduce migration to urban areas, increase people's sense of responsibility for resolving their own problems, and bring a wealth of human and physical resources to the development process. To take advantage of the potential of local government, attention needs to be given to a number of issues.

*Geographical size and function.* One issue concerns the geographical size and functions of local government units. The prevailing conditions in many countries require large governing units for the solution of significant problems. But there may be other solutions. For example, given a problem's magnitude and complexity, the size of local government units either should be increased, or existing units should be encouraged to establish partnerships with other units. The actual arrangements may vary among countries, but the goal should be to enable local governments to function effectively. The close links between geographical size and function need to be spelled out more clearly, and citizens need to be better educated in the responsibilities of local government.

*Rural-urban governing systems.* A characteristic of local government in many countries is the rural-urban divide and their differing governing systems. More consideration should be given to unifying local government for urban-rural areas to promote the concepts of integrated development and growth poles. This is highly practical for areas outside metropolitan regions which acquire special dimensions.

*Finances.* Broadly speaking, the most remunerative sources of revenue are usually appropriated by state or central governments. It is rare for local governments to have financial possibilities commensurate with their functions. More attention needs to be given to encouraging the development of new revenue sources. For example, revenue sharing and incentive grants (matching grants) could be established to meet local government financing needs more effectively.

*Management practices.* The management of local government affairs also requires greater attention. A number of organizational models are available to accommodate varying local circumstances. Elements common to all the models are the establishment of clear and transparent accounting systems, simple and accountable administrative processes, and the training of local government personnel.

While the strengthening of local government entails costs, initial investments can pay handsome dividends, both in monetary terms and in the potential contribution effective local government can make to nation-building and the overall development process. Too often, the long term implications of strengthening local government are ignored.

### **Field administration**

Field administration differs from devolution in that it is part of the administrative structure, and is responsible to the higher echelons of public administration. While the headquarters of departments are located in the capital city, it is also necessary to administer many of their functions from field offices located throughout the country. Field administration makes it possible to carry out administrative operations throughout the country. Thus, the powers exercised by field offices are deconcentrated to them from above. Similarly, personnel and financial practices are part of the central administration. In federal systems, the state/provinces have their own field organization. The extent and shape of field organization depends on factors such as the geographical size of a country, the characteristics of organizational structures at headquarters, and the nature of functions entrusted to a department.

Field administration, as a tool for deconcentrating power away from the centre, can present major challenges. For illustrative purposes, the remainder of this section examines some typical issues surrounding it.

#### *Problems of coordination*

The field organizations of substantive departments evolve over time and generally differ from each other because of the nature and scope of their activities. Thus, a country may be divided into different sets of regions for different purposes. Some countries have general area units for administrative purposes (districts/countries), but they may not be necessarily used by all the departments.

Coordination has both a vertical and horizontal dimension. For example, coordination must be carried out in terms of overall national policies and perspectives. The latter is a vertical function, and each department can presumably both coordinate the activities of its field network, and coordinate any legal departmental policies with those of other departments. Although lengthy and time consuming, the process is important for assuring implementation of national policies.

Horizontal coordination occurs at the various operational levels. The governance and development of an area are indivisible processes, and different substantive activities have to be coordinated. To assure horizontal coordination at the various operating levels, it is necessary to give adequate authority to field representatives. The task is easier when the field networks established by different departments are identical. Some Governments have established regions for coordination purposes, where each major department is required to have an office at the regional headquarters.

A related issue concerns the coordinating mechanisms at the various operational levels. The usual procedure is to set up an administrative council comprising representatives of all the departments at that level. Some countries have established regional governments or appointed regional coordinators to promote unity of approach and action. Such arrangements also bring in the representatives of local governments.

### *Communication flows*

Studies in some countries suggest that policies should be modified in the process of implementation by field organizations. Similarly, national policies can become theoretical if divorced from local realities. To avoid distortions, it is important to have strong communications upwards and downwards in a department. Usually, there is an abundance of piecemeal and partial information, but an absence of clear policy statements from the top, and critical feedback from below. This is a responsibility which needs to be taken seriously by administrators at all levels.

### *Serving the community*

The interaction between field offices and citizens is a critical area of concern. The field offices of government are the main points of contact for most citizens. In fact, these may be the only points of contact for an average citizen. To many, field offices are the government. Field offices are the places where one goes to discharge his/her obligations, claim his/her rights, seek redress of his/her grievances, and receive services promised by the government. The image of government in the mind of an average citizen is largely formed by the treatment meted out to him/her in field offices.

For all these reasons, it is essential to provide proper facilities for the public work of field offices. In some countries these facilities are conspicuous by their absence, and little information is available to citizens. There are no proper waiting rooms, and people often must resort to standing in corridors or congregating outside of offices. The availability of officials to meet with citizens is often uncertain. No wonder that a large number of citizens' complaints are lodged against field offices. Many field administrators readily admit these shortcomings, but attribute them to lack of resources, the pressure of work, and the ever-increasing number of transactions between citizens and government.

Whether resulting from a lack of concern or scarce resources, the problems exist and need to be tackled. The operational levels represent the cutting edge in government public relations efforts, and can well be taken as a significant indicator of government respect for individual dignity and citizenship rights.

### **Alternatives to bureaucratic models: community-based institutions**

The 1960s witnessed a major surge of disappointment with the quantity and quality of services delivered through administrative arrangements, particularly for those living in rural areas. The result was a search for alternatives that would de-emphasize the role of administrative institutions and allow communities to assume responsibility for their own development.

*Community development programmes.* A common response was community development programmes. The concept was based on the centrality of the community in articulating needs, mobilizing resources and managing local affairs. Development was to proceed from the bottom up, with the village normally taken as the basic unit in community development programmes. A superstructure of councils, comprising elected and/or nominated members, would be erected up to sub-national levels. Each tier was to carry out development functions of varying scope and complexity. They were also to act as local government units and coordinate administrative operations at the appropriate level.

A large number of countries introduced community development activities; first as pilot projects and then as generalized programmes. Several rural areas showed significant improvements, but the programmes generally faded out over time. While the programmes were based on sound philosophy, both implementation and political dynamics often caused problems.

Although the community was the focal point, and the programmes were supposed to be different from traditional organizations, community development programmes often became highly bureaucratic organizations. This made it difficult for their members to be proactive, change agents or facilitators. For example, the administrative structures paralleled the community development tiers, and ended up with large establishments in capital cities. At the lowest levels were community development agents, extension workers or government workers, and support and supervisory tiers above the village level were common.

The programmes were generally well endowed with resources including equipment and transport facilities. Pilot projects ran well but when the programmes were generalized, conflicts became apparent among administrative agencies. Conflicts usually occurred for the control of earmarked resources between the community development hierarchies and the general purpose administrative hierarchies for agriculture departments or rural development institutions. There were also differences among agencies regarding coordination functions.

Since community development programmes were mostly funded by external aid agencies, the programmes prospered so long as the flow of funds continued, and withered away when they stopped. The experiments did prove, however, that communities can make significant progress when they have access to resources, with or without administrative assistance. But most Governments were reluctant or unable to reverse the prevailing patterns of resource flows to keep the new philosophy alive. In some cases community development programmes were politicized.

This occurred in two ways. In some programmes, personnel were recruited on political grounds. In others, the institution itself was politicized. An example of the latter required that an institution serve as an electoral college for election to political office. Both these measures hurt the popularity of the programmes. Another problem arose from lack of continuity in the programmes. For example, successive governments changed the systems by restoring old local government systems or changing the bases of the programmes.

*Reviving traditional systems.* In a few cases, countries have revived traditional village institutions in new clothes as the basic unit for community development and local government, and gradually extended the system upwards and outward. The experience seems to be paying good dividends with greater levels of participation and development.

*Cooperatives.* A related experiment, although not as extensive in scope as community development, has been the establishment of cooperatives, including: general purpose cooperative societies; credit societies; production societies; marketing societies; and special groups or purpose societies. The principle of cooperatives is self-help. Some cooperatives have done extremely well while others have been non-starters. The three critical factors in their success have been leadership (generally local and non-administrative), seed money, and a genuine opportunity for members to act.

*Social ownership.* An even more ambitious experiment has been social ownership. Under this concept, productive resources in a community are communally owned and managed. The resources generated are used to provide civic amenities to the community. However, this system has been unique, and normally exists as part of an overall political design.

The search for alternatives to bureaucratic models deserves to be continued. The accumulated experience shows that people are neither lethargic nor indifferent. Given a genuine opportunity to act, they can achieve progress and contribute to their general well-being. None of the alternative systems will be successful if they do not genuinely empower and enable community members to act. Moreover, to be successful, their long-term results will need to reflect changed patterns of income distribution, and the economic reorganization of societies.

### **Power sharing through self-regulation**

There are other avenues for power-sharing which also are worth exploring. One is the promotion of self-regulation by professional groups, businesses and other non-governmental actors.

In their anxiety to accelerate nation-building and development, most developing countries took on excessive burdens. For example, some Governments have attempted to formulate curricula for educational institutions at all levels and approve all textbooks. Governments have also censored the press, and required businesses to obtain multiple clearances. Generally speaking, Governments have got involved when there are problems in any profession. The list could continue indefinitely. The overwhelming burden on Governments often means that the quality of administrative output falls below acceptable levels. An even more serious outcome is the prevalence of adversarial relationships between government and different organized or professional groups. Such relations tend to be played out in zero-sum games where the loser is frequently the citizen.

In the last analysis, the survival of a society is dependent on cooperation among the various groups and interests in society. The basis of public administration and government is cooperation, particularly voluntary cooperation. For these reasons alone, the exploration of cooperative arrangements between Governments and organized groups is imperative.

A start can be made with the professions, including education, medicine, accounting and engineering. For example, it should be possible to leave educational standards, the accreditation of institutions, and curriculum development to educational institutions. This applies to general as well as professional and technical education.

Many professional groups could also be encouraged to formulate codes of conduct for their members and perhaps given some enforcement powers in this area. This would relieve government of many detailed activities. More importantly, the prevailing chaotic relationships could be converted to supportive and cooperative arrangements, where government becomes the arbiter of last resort, rather than an adversary at every stage.

A similar approach could be applied to business. Most countries have no viable chambers of trade, commerce and industry. Similarly, few countries have organizations that emphasize consumer protection and quality control. These issues are increasingly important and politically sensitive as countries move towards market-based systems. Rather than government taking on these functions, business and trade-related groups could be encouraged to agree on industry-wide standards, and to establish organizations to enforce these standards for the protection of the consumer. The extent to which these ideas can be applied in different countries will depend upon the development of different sectors, and government tolerance for organized interest groups. If Governments really desire to share some of the burden of governing, self-regulation is an important area for consideration.

## CHAPTER THREE

### PLANNING, POLICY ANALYSIS AND DECISION-MAKING

Planning, policy analysis and decision-making are related concepts. Each activity is goal-oriented and seeks to enhance managerial capabilities for realizing desired goals. All three activities give preference to purpose over process, and seek to increase rationality in organizational and managerial actions. Similarly, their focus is on designing the future by analysis and calculus, rather than relying on traditional intuitive methods or random actions.

They also differ in significant ways, especially when considering their scope, time horizon and specificity. The planning process focuses on system-wide characteristics and their inter-relationships. Taking a long view, planning uses projections and forecasting techniques to stipulate probable futures and formulates strategies and programmes. Planning is therefore more inclusive in its scope, long-term in its temporal vision and less specific with regard to immediate problems. Planning generally occurs as a response to the changing role of the State, and attempts to set broad national goals and move towards their realization.

Policy analysis focuses on more immediate problems. It is usually limited to a particular aspect of social or economic reality such as famine, education, geriatrics, floods, trade and export promotion, or other specific issues. Public policy analysis is usually an urgent response of the political system to demands arising from the larger environment.

Decision-making is characteristic of the immediate actions taken by managers and their organizations. In this sense, decision-making forms a link in the chain of policy implementation, and occurs as an outcome of other dynamics or as a result of a chance happening.

The growing importance of planning, policy analysis and decision-making practices is the result of two major forces. One is the emergence of national goals as the main criteria for state action. The other is the worldwide growth in knowledge and analytical capacities. Implicit in all three activities is the assumption that individuals and societies can move towards their goals by analysing their options and making the right choices. While the same methodologies may be used in all three instances, each may also have a specialized arsenal of methods. Generally, a systems approach and the analysis of variables to identify and optimize goal-oriented options inform most of the methodologies.

For our purposes, it is not practical to go beyond highly simplified generalizations. In reality these concepts, like the social sciences generally, are beset by a profusion of semantic, dogmatic, methodological, substantive and philosophical differences. Rather, the purpose here is extremely modest. It is to introduce the reader to the spirit of these processes and to indicate their usefulness for busy managers. Many of the ideas can be used by practitioners of management on their own, while others will require highly specialized and expert staffs.

Another point worth mentioning is that the classical processes of administration – organizing, staffing and budgeting – also have major policy and decision-making implications. In fact, these continue to influence the outcome of government actions. The totality of actions involved in organizational dynamics in terms of structures, the deployment of staff and the disposition of resources may add up to significant policies, although these may not be in keeping with the long-term desired goals. Thus, planning, policy analysis and the focus on decision-making build upon traditional processes.

### **National planning**

National planning in the modern sense originated in the centrally planned economies. The hallmark of the system was state responsibility for the detailed management of the national economic system, administered through a national planning process. Planning in market-based economies started as reconstruction planning or the management of business cycles. It was necessarily less comprehensive than central planning, and the modalities of implementation were rarely the direct management of the economic system.

The experience of the two approaches had at least one thing in common. It brought about a global view of national economies, with an emphasis on the interrelation of various components. The global view of the economy was further strengthened by the growing size of the public sector (defined broadly) and its impact on the national economy. Simultaneously, Governments came to accept their role in guiding economies to achieve national goals. Because these goals could not be easily realized in a short time, Governments introduced perspective planning and medium-term planning.

In market-based economies, it was also realized that the price mechanism was inadequate to ensure growth or long-term investment flows. Thus, Governments routinely started to interfere in their economies, usually through fiscal policy. Another aspect of planning in market-based economies is the widening of participation in the formulation of medium and long term plans. A major goal of participation has been to bring into the deliberative process both economic agents and collecting organizations.

#### *National planning in developing countries*

The developing countries adopted national planning on the achievement of independence. Some did so under intellectual or other influences from abroad. A few developing countries followed the model practised in centrally planned economies. Most pursued a mixed economy approach, adopting the models, concepts and techniques of market-based economies combined with a strong coordinating/directing role for government.

The conditions in developing countries greatly differed from those in the industrially developed countries. Most developing countries had dual economic structures and lacked homogeneous economies. The size of the public sector was not always large enough to influence the national economy. Readily available resources were limited, and relevant quantitative and qualitative information was sketchy. Finally, institutional and infrastructure requirements were rarely in place.

Thus, national planning at the outset was highly formalistic and symbolic, rather than a meaningful guidance system. In the absence of data, it was not possible to test and apply macroeconomic theory and analysis to national income accounting, input-output modelling projections or economic forecasting. In short, growth models and techniques developed for other situations were often extremely difficult to conform to the needs and conditions of developing countries. For instance, some observers believe that econometrics may have contributed more to statistical dramatization of objectives than to economic policy outputs. Moreover, econometric skills opened up opportunities to the corridors of power where they were used to legitimize policies.

While national planning in developing countries differed in scope, objectives and methods of construction, there were some common features. For example, emphasis was placed on producing five-, six- or seven-year plans, rather than treating national planning as a way to guide government and market actions. While macroeconomic analyses were included in the national plans, they usually had little impact on market forces. In spite of its weaknesses, national planning served a useful purpose in promoting surveys of national resources, infrastructure and financial needs, economic development opportunities, and institutional reform requirements. National planning also spawned new organizations such as development banks, statistical offices and survey organizations.

National planning in some countries included the implementation of specific projects by the public sector. In this area, at least, some countries were able to achieve significant successes with authoritative planning. Another impact of national planning in countries that pursued the process seriously was an increase in the central control and discipline of public administration. By requiring administrators to submit periodic reports on the implementation of programmes and projects, public organizations were forced to become more action or results-oriented.

Currently, three issues combine to undermine the importance of national planning: continuing structural imbalances; the non-implementation of plans, particularly in the social sectors; and public sector debt and deficits. Other sins are also attributed to national planning, many wrongly so. As a result, it is frequently advocated that market principles should replace national planning.

*Structural imbalances.* It is clear that the major impediments to overcoming any inherent weaknesses in the national planning process are the nature of developing country economies; the absence of proper information; and the inappropriateness of many economic models and techniques. As developing country economies move forward it should be possible to apply forecasting and projection techniques more successfully, especially if growth models and techniques are adapted in light of their accumulated experience. It is also doubtful if market forces could have avoided these structural imbalances, given the overall conditions in developing countries and the price fluctuations characteristic of the international market.

*Non-implementation of national plans.* Non-implementation of national plans frequently resulted from a lack of resources, institutional weaknesses, social and political instabilities, and the lukewarm acceptance of the planning process. Outside centrally planned economies, planning was non-directive and had to be translated into pertinent policies and programmes to have impact. Sometimes, the

process was viewed simply as a strategy to obtain external resources. Again, national planning should not be faulted because the process was misused or the victim of forces beyond its control. In any case, it is not clear whether market based systems would have been able to achieve different results for developing countries.

*Government debt and deficits.* Factors other than national planning have also contributed to excess spending by Governments. For example, foreign debts were frequently determined by political or commercial considerations, rather than the strict requirements of development. The growth of public debt, either through excess borrowing or the relentless printing of money, was more a failure of fiscal and monetary policies than a result of poor planning.

### *National planning and market-based economies*

The principle of government guidance, or the State as enabler or facilitator of national economic growth and development, is now almost universally accepted. This suggests that there will be a continuing need for national planning even under market-based systems. But the process will need to change to meet new realities. A number of challenges will have to be met.

1. A basic task facing planners is to understand the behaviour of private firms and investors, both domestic and international, so that their contributions can be directed to national growth and development. This requires a greater participation of economic agents and institutions in the planning process than has previously occurred. In particular, strengthening the capacity of national monetary and fiscal authorities to provide relevant inputs to the planning process will be important.
2. The goal of national planning will need to shift from direct to indirect management of the economy. Many earlier lessons and techniques will have to be unlearned and issues such as credit allocations revisited under changing circumstances and the development of new institutions.
3. National planning will continue to be important for the development of infrastructure which is a precondition for growth, both human and physical. Changing the labour structure and imparting the necessary skills is unlikely to be solely taken care of by the private sector. Similarly, the social sectors, such as education, health, social security, housing and population all call for public action on a planned basis.
4. National integration is a major issue in many countries. The goal is to bring disadvantaged or marginalized groups and regions into the mainstream of national economic activities. These are long-term, complex problems which can only be addressed through well thought out policies.

All of this points to the fact that government functions will continue to demand the attention of the planning process. While Governments may privatize many of their public enterprises, some functions by necessity will remain in the public sector, either because they are considered nationally strategic,

or because there are no private investors willing to take them over. The privatization process may reduce the size of the public sector in the immediate time-frame, but it is likely that public sector responsibilities will grow over the long term. As enabler and facilitator of national economic growth and development, a role for the State will continue to be important in the national economy.

It is fair to conclude that the need for planning processes will continue under market-based systems. However, the models, orientation, organization, modalities and priorities will have to change considerably to provide meaningful guidance to both public and private actions. This implies the need for a different mix of skills in planning agencies, and a modified interface between public and private organizations.

### **Policy analysis and development**

There is an abundance of literature on policy analysis and policy development. Both administrators and policy leaders are being asked to change their current practices of policy-making which are often haphazard and incremental at best through the introduction of new methodologies. The newer methodologies are based on rational/comprehensive theories and their different variants. They seek to make policy-making a planned process, increase its relevance to the environment through attention to content and implementation issues, and focus more on policy outputs and consequences.

Many proposals and recommendations are addressed to public administrators, even though the controversy continues about who really makes policy. Elitist theories insist that public policies are simply the values and preferences of a governing elite. Theories of bureaucracy assign more weight to the dynamics of administrative behaviour in the policy process. Liberal theorists point to political processes and group dynamics as the main feature of policy development.

Some of the vocabulary of policy analysis and development has come into use in the developing countries, but most activities continue to be carried on under other labels. For example, many new ideas and strategies have informed the design and implementation of rural development programmes. Many countries have also established policy analysis and development institutes, particularly in the areas of defence and economics.

#### *Policy analysis in practice*

There are certain aspects of policy analysis and development which are particularly relevant to administrative capabilities, resource utilization and the implementation of public programmes. Better understanding of the relevant concepts can enable administrators to play a more effective role in national development, and increase the relevance of public activities to national goals.

An important concept to emerge from the policy analysis process is policy design. In many cases, policies are piecemeal, fragmented and even contradictory. Perceptions of a policy problem may also

sharply differ among various individuals and organizations involved in the process. By promoting a better definition of the problem, it should be possible to come up with more consistent and viable policies. Another important contribution of the policy analysis process is the stress it places on the search for alternatives, and the pursuit of optimal policies.

Some countries use special commissions and committees to carry out policy analysis and development. For a variety of reasons, the effectiveness of such commissions remains limited. The appointment of a commission can be as much a device to get action on a pressing problem, as a device for delaying it. At one point it was found that a particular country had almost thirty commissions working on major issues including education, law, energy, agriculture, labour, public administration, corruption, and the press. The membership of commissions has also influenced their success. Normally, the members come from the same groups which may be part of the problem, or have a vested interest in the outcome. Finally, the problem-solving methods of such commissions are usually limited to existing frameworks and modalities. The output of commissions can be greatly improved by changing their composition and work methods. They should also be exposed to the major ideas put forward in the policy sciences. All of this assumes, however, that the appointing authority is genuinely interested in their input to the policy process.

The practice of appointing special policy staffs in the office of the chief executive has not generally caught on in developing countries. Some developed countries have discontinued the practice altogether. Nonetheless, a strong case can be made for permanent policy units, especially for important sectors where policy issues involve many competing interests.

A major drawback in many public organizations is the lack of policy orientation. Many organizations think in terms of tasks rather than policy objectives. There is a need to reorient public organizations and their management structures towards thinking in terms of policy goals. The national institutes of public administration and management can play a useful role in this regard by running training programmes on policy-oriented topics and the policy process more generally.

### *The policy cycle*

Too little is known about the policy process of developing countries. For analytical purposes, it can be divided into a number of stages. These include problem identification and formation, policy formulation, adoption and legitimization, policy implementation and policy monitoring/evaluation.

Each stage requires careful analysis to give policy relevance to genuine issues. For example, a problem may be the perception of a vested interest rather than a society-wide problem. The prevalence of interest groups is a fact of life in most developing countries, even though their organization, activities and methods of operations may significantly differ.

Externalities also affect the policy cycle. A good example is the way many problem definitions and policy initiatives may come from outside the country. Often local people and even the political leadership may not perceive the problem or the proposed course of action in the same way as those coming from outside the country. In some instances, the policy as proposed is perceived by many to be the problem. This situation often arises over environmental issues, particularly in matters such as land use, pollution and the preservation of forests or certain species.

The formulation of policy proposals also causes problems because the process does not normally exhaust all the policy alternatives. This frequently happens with the work of commissions as described earlier. Sometimes, it is due to lack of resources, or the way in which resources are deployed. Frequently, it is due to lack of familiarity with different possibilities. This shortcoming could be eliminated through wider participation and the encouragement of innovative thinking.

The adoption and legitimization of policies occur through legislation, executive orders, judicial actions or other relevant instruments. Unfortunately, the dissemination of policy decisions is not always given much attention beyond publication in official gazettes or memoranda to the relevant public organization. Thorough dissemination of policy decisions, as well as the rationale, benefits and target groups can significantly increase acceptance of the policy in society and enhance its successful implementation.

Implementation is the weak link in the policy process of many developing countries. Announcement of a policy is often equated with implementation. Policy implementation almost always involves the redeployment of human, physical, organizational and financial resources. It may also entail new relationships among citizens groups, or between them and the Government. Sometimes changes in existing rules and regulations are required. Many implementation plans fail because they ignore important resources or linkage relationships.

The evaluation of policy outputs is a neglected aspect of the policy cycle. While policies launched with assistance from abroad may undergo evaluation, the exercise is more likely to happen on specific projects. Thorough programmatic reviews are rare. Similarly, some analysis may also be carried out on locally developed policies, but the reports in all such cases are likely to remain limited in scope, circulation and use. The practice of designing a feedback system to correct the course of a specific policy or to improve the policy process generally is uncommon in most countries. An

analysis of policies in areas such as land reform, transportation and industrial relations could produce excellent case studies to understand the dynamics involved at different stages of the process.

### **Information collection and the use of statistics**

Planning processes require a great deal of economic, financial, demographic and sectoral data. The planning preference is normally for statistical data. The policy analysis and development processes, on the other hand, require not only relevant statistical data but also qualitative information. The amount of information required by modern management approaches is so extensive that it is impossible to catalogue. The following sections review some of the more relevant issues in this area.

Most developing countries launched central planning exercises without adequate data. The result was that crash programmes and guesstimates were used to prepare national income accounts and other statistics needed for planning purposes. The planning exercises highlighted the importance of organizing statistical services, and many developing countries now have these organizations. But the need for data changes over time as priorities change. Some of the needs may be common for all levels, while others may be sector or programme specific.

For all of these reasons, it is important for Governments to adopt a policy on statistical information. At a minimum, the policy should spell out the role of central statistical offices and decentralized units, establish criteria for the launching of new statistical systems and programmes, and provide for the coordination of statistical activities.

#### *Demographic data*

There are certain kinds of data which are essential in all States. Demographic data fit this category. Most Governments had a system of decennial census as far back as the nineteenth century, but the system has deteriorated. In others, it has completely broken down. Demographic data are important for the electoral process and the sharing of revenues. They are also important in countries practising area-based or ethnic-based quota systems in the civil service and other public programmes. Census data tend to become a political issue when different groups perceive the information as a threat to their interests. In a few cases, demographic changes may even threaten the survival of a prevailing state system.

Demographic data are also important for planning purposes. For example, most urban related policies and education and labour policies can become unrealistic in the absence of precise demographic data. Whenever possible, census-taking should be managed in a non-political framework. One suggestion to depoliticize census related activities calls for the creation of special census commissions, established along the lines of election commissions. The commissions would function more or less as autonomous bodies, and maintain a spirit of neutrality. Other suggestions have included implementation agreements that postpone or gradually introduce the changes indicated by census data. Such approaches at least provide the information necessary for planning purposes, and try to prevent regional or ethnic/linguistic issues from erupting into turmoil.

The collection of population data has its own problems. Almost every level and jurisdiction of government is interested in certain types of population characteristics (age, gender, composition, educational levels, income levels, occupational categories, housing conditions, employment). The accommodation of all demands can make the information collection exercise unwieldy. On the other hand, the omission of certain questions may limit the utility of the information and necessitate additional exercises. The construction of questionnaires must be a participative process to ensure the exercise is successful the first time out.

### *Creating strategic information systems*

The quality of statistics is an important issue in many developing countries. Poor statistics on crop yields, for example, may adversely affect food policies and estimates on the export or import of commodities. Conversely, the cost of data collection can be exorbitant. Thus, decisions need to be made about cut-off points beyond which data collection costs exceed the benefits the data may be able to provide. Other techniques, such as sampling, should be introduced where feasible. Finally, data collection generally can be subject to bias. This is likely to happen with social statistics and with statistics on various public organizations.

Technological developments now make it possible to conduct many types of surveys and data collection in a prompt and cost-effective manner. A familiar example is the way remote sensing has been effectively utilized for surveying natural resources and crops. Technologies are also available to expeditiously process large amounts of data, ending long delays in the release of data. The results of census-taking should be made known promptly so that they are current and useful for planning purposes.

It must be remembered that statistics provide raw data which need to be analysed carefully for planning and policy purposes. This may require highly professional and specialized institutions to convert statistics into usable and useful information. Statistics can also be used to create images in a hall of mirrors, and administrators need to learn to interpret them properly.

While the collection of statistical information has made some progress in most developing countries, the same cannot be said of social and management processes. In some countries, the colonial powers employed a system of gazetteers to describe the sociology and economy of an area. The gazetteers were required reading for newly arriving officials. In most cases, the practice has been discontinued. Reviving the system in a modified form could be beneficial.

Planning and policy analysis focuses on the behaviour of components in an interrelated system. In fact, growth and change strategies are based on modifying the behaviour of individuals, groups and organizations. Yet assumptions about behaviour are often based on borrowed ideas and theoretical constructs. There are few studies of actual behaviour in developing countries. The collection and analysis of more and better qualitative information can fill the gap.

The generation of statistics and qualitative information is necessary but not sufficient for better planning and decision-making. In fact, an abundance of information may clog communication

channels and discourage managers from using the information. Information flows need to be structured and properly channelled so that the right manager receives the right information at the right time. Most developing-country contexts reflect an anomaly: there is a paucity of relevant data and an abundance of irrelevant data. The goal should be to develop strategic information systems that increase the capacity of managers at all levels to carry out national and organizational objectives.

## CHAPTER FOUR

### ADMINISTRATIVE DECISION-MAKING

#### General

Decision-making in public administration is a much debated but little understood subject. For one thing, there is confusion about the vocabulary. Expressions such as strategic planning, policy making and decision-making are used indiscriminately and interchangeably. There is also no consensus on what constitutes a decision. It is generally agreed that a decision involves a choice among alternative courses of action. But this does not really help in selecting which decisions should be the focus of study for administrative purposes.

By way of illustration, consider the following: a traffic policeman seeing a speeding car has several options: 1) he can let the car go; 2) he can stop the car and issue a warning; 3) he can issue a violation ticket. Following any of the three options constitutes a decision. Moreover, if most policemen were to follow a particular action, the collective result may have implications for the implementation of traffic policy. The motivation of the officer in selecting and enforcing a particular option may also be a factor in making the decision. The question is whether the actions of the policeman come under the purview of decision-making. If not, where should the line be drawn?

In public administration, the varying roles of administrators add to the difficulty of understanding decision-making. In most developing countries, administrators describe their role in terms of implementing the laws and policies enunciated by the Government. In only a few cultures would administrators describe their role in managerial terms. In the former, administrators may be performing important managerial and decision-making functions, but they use an entirely different language.

Different points of view about decision-making in developing countries also complicate attempts at generalization. Four such points of view are mentioned by way of example.

1. Decisions are the result of the dynamics of a highly complex social phenomenon in which different values, interests, institutions and individuals interact in a variety of ways;
2. An elite makes the decisions. It may include persons inside or outside government. When it comes from inside, it may be concentrated in certain institutions, to the exclusion of others;
3. An inspired and charismatic leader makes the decisions;
4. Technocrats make the decisions, supposedly based on some concept of utility.

Complications grow when formal structures and informal channels for making decisions are considered. It is probably fair to conclude that decision-making occurs in all these instances, and may range from particularistic choices to universalistic rules and decisions.

In short, decision-making takes place in a black box , the nature of which is not fully known outside of governing circles. Some analysts believe that if enough information is available on decision inputs and outputs, it should be possible to guess the workings of the black box. However, few such studies are available on developing countries to test the hypothesis, or to fully understand the decision-making process.

There is a need in most developing countries to raise the management consciousness of public administrators. Many still think in terms of dealing with files , carrying out assigned tasks and enforcing rules . Decision-making is considered the responsibility of leaders, or political or special organizations. What needs to be promoted is the notion that all administrators are decision makers to varying extents and for different levels of issues. Collectively, administrators have a major impact on making and implementing decisions.

Making public administrators more aware of the goals and objectives of their activities is important for improving their sensitivity to the quality of decisions and their outcomes. In the meantime, only a few general guidelines can be offered to assist public administrators in carrying out their functions. Where they may have their own views on the subject, the following ideas can serve as a checklist.

### **The dynamics of administrative decision-making**

#### *Overview*

Administrative decision-making is hierarchical. Decisions at the lowest levels may be more structured and amenable to few options. Administrators at higher levels make decisions with more discretion. However, there are strong linkages among the decision-making levels, although the nature and scope of the decision may be different. The recognition of these linkages is important to improve both the formulation and implementation of decisions. Promoting interaction between various levels in terms of goals and objectives, rather than cases and transactions, is critical for improving the overall decision-making process.

Administrators need a better understanding of how the structure of organizations impinges upon decision-making authority. In addition to hierarchical linkages, there are lateral ones. Most substantive decisions involve the commitment or redeployment of personnel, financial and logistical resources which may be situated in different units. Operating managers have to interact with these units to make realistic decisions. While the value systems and criteria used by various units may differ significantly, strategies have to be developed to build consensus.

Administrative decision-making at the higher levels almost always involves interdepartmental and inter-organizational collaboration. Arrangements to promote collaboration may be extremely difficult, as the different entities involved may have competing and conflicting interests. At a minimum, higher-level decision-making involves planning, finance and personnel agencies. Other substantive agencies may also have a stake in the decision. The next chapter, on organizational and institutional imperatives, examines the complexities involved in organizing for different functions,

making the point that typically a large number of agencies have an interest in a particular subject (for example, water).

The target groups or beneficiaries of decisions are often overlooked. However, most decisions have short- or long-term impacts on the governance patterns that develop between State and society. When decisions are made in the name of the people, they are likely to be ignored. Thus, it is important to include the concerns of affected groups in the decision-making process

Administrative decisions generally fall into four categories.

1. Decisions about organizational survival, maintenance and discipline;
2. Operational decisions based on the function of an agency;
3. Decisions that affect the maintenance of linkages with the environment, including client groups and individuals, and beneficiaries;
4. Development related decisions which may be linked to one of the other categories, or required by the changing priorities of society.

Each category entails different dynamics and relationships for decision-making. Sometimes there is a tendency to concentrate on one category of decisions, to the exclusion or neglect of other categories. The costs of doing so can be high not only in terms of substantial progress, but also for organizational survival. Of course, most of the decisions in public administration have to be made within the framework of relevant laws, rules and regulations. Developing countries exhibit many contradictions in this regard. For instance, decision-making parameters may be highly structured or routinized for some functions through a multiplicity of rules, regulations, conventions and precedents. Alternatively, there may be a complete absence of rules on emerging functions. Administrators need to be aware of these contradictions, and order their decision-making processes accordingly.

Administrators may have their decisions challenged by their superiors. They may be taken before administrative tribunals or courts of law, although this is more likely in cases where decision parameters are explicitly stated. The point worth underlining is that the decisions of administrators are not exclusively administrative. They can equally become matters for judicial cognizance. When administrative decisions negatively affect persons and groups who may also happen to have political clout, the issue can become politicized. The need to act within decision parameters, therefore, becomes imperative.

Finally, few administrators evaluate and assess the impact of their decisions. The reasons for not doing so vary: there may be no motivation to do so; the requisite skills and techniques for monitoring and evaluation may be poorly understood or absent; superiors and political leadership have concluded for their own reasons that assessments are inappropriate; or the long-term impacts or consequences of decision-making may not be appreciated when there are intense pressures to take

immediate action on an issue. Governments can lose perspective and public administration can become irrelevant when there are no feedback loops in the decision-making process. Many developing countries continue to struggle with this issue.

### *Improving performance*

In the last analysis, nothing can take the place of integrity in decision-making. While individual administrators may have their own style and personal biases, it is important to question the motives behind particular decisions. Administrators must be concerned with the philosophical and ethical dimensions of making good decisions. While it may be difficult to explicitly define goodness in some cases, it is usually possible to examine its broad connotations. For instance, every developing country at least formally defines the concept of goodness through the constitution, statutes and official pronouncements. The problem lies in making the concept operational. Administrators have a moral and professional responsibility to promote the realization of formally declared values through strict adherence to the principle of integrity in decision-making. It is the only way to bring honesty and sincerity into the administrative decision-making process and eliminate the dichotomy between pronouncements and practice in public administration.

### **Inter-organizational decision-making**

The achievement of inter-organizational coordination in decision-making has emerged as an important issue in many developing countries. The problem arises from the concept of department as an organizing principle of public administration, and the impossibility of having a self-contained department. While administrative reforms frequently reorganize the functions of departments, they rarely question departments as an organizing principle. The building of single organizations capable of getting results remains important. But the imperatives of development also require coming up with procedures and models that assure interdepartmental or inter-organizational coordination.

The complexity of the issue can be illustrated by examining some of the departments typically found in government structures at the national level. These include departments of agriculture, labour, education, health, energy, trade, communication, internal security, natural resources, industry, local government, and defence and foreign affairs. Each department comprises a number of large units. For example, a department of agriculture may have units for land, water, crops, animal husbandry, fisheries and rural infrastructure. There may also be units organized for agriculture inputs like seeds, fertilizers and machinery, and units to provide extension, credit and marketing services. In some countries, there are units to market major crops important to the national economy.

There are also various kinds of entities such as central statistical offices, central stores and purchase offices, public works departments, and general services administrations, who are entrusted with the supply of common services to line departments. Most countries also have decentralized entities (provinces, states, regions, municipal corporations and districts), where each level has its own departmental organization which may or may not match at the central level s.

All of these organizations were established at different times, and exhibit a variety of organizational cultures, decision-making styles, problem perceptions, political clout and resource endowment. Moreover, the various organizations and jurisdictions vie with each other to expand their boundaries and access to resources. Cooperation or conflict may define relations among the various parts of these complex structures because of administrative politics. In short, bureaucracy is not the monolith it is presumed to be in most analyses. Rather, it is a highly fragmented system with the subsystems often pushing or pulling in opposite directions.

It is obvious that no part of the structure is entirely self-sufficient. A department of agriculture, for instance, cannot function without prior, synchronous or follow-up action by other departments such as energy, industry, trade, and financial institutions. A department's relationships with the larger system in terms of complementarity, work flow and technologies often take on problematic dimensions. The importance of linkages is amply illustrated when broader issues regarding national resource development, export promotion and rural development are examined.

### *Defining a conceptual framework*

No model is available that informs consistent and compatible decision-making in such complex situations. However, some partial solutions have been suggested and are briefly discussed below.

*Sector-based coordination.* Many planners have promoted sectoral divisions as a strategic middle ground between micro- and macro-level planning. This approach brings into sharp focus the need for coordinated decision-making across a broad cross-section of economic activity such as energy or transportation. Some countries have established a system of administrative councils or commissions for major sectors that basically perform symbolic or catalytic functions. The success of these experiments depends upon the professional or political authority of the councils, articulation and government commitment to a dominant goal, the strategies employed for conflict resolution, and a reward system acceptable to most of the agencies participating in the exercise. In spite of these efforts, the concept of sectoral-based divisions often remains a paper classification rather than a practical mechanism for the coordination of activities.

*Special programmes.* Some countries have established special programmes to bring together related parts under a single decision-making framework. The most notable example is that of integrated rural development programmes. The programmes have often suffered from conflicts over particular approaches and methodologies. Most have now been phased out. But their experiences can yield some useful lessons and insights for developing models and guidelines for inter-organizational decision-making.

*Ad-hoc task forces.* Many countries use standing or ad hoc task forces to address coordination problems, but they are not always effective. Questions have arisen about the level of participation, and the ability of task forces to commit their organizations to any particular course of action. In fact, many organizations are not administratively equipped to deal with such issues, or cannot spare competent staff to serve on the task forces. In some cases, the participants have informally indicated

their personal agreement with a certain course of action, but then refused to officially agree to the proposal for fear of reprisal from their parent agency.

*Clusters, networks and administrative czars.* Some observers have proposed the concept of clusters, or a network of organizations, to promote communication, transactions, joint activities and mutual influence. So far no countries are known to have operationalized the concept. Consideration has also been given in some cases at the highest levels of government to the establishment of a few super-departments or administrative czars. These proposals have been rarely accepted because of opposition from various institutions and interests.

All of the above efforts point to the recognition of the problem. They also show the inability of most systems to come up with adequate solutions. In the meantime, the lack of intergovernmental decision-making is painfully visible in the urban sprawls and rural misery of most developing countries.

### **Management science and public administration**

A relevant development in public administration is the emergence of management science and new technologies such as computers. In particular, computers have shown great promise for improving management and decision-making in public organizations. Various factors have contributed to the popularity of management science in public administration; they include the continuing role of the State in guiding or managing the national economy, the increase of science and technology in public affairs, and the growing complexity of public policy issues.

The focal point of management sciences is decision-making. Most modern vocabulary on decision-making in public or business organizations is dominated by the management sciences. This has given rise to some debate about the use of management sciences in public administration. However, the management sciences including decision theories have already made significant inroads in public administration. For example, operations research started in public organizations and only later became popular in business administration. Similarly, model building, econometrics, urban planning, transport management, civil service management and natural resources management have had a major influence on national planning and policy analysis. The planning, programming and budgeting system (PPBS) was also partly inspired by the management sciences. Defence departments, in particular, are major users of the management sciences.

#### *Some caveats*

Despite the underlying unity of the management sciences, there is little agreement among their proponents on terminology, perceptions, methodologies and techniques. For example, one writer's techniques can become another writer's theory or model. Some writers use the term management in the singular, referring to a single set of interrelated tasks. Others write about management in the plural, referring to the coordination of a whole system, such as sectoral management. Also common is the substitution of public management for public administration. While there is a

lack of consensus on specifics, all see management science as a worldwide movement. Here, the plural version is used to emphasize the heterogenous nature of the field.

Both orientation and approach are important in understanding management sciences. For the most part, management sciences are normative in character, and quantitative in their methodologies. For example, the new science of decision management has a programmed quality to it, where one moves from a decision problem to a decision. Some also see the possibility of developing a normative policy science. The debate about the merits of management science for public administration includes many shades of opinion. The main points of the debate are discussed below.

Some argue that the introduction of management science in public administration is an attempt to replace politics with science, and contend that science cannot solve social problems. Others criticize the inadequacy of management science to deal with the complexities of social phenomena, and the likelihood of ignoring critical variables in the search for determinate solutions. Specific techniques such as PPBS and cost-benefit analysis have also come under criticism for a variety of reasons, including their normative content and excessive market orientation.

The classical tradition, particularly in liberal democracies, views public administration as instrumental in nature. From this perspective, the legislative, consultative and other participatory processes are considered the main reference points for making public sector decisions. The proper values in decision-making are compromise, consensus, negotiation and bargaining to deal with ambiguities and indeterminate issues. Finally, incrementalism is viewed as an appropriate response to political processes.

With regard to public administration, the classical tradition emphasizes representative bureaucracy, responsiveness to social needs, and accountability of the system through elected representatives. Considerable attention is also given to institutional and behavioural dimensions. These values cannot be quantified, it is argued, and made part of management science methodologies.

Despite these differing viewpoints, there is a growing interest in the contributions of management science as tools in public administration. For example, applying a management science approach, planning and policy analysis are seen as non-directive and one of the many input streams to government decision-making; while the approval and legitimization of decisions remain a prerogative of established procedures.

Developing countries are frequently persuaded to use management science in the development process. In a few countries, technocratic administration has been promoted as an antidote to the problem of political instability. For all these reasons, it is important to understand the management science approach to decision-making so that political leaders and administrators can exercise informed judgements about the selection and utility of relevant methodologies and techniques for public administration.

### **Decision-making as a problem solving exercise**

Decision-making in management science is generally viewed as a problem-solving exercise to remove ambiguity and allow choice. An important part of the exercise is a search for the optimal solution, even though individual strategies may require settling for less. The notions of decision, partial decision and choice are all important in this context. A central concept in decision theory is measurability. The purpose of measuring is to be able to predict certain events. Measuring is done in terms of utility, normally defined in economic terms. Decision-making simply implies mathematical decidability and the use of models.

The ideal decision-making process has at least six logical and sequential stages. Each stage has a special set of requirements and methodologies. A brief summary of the process is given below.

1. *Defining the problem.* The goal in this stage is to define the problem accurately in relation to expectations. Since problems are interrelated, it is necessary to pinpoint the critical factors and related parts of the problem. Questions about the time frame and costs are important. This stage also requires consideration of historical or background information, relevant current data and comparable information from secondary sources;
2. *Identifying alternatives.* The identification of alternatives includes the formulation of internal and environmental factors. The environment is sometimes referred to as the state of nature, and determines the type of decisions and their relevant considerations. The department or internal variables have to be free of personal biases;
3. *Quantifying alternatives.* The quantification of alternatives is necessary to allow conversion into the symbolic language of mathematics. Each alternative is assigned a utility. Identifying risks and rewards in the short- and long-term is also part of this stage;
4. *Evaluating alternatives.* This stage involves decision problem analysis, and often raises questions about the appropriate concepts, models and techniques. Linear programming, game theory and linear regression are frequently utilized;
5. *Choosing an alternative as a decision.* Based on the problem analysis, a choice is made on the alternative considered most appropriate in light of decision criteria and matrix techniques. At this point, the process has yielded a decision for implementation;
6. *Implementing the decision.* This stage can begin another cycle of the process to make a decision about an implementation strategy or plan.

Although the above is a rough, non-technical description of the process, an administrator can use a simplified version to develop ideas to improve his/her personal style of management more generally. However, some problem-solving exercises in management science call for high-level mathematical equations and the use of computers. There are a large number of computer programmes available today for various management activities which can be easily used or adapted for this type of decision-making process.

### **Decision problems and selecting the best strategy**

While there are many ways to classify decision problems, management science classifies them based on the information available to the decision-maker. There are typically five conditions (states of nature) under which decision-making can occur:

1. *Decision-making under uncertainty.* When outcomes cannot be predicted even in probabilistic terms for lack of information;
2. *Decision-making under certainty.* When the decision-maker knows the information on the state of nature that will occur;
3. *Decision-making under risk.* When the decision-maker knows that there are a number of states of nature, but he also knows the probability of occurrence for each of them;
4. *Decision-making under partial information.* When the decision-maker knows something, but not everything, about the probable states of nature;
5. *Decision-making under conflict.* When the decision-maker is engaged in a competitive or conflictual situation with an opponent. This category is the focus of game theory.

The above classification helps to determine the criteria to be applied to different types of decisions to select the best strategy. For example, in decision-making under certainty, the strategy with the largest payoff may be the best. On the other hand, there may be no one best criterion for selecting a strategy when making decisions under uncertainty. The organizational policy or individual preference of the decision-maker may turn out to be the deciding factor. In the case of decision-making under risk, there are a number of payoffs, and the decision maker may base his criterion on all the possible payoffs for each strategy, or select a strategy according to some rule. Decision-making under conflict, or game theory, focuses on conflicts of interest. The players are locked in a zero-sum game or non-zero sum games. These kinds of situations increase the complexity of the decision problem, and the information required to develop a payoff matrix is difficult.

Taken together, different kinds of decision problems offer a serious and systematic analysis of a whole range of important issues. They may suggest possibilities which were not known before. They may also force clarification of obscure issues. Decision-makers can greatly benefit from a general appreciation of the techniques and methods involved. For administrators, a particular benefit of being familiar with the management science approach is the potential it has for increasing their capacity to deal with the experts, and in asking the right questions.

## CHAPTER FIVE

### ORGANIZATIONAL AND INSTITUTIONAL IMPERATIVES

#### Organizational principles and practices

Organizational arrangements are among the most important determinants of the administrative and managerial capabilities of a nation because they affect the utilization of human and physical resources. Organization is the means for coordination, the division of work and the conduct of relations between the components and the whole. Organizations provide for the assignment and grouping of personnel and resources for the realization of desired objectives. Governance and public administration achieve results through organization.

The highest level of organization in a country is represented by the State. At the state level, organization is the product of the philosophical values and political possibilities of the nation, rather than the application of technical principles of organization. It is also influenced by power sharing arrangements. Within this framework, there is ample scope for the application of the technical principles of organization, particularly at the lower levels of departmentation and operations. A system of organization based on rational and technical criteria can greatly enhance the realization of objectives, the design and implementation of management systems, the delivery of services and public accountability.

However, no country in the world begins with a clean slate. A country's institutions and organizations are the product of accretion through historical evolution, political expediencies, external influences and ecological realities. In the process, governing and administrative systems develop anomalies, contradictions and dysfunctions, and it is important to review them periodically to correct their weaknesses.

The principles of organization are stated in many ways and there can be contradictions. They are essentially guidelines and are built around a few essentials. For example, administrative agencies may be organized by purpose, process, clientele or geographical divisions. In organizing agencies, consideration needs to be given to span of control, the scalar principle and the unity of command. Other elements to consider include technical efficiency, the commensurability between responsibility and authority and specialization and coordination. These principles are neither mutually exclusive, nor capable of application to all situations without adaptation. Nonetheless, they are extremely useful for those engaged in organizational design or reorganization strategies. While there is no common nomenclature or conformity of organizational patterns among countries, it is possible to discern a number of general characteristics and pathologies that require special attention.

A striking characteristic of developing countries is the multiplicity of ministries, departments, commissions, boards, administrations, authorities, agencies, holding companies and corporations. The picture gets even more complicated when considering the different patterns and powers of various entities within the same category. For example, entities with responsibility for health,

agriculture, foreign affairs, defence, trade, transport and internal security may all be described as departments. But there may be major differences in their powers, their relationship to political authority and their central budget and personnel processes. There is even more variety among entities such as commissions, corporations, authorities and agencies.

Many countries have no standard modality for establishing public entities. They may be established by law or executive orders, by incorporation under laws governing commercial enterprises, or by a variety of other devices. Political and personal factors, and sometimes ad hoc approaches appear to determine the choice. The accretion of new functions during the last few decades has generally led to the proliferation of public entities. The situation in some countries is so complex that even the Government may not have complete information on all its organizations. The practice of periodically issuing organizational manuals is non-existent in the majority of developing countries, and given the multiplicity of organizational arrangements, it is easy to understand why. It would not be inaccurate to claim that in many countries non-departmental entities (those outside the scope of normal administrative processes) outnumber traditional public departments. To introduce organizational, personnel or budget reforms in the absence of a thorough understanding of this organizational maze is unrealistic.

A first step toward the systematization and rationalization of organizational structures is the compilation of a comprehensive compendium of all government organizations. The compendium would indicate the name of the organization, the authority under which it was created, its functions and major operational activities. Such an exercise can bring into sharp relief areas of overlap and duplication, gaps and discontinuities, and contradictions or anomalies. The basic exercise would be followed by the classification of organizations into a few broad categories, with reference to nationally articulated criteria. Each category would then be subjected to certain principles and standardized guidelines. Wherever possible, each entity would be linked to a department to promote coordination and managerial culture.

### **Departmentation**

In organizational matters, public administration has focussed on departmentation. A department is commonly defined as a major unit of government, usually entrusted with the management of a single substantive function. When headed by a minister (political executive) it is called a ministry. Conventional wisdom required that the number of major departments be kept small. Some have insisted on a number between six and ten to enable the chief executive to effectively supervise and coordinate the affairs of government. On the other hand, there are the political realities of developing countries, where coalition building produces a large number of departments so that each minister (coalition partner) can be accommodated. It is not uncommon to find examples of governments that have forty or fifty ministers.

Span of control within a department is an important issue. While it cannot be applied in isolation from other factors, it must receive consideration. The difficulty for a chief executive in coordinating the work of forty or fifty departments, ministries and a host of other special bodies directly reporting to him can be imagined. Possible solutions have included the appointment of deputies to support the

chief executive (for example, deputy prime ministers or vice presidents), the establishment of super departments, and attempts to limit the number of major departments. A related problem is the establishment of separate ministerial secretariats (called cabinets in some systems) to assist political executives (presidents, prime ministers, ministers). In some countries, political executives can appoint advisers. In both cases, personnel may come from the career services, or be drawn from outside the service because of their expertise.

All such personnel are supposed to act strictly in a staff or advisory capacity. But given human nature, proximity to the seat of power and political pressures, the temptation to control or influence operational matters under the charge of their ministers is always a danger. When this occurs, it can blur the responsibilities of different echelons, dilute the concept of accountability and demoralize operating departments. The political executive has an obligation to make sure that these situations do not arise. Political executives may be better served by working with the head of a department and concentrating on political direction and supervision, rather than allowing interference in operational matters.

Another issue concerning departmentation is the practice in some countries of interposing a civil secretariat between the minister and the operating departments. The secretariat is normally a large establishment comprising units for major functions. Each unit is headed by a secretary and supported by a large number of officials, all usually from the civil service. In such cases, the units of the secretariat are assigned to the ministers, while the secretary is the principal head of departments under him. There are examples where the presence of civil secretariats has caused difficulties and conflicts between different divisions over channels of communication, management responsibilities and accountability. While some of these problems have been sorted out, the basic question about the number of management levels/components continues to be debated.

The basis on which departments should be organized or reorganized remains a complex exercise. Many government functions in the last analysis are indivisible and cannot be broken down into watertight compartments. For example, defence, foreign affairs and national security appear to be fairly simple to organize as departments. However, both defence and foreign affairs functions are closely related. Similarly, defence and national security are connected, both generally and specifically. For instance, the armed forces can be called upon to aid civil administration in certain circumstances. Moreover, foreign affairs often has an economic dimension and can include other policy and sectoral areas. This can raise questions about coordination, both at headquarters and field level. Many countries follow the practice of having military, economic, press and educational attaches at the embassy level, and some coordinating arrangements at headquarters level.

When we look beyond the above functions, the picture becomes even more complicated. For example, how should education be organized? It includes not only different levels of general education, but also technical and professional education. Should all education be entrusted to a single department, or divided among different departments such as agriculture, health, engineering and law?

The complexities can be illustrated in another way by taking the example of water. Water is an important national resource and has many uses. Inland waters are used for drinking, irrigation, fisheries, transport, recreation and energy. This raises the question of whether water should be organized as a self-contained department, or split among departments organized on some other basis. The matter becomes even more complicated when water is an international issue, as in the case of riparian rights between States. The distribution of water may also be an issue among the internal territorial units of a nation. When drainage issues and industrial pollution are added to the list, the complexity multiplies.

The practice in most countries is to take into account historical antecedents, emerging national priorities, political dynamics and even organizational rivalries. How functions are organized affects not only the power of the organizations involved, but how they are staffed. For instance, process organizations strengthen the claim of technical personnel for management jobs. Territorial organizations are more amenable to administration by generalists.

There are no easy answers to those problems. Generally, successful organizational design or reorganization will depend upon a Government's ability to articulate priorities. This can assist senior administrators in thinking in terms of overall objectives, and the network of organizations that is required to realize these objectives.

### **Central guidance cluster**

In dealing with complexity Governments use different devices to channel, direct and coordinate organizational activities toward the realization of national objectives. One solution involves the setting up of small central agencies to provide guidance. This approach is often referred to as the central guidance cluster.

The central guidance cluster has many shades of meanings. At its simplest, it assumes that government knows its priorities, and this makes it possible to integrate the contributions of individual organizations through the planning, budgeting and personnel processes. The latter are generally located near or under the chief executive, and do not entail the creation of new agencies.

Under a different arrangement, the central guidance cluster involves setting up a system of councils to bring together major organizations with common areas of concern. The councils are given small staffs because most of the work is done in the departments. Examples include national security councils, economic councils, domestic affairs councils and science and technology councils. The councils are expected not only to coordinate ongoing activities, but also to plan for the future on an ongoing basis.

Another variant is the creation of policy centres under the chief executive. Small in size, policy staffs undertake strategic planning and policy development. The emphasis is on the force of ideas to integrate ongoing activities, and to keep departments abreast of changing needs and opportunities. The experience of policy units has been uneven among countries.

Every Government needs the capability to undertake strategic planning and to integrate operational activities to meet national goals. Acquiring this kind of capacity is partly technical, and partly a governance consideration. The exact organizational arrangements will depend upon the national system of administration, the strength of different institutions and processes, and the inclinations of chief executives and legislative bodies.

### **Staff agencies**

Staff agencies are designed to facilitate the work of the chief executive and heads of departments. Staff agencies may be structured to serve government-wide functions and may be established as distinct departments. They may also be organized as units in major departments to serve specific needs. The main characteristic of staff agencies is that they are primarily advisory in nature and cannot directly interfere in operational matters. The concept of staff agencies has a long history, as rulers throughout history have relied on advisers, mentors and consultants. There are four types of functions which can be assigned to staff agencies.

*Planning.* The term as used here means indicative and comprehensive planning, rather than central economic planning of a mandatory type. By definition, such planning is wider than economic planning. In operational departments, planning is primarily concerned with substantive and management planning. To some extent, the concept overlaps the policy analysis process, although it would remain closer to reality. The two can, however, be usefully combined in the same units.

*Research and Development (R&D).* This function often supports the planning process. The collection and analysis of pertinent information is necessary for keeping departments relevant through feedback on operations and outputs. In addition R&D would include technological dimensions applicable to specific fields.

*Inspection.* This function is designed to monitor operational progress, identify bottlenecks, and spot any irregularities or deviation from established norms. An effective inspection system can alert an administration or executive to any difficulties, and enable corrective measures to be taken.

*Legislative relations.* Staff agencies can also be important for increasing interaction between the executive and the legislature. This is especially important for policy development and accountability issues.

Planning, research and development, and inspection can be viewed as part of the same cycle. The output of the inspection function is useful not only to an administrator, but also for research and development. For example, feedback information can be used to develop new action packages, including the use of new technologies where appropriate. The outputs of both R&D and inspection can also inform the planning function.

The planning and inspection functions are increasingly common in developing countries, although their output is not always used properly or effectively. The R&D function is a rather neglected area, and may explain the tendency of developing countries to rely heavily on borrowed concepts, models

and methodologies rather than evolving locally relevant courses of action. The most neglected staff function is legislative relations, and both policy development and accountability have suffered.

### **Administrative control and management support agencies**

A network of central administrative control and management support agencies has emerged in most countries. Their purpose is to provide operating departments with an amalgam of control, technical advice, consultation and support services. The agencies usually include administrative functions of a government-wide nature, where uniformity of standards and practices is considered essential.

Some examples of the functions administered by these agencies include planning, budgeting, personnel, management systems and procedures, statistical information, contracting and purchasing, archives and training centers. Planning in this context means approval of the plans and projects of operating departments before these are channelled into the budget process. Budgeting is the process of allocating resources. The central personnel function may involve not only standard setting for recruitment, induction, career development and pensions, but also the actual management of senior personnel through appointments and transfers. Similarly, central contracting and purchasing may deal with standard setting or the actual administration of these processes for all government departments. These and other functions are discussed in detail elsewhere. In this section, only a few of the general issues are touched upon because of their impact upon operating departments.

There is no standard model for the organization of these agencies. Some countries combine finance, budgeting, personnel, contracting and management systems and procedures in the same department. Others have separate departments for budgeting, personnel and support services. The location of these offices is determined by the combination of functions entrusted to them. In the case of the first model, the agency is normally organized as an exchequer or finance department and placed under a minister. In other cases, a separate budget and personnel office may be placed directly under the head of Government (the premier or prime minister). Budgeting and personnel are the two most important tools of control, coordination and discipline. Other functions under this heading are important, but can be easily organized as specialized support services.

The problems that arise between the cluster of agencies and operating departments include the multiplicity of clearances and controls, diffusion of responsibility, delays in the delivery of services and the discouragement of innovation. Some of the problems can be resolved by central administrative agencies confining their role to standard setting and monitoring, rather than controlling the detailed operations of line departments. There should also be room for the adaptation of general standards and norms to specific situations. At present, there seems to be an abundance of rules and regulations, to the point where they defeat their purpose and the focus is more on the form than the spirit of the rules. In other cases, departments discover the exception rule, which then becomes the norm.

A recurring problem, especially with budgeting and personnel systems, has been the establishment of all kinds of autonomous bodies and authorities outside the departmental system. In some countries the situation has reached the point where central budget and personnel standards apply only to a

fraction of governmental jurisdictions. This opens up opportunities for the abuse of power, arbitrary decision-making and corruption all the evils which the administrative control systems were supposed to prevent and eliminate in public administration.

Ideally, a balance should be maintained between central control and operational autonomy. This can be achieved by setting overall standards and enforcing them vigorously. While departments need operational autonomy, they should also be subjected to strict accountability. For example, support services such as central contracting and purchasing can serve a useful purpose by achieving economies of scale and high ethical standards. But they can also create delays and inconvenience if their procedures become lengthy, or their inventories become irrelevant to the needs of operating agencies.

Similarly, statistical services utilize many kinds of data. There are certain basic statistics which are needed by most government agencies, and include general census, demographic and economic data. These statistics can be usefully collected by a central agency. Problems arise, however, when it comes to specialized data (agriculture, industry, health). One problem concerns duplication, when data collection occurs in different agencies. Another problem concerns disparities between similar data collected from the same universe, but by different agencies. In many countries, monetary statistics are a notorious example of these problems. Some countries have designated a focal point for standard setting and clearing-house functions. Agencies wanting to collect special data are required to get clearance from the focal point. The latter obligates the agency to justify the exercise and the proposed standards and methodologies.

The arrangements and agencies discussed so far basically concern system maintenance, coordination and control devices. People are seldom interested in them *per se*. What they are concerned about is the performance of programme management agencies. These are the agencies that collect revenues and provide developmental and social services. For example, programme management agencies build roads, bridges, canals and other infrastructure, supply housing, drinking water and utilities, run hospitals and public health programmes, promote or manage industrial and commercial enterprises, and ensure agricultural development and food supplies. In some cases, programme management agencies also manage transport (railways, air services, road transportation, etc.), communications (telephone, telegraph, television, radio, etc.) and deliver welfare services. It is the performance of these agencies which affects the quality of life. Another set of organizations that citizens frequently encounter are the tax collection and law enforcement agencies.

A striking weakness of public administration reform programmes has been their preoccupation with central administrative processes and system maintenance and control organizations, while programme management agencies have been neglected. While there is an abundance of technical and substantive studies, little work has been done on management needs. Of course, there have been some experiments in designing and implementing delivery systems, but these have been usually limited to specific groups. One result of this comparative neglect of programme management agencies is that many substantive and technological opportunities remain underutilized.

To correct this imbalance a number of measures are essential.

1. Organization by purpose must be the dominant principle. This will keep the focus on substantive projects and outputs. Organizing by purpose will not only strengthen the locus and visibility of responsibility by placing it squarely with the operating departments, but it can also bring the control and support agencies into the network of direct responsibility for substantive outputs;
2. The conventional system of looking at organizations from the top down should be balanced with the need to examine organizations from the bottom up. This means that the starting point for organizational efforts or reorganization should be the definition of end products and services to be delivered. A process of integration structured upwards can assure the availability of necessary support services and coordination;
3. Administration is frequently criticized for its rigidities, and rightly so. In many cases this is the product of rules and regulations imposed by system maintenance and control agencies for purposes which are only tangentially related to the service involved. Many of these requirements can be eliminated through the rationalization of rules and regulations;
4. Organization and procedures must be designed to serve the convenience of citizens. At present, many transactions involve a multiplicity of steps for the citizen simply because it is convenient for the organization. This should give way to one-stop operations wherever possible. Citizens should also have as many opportunities as possible to conduct their business with government through the mail;
5. Organizations should be prevailed upon to use simple language. Problems frequently result from obscurely worded amendments and piecemeal accretions to rules and regulations. Every organization should be required to write instructions for various transactions in clear language and make them easily accessible to citizens. Similarly, forms should be kept simple and straightforward;
6. The delegation of authority is a necessary and complex issue. Sometimes officials lack authority because of excessive controls from above. In other cases, the timidity of the official and the desire to play safe makes him/her send issues upwards. Improvements in this regard involve not only the rationalization of delegation of authority, but also the promotion of an organizational culture oriented towards problem solving through initiative;
7. Organizational performance is closely tied to personnel staffing issues. In attracting and retaining competent personnel, programme management agencies often lose out to the central control and staff organizations. For example, senior administrators would rather serve at headquarters (even in staff positions) than get posted to the field offices of operational programmes. Similarly, many competent professional and technical personnel prefer administrative positions to working in their fields of competence. There are a variety of reasons for this ranging from access to power and compensation packages, to status and urban amenities. These trends need to be reversed to assure a balanced distribution of

qualified personnel among the various types of organizations and to strengthen the management of programme agencies.

**Institutional imperatives:  
The case of regulatory administration and agencies**

The prevailing emphasis on privatization and the application of market principles to economic activity means that the direct role of the public sector in the production of goods and services will gradually decline. Conversely, the role of private enterprise in economic development and management will most likely increase. In areas where the public sector continues to produce goods and services, these will increasingly become subject to the discipline of the market. In all cases, protecting individual rights and the public interest will continue to be a government responsibility.

In protecting individual rights and the public interest Governments have developed and used new instruments to promote private enterprise. At the same time, they have attempted to ensure that the conduct of enterprises recognizes and respects individual rights and the public interest. The overall process of government arrangements for policing private enterprise can be described as regulatory administration.

Practically every activity in a society has dimensions which fall within the ambit of regulation. In their zeal for rapid industrialization, Governments have sometimes neglected these dimensions and this has led to cost shifting. A familiar example is neglect of the environmental impacts of industrialization, which has produced pollution and health problems. The costs for remedying these problems is usually borne by the public. The environmental impacts of industrialization are dangerous and growing. Industrial safety is another area of neglect that has caused human and environmental disasters. In particular, garbage disposal and dumping have become major issues in developing countries.

Similarly, the quality of private goods and services has been left to chance. The pricing of such goods and services may have also been arbitrarily fixed in many cases. The pricing of utilities is illustrative, particularly those managed by the private sector. Imperfect markets can enable entrepreneurs to manipulate prices, create monopolies and establish cartels. Stock exchanges can also be manipulated, and banking institutions used to deprive people of their savings. The examples are numerous. The point to be emphasized is that market forces and private enterprises cannot be automatically considered as conducive to individual rights or the public interest. Hence the need for regulation. The challenge is to design regulatory systems which are strategic in nature, and that do not hamper markets or private initiative. In fact, the purpose of regulatory administration should be the promotion of market institutions and private enterprise but within a disciplined and ordered framework.

Governments in some countries have adopted measures to regulate labour relations and some aspects of commerce and industry but there are major gaps in the regulatory framework of most countries. The neglected areas include among others the banking sector, non-banking financial institutions,

corporate affairs, monopoly control, security exchanges and stock markets. While it is acknowledged that many of these are newly-emerging areas of concern and that Governments have little experience in regulating them, most of the recent financial scandals have involved these areas and the general public has suffered in many cases. The scandals also affect the public welfare by discouraging savings, slowing down (or stopping) the inflow of investment, and frightening off new entrepreneurs.

Another area of neglect has been consumer interest or consumer affairs. For example, there are often no standards for products or professions, and no recourse for individuals that are harmed by low-quality services or shoddy products. Food and drug products, chemicals and fertilizers, and even appliances are often produced and sold in developing countries with little attention to standards and safeguards. There are also instances where products that were banned in the developed countries for not meeting standards, have turned up for sale in developing country markets.

Regulatory regimes have now become an important target of reform efforts in many countries. The goals of regulatory administration should be to promote industrial and economic development, and protect citizens from undue harm. Some caution is advised however. Overly restrictive policies and contradictions have the potential to retard economic growth and development and do little to protect the public welfare.

### **Disaster relief and emergencies**

No organizational arrangements can be considered complete without some administrative capacity for dealing with disasters and emergencies. For humanitarian reasons, as well as for national security and political stability these issues deserve the attention of public administration.

Disasters and emergencies generally fall into two categories. One category includes human-made disasters such as civil wars, insurrections, ethnic conflict and industrial accidents. These disasters not only threaten national unity, but also produce refugees who require food, clothing, health services, transportation and shelter. Sometimes these problems spill over on neighbouring countries who become the reluctant recipients of destitute refugees. Many of these problems quickly develop regional or international dimensions and their resolution requires international/regional agreements. Pending an agreement, people have to be sheltered, fed and clothed. Even after repatriation, the recipient country may not fully recover from the traumatic experience.

The second category includes natural disasters. Examples are floods, tornados, cyclones, earthquakes and volcanic eruptions. In many ways, they produce situations similar to human-made disasters. But they are different from the former in that it is possible to take certain preventive measures which may avert disasters, or at least reduce their intensity.

In many cases, natural disasters hit marginal lands which may have been occupied under population pressure, economic incentives (fishing, etc.) or merely for recreational purposes. Governments can usefully implement flood-control measures, drainage projects and other similar activities for land reclamation to reduce the impact of floods and other water-related disasters. The impact of earthquakes can be minimized by better housing design and materials. Governments can also pay

more attention to land use and habitat planning. With regard to cyclones and hurricanes, many Governments have now developed early-warning systems to quickly evacuate people from endangered areas. Many of these activities can be carried out by relevant government departments. The need is to increase awareness so that preventive measures can become part of the planning and management process.

The more common situation is to wait until the human-made or natural disasters have struck, and to deal with them on an emergency basis. For example, some countries rely on the armed forces for relief and rehabilitation activities. Others rely on civil administration or a combination of the two services. While it is unrealistic to expect most Governments to create large standing organizations to deal with these problems, there are other solutions. A more practical way of addressing the issue is to have small disaster relief units that act as coordinator and catalyst for mobilizing the entire administrative machinery for action.

A related issue is the availability of supplies and technical advice during emergencies and disasters. While some observers have suggested that stockpiles of required items be maintained, this may be beyond the resources of many poor countries. A more realistic approach for many countries may involve a collaborative effort with international organizations and donor countries to design a system which can tap global stockpiles of basic commodities and needed expertise.

## **CHAPTER SIX**

### **MANAGEMENT SYSTEMS AND ORGANIZATIONAL DEVELOPMENT**

Management is a multidimensional and complex function, and can involve structures, processes, personnel and resources. The vocabulary of management is rich in terminology such as programmes, goals and objectives, activities, participation, operations, methods, value systems and environments. Ultimately, as Webster tells us, management is the judicious use of means to accomplish an end. Thus, management has been a subject of study and reflection by philosophers, scholars, practitioners and academic disciplines. When a seminal idea comes into existence, it is often taken up by different disciplines for further elaboration, and is frequently modified and adapted for application to different situations and circumstances. The result is a variety of theories, models and techniques to explain management in its various dimensions. Public management is even more dynamic because of its linkages with politics. The following examines some of the more popular management theories and techniques that are employed in public administration.

#### **Programme management**

Programme management has special significance for developing countries because programmes are the main units for the implementation of development plans. Programmes are a way to break down the national economy into manageable components. Each programme, in turn, encompasses many different projects, and is an effective way of coordinating activity. In most developing countries, development programmes are generally unconventional relative to their experiences, and multi-institutional in nature. Thus, programme management is both an organizational framework within which various management techniques can be applied, and a technique in and of itself.

The implementation of development plans in many countries has suffered from institutional insufficiencies, duplication and conflicts. One reason for these difficulties was the expectation that different units in the system would be able to carry out their responsibilities in synchronization with other units. This expectation has not always been realized. In other instances, existing units were bypassed, and new organizations set up to carry out development functions. This has resulted in the non-utilization of existing capacities, and the commitment of scarce resources to new units, frequently entailing long start-up delays.

Programme management as a technique is especially relevant where programmes are unconventional in nature and tend to challenge the capacities of existing processes and structures. Typically, programme objectives are the starting point. The next step is the formulation of strategies to realize those objectives. Organizational strategies are then chosen by identifying alternatives and comparing them in terms of their consequences for the achievement of programme goals. In short, the focus shifts from institutions to system models, and organizational dimensions become a function of programme objectives.

The possibilities for organizational arrangements may include a management committee at the top, and the assignment of programme components to existing entities where there is capacity. If existing capabilities are found weak or non-existent, the creation of new units is required. Relations within the management committee may be based on the orchestra principle and participants may work on a contractual basis. Another possibility is the use of matrix management systems. At the programme level, it is also possible to employ quantitative techniques such as linear programming, queuing theory and statistical analysis. The programme framework is also used for the execution of constituent projects. To determine both time schedules and programme costs, PERT/CPM (programme evaluation review technique/critical path method) techniques are often utilized.

Organizations and programmes have been a convenient way for both developed and developing countries to introduce and manage change. Many industrial countries have successfully used the concept of programme as an organizing principle for developing new techniques, as well as for managing multinational projects. Rapid rates of change in the developed countries have led some observers to talk about an age of discontinuity, and about the inadequacies of existing organizations to cope with new demands and opportunities. This is especially true for some developing countries where the transition from an agriculture-based society to an industrial-based society has occurred in one generation.

In place of traditional approaches and methods for effecting large scale change, an emerging debate has focused on temporary organizations and the urgency of devising new organizational strategies. The vision is one of adaptive organizations characterized by temporary systems, and organized around problem-solving groups comprised of relative strangers with diverse professional skills. For both private-sector managers and senior administrators, the challenge of management is in discovering new and efficient approaches and methods to fit changing circumstances.

### **Management science**

Management science, in particular, has focused on quantitative management techniques. Some examples of techniques currently in use include linear programming, decision theory, statistical decision-making, probability experimental design, simulation, Programme Evaluation and Review Technique/Critical Path Method (PERT/CPM), queuing and sampling, game theory, information theory and cybernetics.

Some of the more familiar techniques employed in public management have included the planning, programming and budgeting system (PPBS) and management by objectives. Some techniques, such as linear programming and probability analyses, are more common in planning agencies. Because development programmes and projects frequently make use of cost-benefit analysis PERT/CPM has become popular with many public enterprises. Queuing theories are used in port operations, air and land transport. Many developing countries have accumulated considerable experience with these management science techniques. Unfortunately, there is a tendency toward the concentration of this experience in specific organizations. The application of quantitative methods is not typical of public administration more generally.

Quantitative methods are essentially oriented to developing a calculus of decision. The decisions may concern issues of resource allocation throughout the economy, or the management of operations, resources and programmes. The criteria in making decisions is based on optimization of economic utility. As such, quantitative methods can be viewed as economy-oriented techniques, with attention focused on outputs and results. The goal is to optimize rationality in decision-making. There is, however, a growing concern with secondary and tertiary decisions based on purely economic and technical criteria, and some have advocated the incorporation of wider criteria.

*Systems approach.* Management science techniques belong to the systems approach to problem solving. A system is defined in relation to a decision problem. An attribute of a system is that everything in it is interrelated. For example, if one part of the system is changed, all other parts are also affected. The systems approach emphasizes the interrelatedness of system variables and the necessity of thinking in terms of total effects of decisions. An important element of the systems approach is interdisciplinary collaboration in problem solving.

Another distinctive feature of this approach is the way systems can be represented by models in symbolic language. The model develops as investigations are conducted to discover patterns in the working of systems. As the variables are identified and quantified, the model is used to predict the outcome of alternative courses of action. Computers help to build complex models and can simulate real conditions. In addition to the more general models, specific mathematical models and techniques have been developed for application in various types of operations, including inventory control, allocation, search, queuing and network problems.

Quantitative techniques have elicited great interest in some developing countries. Generally speaking, most Governments have come to recognize the importance of using these techniques in public administration. The problem has been in changing the orientation of public administration systems, and with modifying organizational systems and public personnel policies and practices. Equally important is the lack of trained personnel. While quantitative techniques are an important resource for improving public administration in developing countries, they require administrative frameworks that place a premium on experimentation. The framework must include an ethos that is receptive to new ideas and systems of management, and is flexible in meeting the challenge of rapidly changing circumstances. The approach involves a profound change in the way public administration currently is conceived and practised.

## **Behaviour and organizational development**

The behavioural sciences and human relations approaches focus on individual and group behaviour and highlight their implications for the performance of employees, managers and organizations. The purpose is to develop intervention strategies or techniques for affecting changes in behaviour. Organizational development (OD) has relied heavily on the behavioural sciences to address many issues related to the work setting. The majority of OD strategies and techniques focus on motivation, morale and performance and can include group dynamics, role playing, critical incidents research, participative management, organizational learning and development, sensitivity training, group encounters, conflict resolution and communication techniques. Other topics frequently discussed in this area are leadership, supervision, communications and coordination.

Generally speaking, the behavioural sciences deal with human behaviour at different system levels. These can be illustrated as follows:

*Organism* a system that operates like the human body in that survival needs or basic needs must be met first;

*Personality* a system of attributes, experience, abilities, biases, social skills and intelligence;

*Group* a system of roles and their relationships in a team endeavour;

*Organization* a system of groups and their relationships; for example, a public organization;

*Institution* a system of organizations and their relationships; for example in government, the private sector, religion, etc.;

*Society* a system of institutions and their relationships.

Different disciplines have adopted the study of human behaviour at various levels as described above. Many of the theories, principles and techniques are not relevant to public administration and management more generally. Following is a brief discussion of ideas that have found application in public management.

### *Human motivation*

To understand the relationship among various techniques and strategies, it is helpful to appreciate the nature of organization and the way individuals are motivated to behave in an organizational setting. The central tenets of what has come to be known as the classical school are work and formal authority. The classical school views the organization as a system to divide work and establish authority. The division of labour and hierarchy of authority ensures the completion of the work assigned to individuals throughout the various levels of organization. The classical view gradually came to be known as formal organization, and emphasized the structure and anatomy of the

organization. Public administration continues to be strongly influenced by this classical or formal concept of organization.

### *Scientific management*

An organization can also be viewed in other terms. For example, the industrial revolution made technology an important element in organizing work, and brought the man-machine nexus into sharp focus. Thus, organizational structures had to provide for the use of technical equipment, and workers had to be proficient in carrying out technical processes. The man-machine relationship had its own dynamics and focused heavily on routine and on rewarding productivity. This led to a review of organizational patterns and practices to find more suitable alternatives for the new realities. Scientific management evolved from this search for new practices and patterns. The concept and principles of scientific management have had considerable impact on the process of public administration, but comparatively lesser effect on formal organizational patterns. The exception has been public enterprises engaged in industrial type activities.

### *Human relations model*

Another view of organization focuses on the individual and his/her needs, feelings and values. In this view, the organization is comprised of living human beings and their skills, knowledge, personality characteristics, needs and motivations, and social mores. The behaviour of individuals in organizations is considered not only a function of formal organizational anatomy, but also (and perhaps largely) the product of human dynamics. Thus, work is viewed as a group activity that takes place in an organization that functions as a social system. A major contribution of this approach is the concept of informal organization, which highlights the importance of the individual in management decisions.

*Hierarchy of needs.* Another important concept in human relations thinking is the notion of a hierarchy of needs that motivates behaviour. The hierarchy includes physiological, safety and security, social, self-esteem and self-actualization needs. The implications of this hierarchy for organizations attempting to motivate employees is that it is difficult if not impossible for people to move on to satisfy other needs until lower needs have been met.

### *Organizational learning and development*

*Formal and informal organization.* The concept of formal and informal organization is especially relevant to conditions in many developing countries. There is a large body of knowledge which emphasizes the dichotomies between formal and informal organization. Formal organization focuses on structures and prescribed roles, but informal networks and patterns of relations also exist, and they can have an impact on work. There are few case studies of informal organization in specific countries. Thus information is limited about the precise manner in which informality affects the working and output of public organizations. More empirical research in this area could be helpful for public administration, especially where dysfunctional relations have the potential to disrupt the implementation of the large and complex programmes.

*Learning organizations.* Another important topic is how organizations learn or adapt their behaviour. The concept is analogous to individual learning, often referred to as action learning. From this perspective, both the organization and the individual learn and adapt through problem solving. Thus, individuals in an organization are encouraged to work together in addressing real work-related problems. Through their shared experiences and insights, and their focus on real problems, both they and the organization benefit. Work in this area has contributed to the formulation of new learning strategies, such as quality work circles. Team building and group problem-solving, in particular, have been popular in many recent administrative reform efforts.

#### *Some caveats*

Many behavioural science techniques remain controversial, and have been criticized as manipulative of human beings. Social engineering, for instance, has drawn strong criticism. Other techniques, such as participative management, are considered ideologically inspired. Sensitivity training and group encounter sessions such as sensitivity groups, psychodrama and marathon have also come under fire. Often these exercises include role playing and role reversal encounters to increase empathy, self-criticism, and mutual criticism of different intensities among participants. While these exercises and techniques are supposed to enhance awareness of and empathy for others, they can also fuel intense emotional conflicts that should not be dealt with in a work setting.

Further, many of these techniques are culture-based, and their application in developing countries may not be appropriate. For example, in many cultures direct (or face to face) criticism is scrupulously avoided. Open discussion may also be inhibited by authority patterns in some organizations, and it is considered more appropriate to resolve conflict by going through certain rituals, rather than openly confronting the issues.

An important lesson to be drawn from the preceding discussion is that there is no substitute for each developing country designing its own management system, one that is reflective of local circumstances and societal values and norms. While it is important to review new ideas, theories and techniques, caution should be used in how these might be interpreted by local managers and employees.

Countries become modern through their own unique ways of managing public affairs, and the prelude to modernization is often provided by intellectual ferment and advance. While the role of the intellectual in public affairs may be limited in the short run, it has proved to be effective and necessary in the long run. In this connection, there continues to be a major role for national research and training institutions to conduct empirical studies in local settings. For example, they can test hypotheses about ideas such as group dynamics and interpersonal relations. However, this kind of empirical research rarely takes place in developing countries. The typical experience is that a particular borrowed technique seems to be in vogue for a time, only to yield to a new technique the following year. Techniques such as group dynamics, for example, need to be evaluated in local settings to learn their implications and impact. Too few resources of developing countries have been devoted to empirical research activities.

Public administration, in particular, has experienced problems with the application of inappropriate management strategies and techniques. As yet, there is no reliable survey or synopsis of management techniques. Perhaps it is not possible. There are also no off-the-shelf packages that cover a specific dimension of public management. Thus, public managers are left to search for and select the appropriate techniques in the absence of good information. There are at least six points which should be considered when selecting a management strategy or technique.

1. While many techniques are value-neutral, they are culture bound. This is particularly true of behavioural techniques. When techniques are not evaluated in a local setting, they may end up doing more harm than good;
2. Many management strategies can result in shifts of power within and among organizations. This may give rise to conflict which has to be anticipated and provided for;
3. Public organizations have multiple objectives which are sometimes difficult to prioritize. This is common when general objectives are translated into operational objectives. While the use of management techniques may force clarification of objectives, it can also change their relative importance;
4. Too much emphasis on measurement and quantitative analysis can lead to the exclusion of non-quantitative techniques and produce a sterile management exercise;
5. Many quantitative methods are information-intensive. The cost of collecting and producing information should be part of the selection criterion;
6. Causal relationships are not always easily understood. The introduction of new management strategies and techniques needs to be carefully monitored, for both short- and long-term implications.

### **The Importance of clear and transparent rules**

In public administration, means are as important as ends. In fact, in many instances it may be difficult to differentiate between means and ends because of the many inter-organizational linkages in administration. The selection of management systems, management strategies and even management techniques has to be sensitive to this means-ends continuum.

We can think of means as the subject of laws, conventions and accumulated practices. In essence, means are the organizing principles, mega-rules or rules of the game. For example, market forces, sports, games of chance and even wars operate within a framework of rules. In public administration, rules and rule-based organizations provide for the relationship between players, both for cooperation and competition.

All developing countries have mega-rules but problems arise when they are not explicit or with regard to Governments, not formally stated. A more common situation is the prevalence of contradictions between formally stated and informally practised rules. The need is to fill the gaps and to narrow the chasm between formal and informal rules. In the absence of clear and transparent rules, the contribution of management strategies and techniques to overall management performance will remain negligible, or will be used for exploitative purposes. It is important to remember that individuals accept authority because it flows from the clear and transparent application of mega-rules.

The importance of mega-rules lies in the ways they create the framework which is necessary for promoting sound management systems. Some examples of the way mega-rules influence the operating environment are given below.

- Establish the guidelines for relationships between the parts and the whole;
- Facilitate channels of communications, and establish the guidelines on sharing of information;
- Establish the standards to be observed by different levels of management and managers;
- Spell out the conduct of public business;
- Outline the procedures to bring about change.

In the absence of an overarching framework of sound management principles and guidelines, the introduction of management techniques such as linear programming or PERT/CPM will not enhance performance. Many management techniques are tools more a resource for making managers and programmes more effective than guidelines for improving the quality of management systems. This distinction is often forgotten. Without a sound foundation of basic mega-rules, management will continue to be weak and capacity low.

## CHAPTER SEVEN

### CIVIL SERVICE SYSTEMS

Civil service systems are neither unitary nor inclusive, and most countries have a multiplicity of personnel systems in place at different levels of government (central, state, local). Public enterprises, authorities, commissions and nationalized enterprises also may have their own systems. It is also not uncommon for some countries to have one or more central cadres where members move around and occupy key jobs in all types of organizations, while other personnel are part of different systems. Generally speaking, the core civil service systems conform to three major models.

*Fused model.* These are systems which combine political and administrative activities at all levels, with no differentiation between political and administrative cadres. The trend is now towards separating political and managerial functions and entrusting the latter to professional managers;

*Metropolitan model.* This model is typical of countries that have enjoyed longer periods of independence. The civil service organization is usually borrowed from a metropolitan power, but has been given a local colour. This model often leads to contradictions, and in some countries there is great divergence between formal laws and actual practices. For example, many countries based on this model have civil service laws, but the spoils system remains dominant;

*Colonial model.* This model is representative of countries that gained independence during the last four or five decades. These countries exhibit a strong continuity of belief in the structures and practices evolved during colonialism. In many cases, independence simply meant a change of personnel, as foreigners were gradually replaced by nationals. Typically, this model of civil service system retained its essential characteristics, even though their role was intended to become more instrumental in nature. Many problems with political and administrative relationships can be traced to this phenomenon.

Civil service organizations also exhibit different organizing principles. A few systems are job and skill oriented. Others employ the concept of *grand corps* for major professional groups. Finally, some developing countries build their personnel systems around the concept of rank with generalist administrators as the dominant group. Most systems have horizontal and vertical authority structures. Horizontally, the systems are divided among the various corps and services at the top. Vertically, the systems are divided into somewhat rigid classes to reflect task complexities and professional qualifications.

The main criteria for structuring the civil service should be to recruit and retain a motivated managerial and work force, and the system should be designed to make it possible to get the right person for the right job. In many cases, however, the rigidities of the prevailing systems make it difficult to apply these criteria. Some countries have tried to overcome rigidities by abolishing the class system and adopting a unified grade system. Theoretically, this can promote vertical and

horizontal mobility. In reality, new strategies may be employed to retain the essence of the old practices.

Civil service systems are generally regulated by the executive branch of government. In some countries, the responsibility is shared by the executive and the legislative bodies, with the legislature providing general guidelines. In a few countries, civil servants enjoy constitutional protection for their terms and conditions of service, but the structure and organization of the civil service is left to the executive.

A final point to be made about civil service structures is that many evolved from and are the product of a non-technical and non-professional era. In recent years, however, public transactions have become so complex that even managerial personnel need to know something about the substantive content of a task. For example, a pension system cannot be designed and managed without some knowledge of actuarial principles and practices. A banking system or corporate sector cannot be managed or regulated without expertise in the relevant disciplines and some knowledge of the law. A key issue in the debate on civil service reform is how to recruit and retain highly qualified technical and professional personnel for both operational and managerial positions.

### **Civil service reform issues**

#### *Recruitment, merit, tenure and neutrality*

Civil service systems are based upon four widely accepted principles:

1. The intricacies of administrative work requires expert knowledge and the organization of a special workforce;
2. Entry into the civil service and subsequent promotions should be based on merit and fitness alone;
3. The civil service should provide a secure career on a lifetime basis;
4. The civil service should strictly adhere to political neutrality.

The civil service is now recognized as a profession all over the world, even in countries that previously did not differentiate politics and administration from other kinds of work. However, problems sometimes arise about specific jobs and their inclusion in one category or another. For example, in some countries area coordinators (district officers and regional coordinators) are either elected or are political appointments made by the central government. In other instances, they may be drawn from the civil service. Practices can also diverge among countries over the way staff officers and advisers to chief executives and ministers come to their positions.

While each country has to decide the issue in light of its own political system, it can be helpful to prepare a list of jobs which fall into the political category. Where the content of the job is mostly political (representational, coordination, political feedback, etc.), it should naturally fall outside the

sphere of administration. But this has posed problems in some countries with a colonial experience where civil servants performed political functions before independence and have continued to do so. In such cases, the distinction between the political and administrative roles of civil servants is blurred, making it difficult to adhere to the principle of neutrality.

While the merit principle is accepted universally, issues often arise about the definition of merit and its application regarding entry-level positions and subsequent promotions. Many countries hold competitive examinations for recruitment to the managerial grades which provide senior administrators. The examinations are generally academic in nature, and qualifying candidates appear for interviews and sometimes undergo psychological tests. How far these examinations and tests can measure future potential and qualities such as integrity, commitment to duty and impartiality is debatable.

There has also been criticism that the system supports the status quo and discourages individuals with imagination and new ideas. The number of persons appointed through competitive examination is minuscule in relation to the size of the public sector. Most professional, technical and clerical positions are filled on the basis of prescribed qualifications coupled with interviews conducted at the central or departmental level. The merit issue assumes special importance in upward mobility. Some organizations simply rely on the seniority principle subject to satisfactory performance. Others rely on the seniority-cum-merit principle. The trend is towards greater selectivity for top positions, and many Governments have amended their rules in this area.

In almost all countries, civil service systems provide a secure lifetime career. It is only in rare cases that incoming governments and regimes have been known to dismiss officials. The reasons given were usually corruption, unsatisfactory performance and abuse of authority, and the numbers involved were extremely small in relation to the overall size of the civil service.

We can also observe that civil service neutrality in a formal sense appears to be observed meticulously. Evidence for this is found in the fact that civil services have continued to serve governments, irrespective of how the latter came into power. Similarly, there are few instances of officials disagreeing with government policies or resigning in protest. In fact, senior civil servants are often members of a political-administrative elite and equal partners in governing. The civil service has been generally ruler dominated and willing to serve all governments, especially when their interests are not threatened. In rare instances where their interests have been threatened, they have bided their time and recouped their lost position through subsequent regimes. In this context, the problems plaguing some countries are more a problem of governance generally, than an abuse of the neutrality principle.

### *Managing civil service systems*

There are four types of agencies concerned with the management of civil service systems. A brief overview of each type is described below.

1. *Civil service commissions.* In many countries, civil service commissions are constitutionally established entities, although their actual functions may be regulated by statutes or even executive decree. Their primary role is recruitment for encadred posts, and advising the government on qualifications and methods of recruitment. Other functions which used to be handled by commissions, such as promotions and disciplinary matters, have been gradually transferred to other organizations.

Civil service commissions enjoy a special status which allows them security to strictly enforce the merit principle. For example, commission members are appointed for a fixed term, and are ineligible for serving in the government after their service with the commission. Most members are retired civil servants or those nearing retirement.

2. *Central offices of personnel management.* The central offices of personnel management have emerged as important agencies. In some instances, they are located directly under the chief executive. In other instances, they are organized as departments of civil service and placed under a minister of State. Finally, some countries have chosen to establish the function as a wing of the Ministry of Finance.

Typically, an office of personnel management has several responsibilities that may include: establishing civil service policies for the government; administering encadred posts; formulating and implementing promotion policies; enforcing conduct and disciplinary rules; providing public administration and management training (induction and in-service) through subordinate agencies; determining terms and conditions of service; and in some cases administering social security programmes for civil servants. Given their responsibilities, these offices can be a key instrument of government for shaping and controlling the civil service.

3. *Departmental personnel offices.* Major departments may have their own personnel offices. Such offices handle the operational and detailed management of personnel assigned to the department from the centralized services. Departmental offices can also propose rules and regulations for department personnel not covered by the centralized services, and assist department heads in personnel processes within their competence.

4. *Service tribunals.* Service tribunals are established as autonomous bodies to adjudicate the complaints of individual civil servants regarding their terms and conditions of service. In some countries, service tribunals are highly respected bodies and their decisions are usually accepted. In others, conditions are somewhat different. In both cases, individual grievances can be taken to a court of law where tribunal decisions can be challenged. In some countries, many personnel cases end up in the courts.

In summary, most countries have evolved elaborate systems for personnel management. The arrangements protect the rights of individual civil servants and provide them safeguards against arbitrary actions. On the other hand, these arrangements can handicap managers in disciplinary matters, particularly where there is too much emphasis on rights and privileges, at the expense of stressing the duties and obligations of civil servants. Personnel management systems have also tended to slow down or halt civil service reforms.

The need is for a mechanism that both protects the rights of civil servants and enables managers to enforce the principle of duties and obligations. A major area that deserves attention is the complex web of relationships between operating departments and the central offices of personnel management. For example, central offices could be charged with standard setting and inspection to assure their implementation, while detailed personnel administration matters could be delegated to the operating departments. Pending such changes, senior line administrators will be forced to work with the personnel they have, and the option to build their own teams will have to await future developments.

### *Classification, cadres and grades*

Almost all countries have some system of service classification. While the system may be simple or elaborate, it is essential for organizing the civil service, grading its various components, and establishing a salary plan. Some countries use educational qualifications as the basis for salary determination, while others have highly complex and sophisticated systems.

Classification systems broadly follow two models. One may be described as a position classification system, where the starting point is the position required and its attendant duties, responsibilities and qualifications. All comparable positions are graded at the same level with the emphasis on equal pay for equal work. This system does not have a career structure for automatic upward mobility, although people move to higher responsibility and higher-paying positions if they meet the qualification requirements of the new assignments.

The second model is known as a rank system, where the emphasis is on career structure and personal status. The cadre comprises a series of posts that have certain functional features in common (for example, civil administration, agriculture service, tax administration, customs, foreign affairs, and police). The cadre is divided into several grades, with each grade assigned a salary. Promotion to the next higher grade may depend on seniority alone or on the seniority-cum merit principle.

Among developing countries at present, the rank system is more prevalent than the position classification system. But the two systems are not mutually exclusive, and features of both can be joined to establish an efficient and equitable system. For example, each position can be analysed as the basis for allocation to the proper rank. Recognition can be given not only to levels of administrative responsibility, but also to duties carrying high professional and technical requirements. Posts in different ministries having the same level of work, range of duties and degree of responsibility can be assigned similar rank. From both systems, it is possible to find methods that assure the principles of equal pay for equal work and comparable opportunities for promotion.

Rank classification systems, in particular, suffer from some weaknesses and anomalies which need to be removed. Some of the weaknesses are the result of historical legacies, while others have emerged from more recent developments. In many countries, the colonial tradition of classifying services meant that they were divided between expatriates and locals. Expatriates were organized into cadres variously known as imperial services, superior services or colonial services. The cadres were not

linked to any organization or profession, and key jobs throughout the entire administration were reserved for them. As required, the expatriates moved laterally to serve in different departments or field assignments. The initial cadres were built around general and police administration, where the essential purpose was the maintenance of central control. Subsequently, other cadres were also organized to serve in areas such as agriculture, education and finance.

Working under the expatriates were large numbers of locals to carry out a myriad of public functions. The latter were organized into classes rather than cadres. Between the two levels were supervisory cadres comprising local civil servants who essentially acted as intermediaries. Subsequently, some functions like education, agriculture and health were also transferred to local cadres.

On achieving independence, countries re-designated the expatriate cadres as the superior services and the local cadres as the junior services. The overall system was kept intact. This led to the dominance of particular cadres across the board, usually those comprising generalist administrators. As a result, inequities developed between senior and junior generalist cadres, and between generalists and technical cadres. The system also adversely affected promotion opportunities and the career prospects of different non-generalists cadres, especially for appointments to senior administrative posts. Controversies about generalists versus specialists in many developing countries have their root causes in such decisions.

Another source of difficulty was the advent of national planning and the welfare state. New state functions required a variety of professional and technical personnel in significant numbers and included economists, scientists and social welfare programme administrators. Many were appointed on an ad hoc basis with no clear career patterns, since there were no cadres for such personnel. Some governments tried to remedy the situation by establishing new cadres, but the basic problem remains unsolved. Because the technocratic and professional dimensions are increasingly important in public administration, it has become necessary to have the proper classification and cadre structures for pertinent categories of personnel. The cadre structures should be comparable to those for older cadres with regard to terms and conditions of service and career prospects. In the absence of viable cadre structures, valuable professional, scientific and technical personnel may be lost to the government.

A closely related problem concerns personnel employed on externally-funded development projects. Donor-funded infrastructure projects typically hire personnel on a temporary and ad hoc basis, ignoring that completed projects require operating staffs, or that new projects may require similar kinds of expert personnel. Social programmes, on the other hand, are expected to continue indefinitely and yet personnel for them are also recruited on an ad hoc and temporary basis. The result is that a large number of personnel spend their working lives without any security or career system. Uncertainty affects both motivation and performance. While not everyone can be accommodated, the problem needs to be resolved at least for essential personnel.

### *Downsizing and reorganization*

A critical challenge facing developing countries is the need to redefine the size and cost of the public sector (including the civil service and all other public agencies). A fundamental weakness of many

systems has been the absence of correlation between the number of staff to be employed and other inputs needed to carry out specific functions. In fact, leaving aside a few major physical and industrial projects, budgets are mostly based on personnel costs. The number of public sector employees has grown rather haphazardly under the influence of many factors:

- An explosion in the number of functions taken over by developing-country Governments since independence;
- An organizational approach to problem solving that has resulted in the establishment of many new public organizations with elaborate staffing structures;
- Use of the public sector as a way to alleviate unemployment, particularly among the educated;
- Political pressures for high employment levels in government agencies;
- Low levels of technology combined with a paucity of trained manpower.

There is a pressing need to review both the size of the public sector and its costs. Many Governments are currently engaged in the process of privatization and the application of market principles to most economic activity. These strategies have major implications for the size and cost of the public sector because of their focus on efficiency and effectiveness issues. It is now widely recognized that social issues such as unemployment should not be dealt with through redundant employment in public administration.

A closely related issue is the need for and increasing availability of trained manpower in most developing countries. Government budgets can no longer support unqualified and unnecessary personnel at the expense of needed skills and expertise. Productivity issues have also focused reform efforts on ways to increase the output of goods and services through new technologies. All of these factors contribute to the desire of many Governments to reduce staffing levels and personnel costs.

A number of countries are now engaged in reducing the size and cost of the public sector. This is being accomplished through recruitment freezes across the board, retrenchment, attrition and in exceptional cases, through redeployment and retraining for alternative employment. At best, these methods may slow down the growth of the public sector, but they are unlikely to help Governments make the transition to a new economic order. Planned reductions involve hard choices which are not always easy to achieve. However, Governments appear to have few alternatives where the goal is an efficient and effective administrative system.

Many Governments lack a central database on public personnel information. To this end some countries have carried out personnel censuses, but their value for manpower planning has been limited. For one thing, census results have often been delayed to the point where they are beneficial for historical purposes only. The comprehensiveness of the census has also raised questions. Another

limiting factor of census exercises has been the extent to which the exercise has been taken seriously by decision makers.

There is a need to follow a two-pronged approach. On the one hand, the changing functions of government have to be clearly defined. On the other, the number and profile of public personnel have to be analysed. The need is to rationalize tasks and personnel. There are also larger considerations, including the desirable ratio and proportion of the public service vis-à-vis the gross national product, and defining the optimal use of public service personnel. Human resource planning for the public sector is essential to ensure that such goals as value-for-money are achieved.

### *Affirmative action*

Many civil service structures are dominated by regional, racial, ethnic-linguistic and/or social groups that are the result of historical factors, educational opportunities, economic organization and conditions, demographic realities, kinship networks, gender discrimination and racial inequalities. Where such conditions prevail there have often been strong demands for rectification. The pressures are particularly acute in societies where public administration is viewed as the locus of authority and the only viable avenue for upward mobility. The typical government response has been to launch affirmative action programmes.

A common method used in affirmative action programmes is a quota system, where jobs are reserved for various regional, ethnic-linguistic and/or social groups. A more recent trend in some countries is reserving vacancies for women. Women in general and, more particularly, women of under-represented classes deserve special mention. In all countries, women constitute half or even more of the population. But many women have been denied educational and employment opportunities. In some cases they are not even considered part of the labour force. The few who do join the civil service continue to experience limited access to certain kinds of jobs, and promotions are slow or non-existent. While there may be a variety of social and cultural reasons for this state of affairs, there is no denying the fact that civil services have suffered from the absence of their participation. Each country will have to consider the problem in light of its unique circumstances, but a way must be found to enable women to work on equal terms in the civil service and other enterprises.

While affirmative action is necessary for nation building and social equity, the methods employed may not be ideal when they negate the merit system or perpetuate special-interest groups. While quota systems are more common for entry-level jobs, they have also become important for promotion to higher-level positions. The end result in many cases is a civil service divided into groups, classes and parochial divisions.

No one has as yet devised a better substitute for the quota system. It would appear that a more desirable approach should be to attack the basic inequalities which give rise to imbalances in the first place, but this is a long-term process. In the meantime, consideration needs to be given to special educational facilities and programmes that prepare underrepresented groups to better compete for jobs and promotions. In the long term, other avenues of employment need to be developed and promoted.

## **CHAPTER EIGHT**

### **PERSONNEL ADMINISTRATION**

#### **Meeting personnel needs**

The national educational system is the main source of recruitment for the civil service. Thus, the quantity, quality and specialities of graduates become important variables for civil service and personnel administration.

There was a time when educational facilities in many developing countries were not up to the task of meeting national skill needs. The situation was particularly acute in professional, technical and higher education, and most developing countries were forced to rely on expatriates for many of their senior managerial, professional and technical personnel.

The situation has changed considerably in most countries. National educational systems have expanded to produce more graduates, and countries have taken advantage of educational and training facilities abroad. The mobility of trained manpower across national borders has also helped to increase the available pool of talent.

With a few exceptions, the number of qualified personnel available in developing countries is no longer an issue. Instead, the critical issues facing many countries focus on the appropriate qualifications for necessary tasks, the proper fit between the demand for and supply of certain skills, and the optimal use of available talent. Many educational systems in developing countries have diversified to include scientific and technical subjects. Others retain a liberal education bias and a tradition of generalists as the preferred system for meeting the needs of public administration. Slow to adapt to the new realities, many countries continue to use traditional criteria in their selection processes.

The civil service commissions, whose task it is to conduct competitive examinations for entry into service cadre posts, have complained about declining standards of education. Specific criticisms include the weakness of communication skills (written and oral), an emphasis on the learning of theoretical knowledge and the inability to relate knowledge to practical matters, and the popularity of soft subjects. One possible solution for improving curriculum and teaching methods is to increase the interaction between institutions of higher learning and senior personnel in government agencies. In this way, the needs of the public service get translated into effective teaching programmes.

A more serious problem has been the emergence of a dual educational system. The majority of institutions catering to general education lack the proper facilities and competent teaching staffs in adequate numbers. The other stream comprises local elite institutions or education abroad. The result of the dual system is that graduates of local elite institutions or educational facilities abroad have an edge in competitive examinations over the graduates from indigenous institutions. Thus, the civil service comes to be dominated by graduates of certain institutions, regions and social groups. This

runs counter to the declared government policies to make the civil service a representative institution. In some cases the dual system has created political problems.

The issue of a proper fit between supply and need, particularly for management jobs in countries with a generalist tradition, partly stems from lack of agreement on the appropriate qualifications of managers. There are those who consider a generalist/liberal education the best preparation for managerial jobs. Others wish to introduce more technical subjects into the curriculum.

The problem is more serious in the professional and technical fields, where graduates may not have the necessary skills to apply their knowledge to practical matters. This may partly result from the examination orientation of many educational institutions and a lack of hands-on training. Equally important may be social mores which place a higher premium on chair positions than on assignments involving actual operations. In some countries the educational system is biased towards preparing students for white collar government positions. Possible solutions include greater emphasis on applied disciplines, practical training, internships and increased interaction between employers of all types and education and training institutions. In particular, curricula need to be made more relevant to local conditions. Many fields of study continue to be dominated by foreign textbooks and methodologies.

Issues surrounding the optimal use of locally available talent have many dimensions. Typically, there is concern about graduates in the humanities, social sciences and liberal arts. Only a tiny minority of such graduates will make it into government service through competitive examinations or appointment. The majority experience severe difficulties in matching their qualifications to the requisite jobs both inside and outside of government. Ironically, there may be plenty of positions available, but most will require a highly technical educational background, or a level of education less than a university degree. The proper channelling of students and counselling can play a major role in alleviating the many instances of unemployment and underemployment that exist in most developing countries.

Other pertinent issues include the ability of educational systems to respond to changing priorities and needs. One example is the value placed on competition. While competitiveness may be accepted intellectually as a desirable method in promoting the merit principle, operational norms may continue to be governed by other criteria. The point to be made is that educational systems will respond positively if societal norms and institutions explicitly convey the kinds of knowledge, skills and values that are desired of graduates. A second issue concerns the social status attached to various professions and their entry qualifications. So long as a society retains conventional attitudes towards a profession, the educational system that produces the profession will remain unchanged.

### **Recruitment and induction practices**

Recruitment practices in the civil service vary from casual methods to elaborate selection systems. Most vacancies in the civil service are filled through casual methods. Only a tiny fraction are subjected to systematic selection procedures, and these usually concern encadred posts leading to eventual senior appointments.

The casual methods include appointment on the sole basis of educational qualifications, interviewing combined with educational qualifications, or some cursory knowledge and skill tests. Elaborate recruitment programmes typically involve written competitive tests, extensive interviews and even psychological tests.

Recruitment may be carried out by a central commission by a department subject to standards established by the commission, or by departments employing their own perceptions and practices. Most countries practise a pyramid approach, where the base is left to the departments, middle-level vacancies are filled by departments within parameters established by a civil service commission or a central personnel management agency, and the apex is recruited by a central commission or agency.

For senior administrative positions, most developing countries are familiar with the latest recruitment methods and techniques. They also have in place a network of civil service commissions, central personnel agencies and other arrangements (for example, special schools which prepare graduates for specific services) to carry out recruitment activities. The problem is not so much one of recruitment methods, but rather the redefinition of senior cadre posts, and the best preparation for staffing these positions.

Recruitment to posts at the middle level is a critical area where recruitment methods need to be revisited and improved. At the middle level is also where many abuses may take place. Since the number of positions involved is quite large and their content diverse, it may not be possible to centralize these posts for recruitment by a civil service commission. A better strategy may be to develop central standards, with recruitment left to the departments. The same principle can be gradually extended outward and downward.

A major problem in many developing countries has been the inspection systems used to verify observance of formally stated standards. Such systems are often weak or non-existent. What is needed are arrangements that check staff recruitment by a central agency, preferably by a civil service commission, and prompt action when violations occur.

Once recruitment procedures are completed, appointments are made by the competent authority which can vary depending upon the level of the post. Induction is usually the responsibility of the appointing authority. However, a majority of inductees are left to their own devices when it comes to finding out about their job and the larger system. With the emphasis on learning on the job, the attitude of supervisors becomes an important variable in the induction process.

Induction is a major area for reform. For example, formal arrangements are needed to brief new recruits about their post and the environment in which they are going to work. The task is easier when a number of persons are being inducted at the same time, but all inductees should be assured of a briefing. The exercise need not expend additional resources. It is more a matter of putting together the relevant information given to new entrants and formalizing the briefings given by departmental officers. Proper induction procedures are important for inculcating the right attitudes among new entrants, improving the delivery of services, and bringing new entrants into the mainstream.

The induction of senior level cadres is a separate issue. Generally, senior administrators receive post-entry training. But departmental briefings are necessary because particular organizational cultures may deviate significantly from the more generalized and formal observations provided during post-entry training.

### **Career Progression and Mobility**

Like other human beings, civil servants should have opportunities to realize their full potential. For example, they should be able to attain higher positions commensurate with their capabilities and demonstrated achievements. As a general principle, this is accepted by most countries. Commitment to apply the merit principle in practice leaves much to be desired, however, especially in ascriptive societies, in which people's connections are more relevant to advancement than their performance. Some typical problems are discussed below.

*Rigidities.* Civil service systems structured on the basis of cadres, classes, quota systems and reservations introduce rigidities in horizontal and vertical mobility. The terms and conditions of service of many civil servants may yield a similar result. For example, the non-portability of social security benefits or seniority may discourage civil servants from seeking better prospects within or outside the government. Likewise, the absence of job opportunities within or outside the government may also inhibit mobility.

*Inequalities.* Many systems also do not exhibit equality of opportunity among different groups of civil servants. For example, while an elite corps may have vast opportunities for promotion because of their system-wide access to managerial jobs, other groups may be locked into departmental and sectoral structures.

*Bias.* The structure of many civil service systems is biased in favour of general administrators, with the result that these persons have better promotion prospects than their peers in other job categories. In fact, administrative personnel may be able to achieve four or five promotions in their careers, while the others may be limited to two or three grades. Further, the time requirements for promotion from one grade to another for general administrative personnel may be half as much or less than the time required for technical or professional groups.

Administrative bias also is reflected in the professional and technical categories, where administrative jobs are generally graded higher than professional and technical posts. One result is that technical and professional persons seeking promotion end up in administrative posts, even though their skills and temperaments may be more suitable for the former.

Some of the above characteristics are legacies of the past, and are not conducive to the changed values, needs and requirements of society. Career and mobility systems in most cases need to be revised. In many instances, changes in the organization of civil service systems will be required. The growing complexities of public administration tasks, coupled with an increasing focus on developing the private sector and applying market principles to the delivery of goods and services, all exert influence on civil service systems to restructure their promotion and mobility opportunities.

### *Improving performance*

Administrative reform efforts need to build several important principles into career progression and mobility arrangements.

1. *Equality of opportunity.* This principle is more easily applied in systems based on position classification. Nonetheless, even within rank systems, measures can be taken to promote equality of opportunity;
2. *Upward mobility.* Measures need to be taken to ensure that promotion opportunities for professional and technical personnel are comparable to those available for generalist personnel. In fact, the demands of modernization require that career progression opportunities for professional and technical personnel be enhanced;
3. *Fairness.* Career structures should provide about the same number of rungs in the promotion ladder for different groups. Similarly, promotion ladders should provide for similar time spans among different groups. Such reforms can go a long way toward avoiding interpersonal problems, supervisory difficulties and coordination complexities;
4. *Performance criteria.* Performance appraisal systems also need to be improved so that they become meaningful criteria for promotion. In the alternative, seniority rather than merit may remain the criteria for upward mobility.

### **Salary structures and compensation systems**

Both the level of civil service compensation in relation to national income, and internal issues are important in determining pay and compensation packages for the civil service. Compensation systems in most developing countries are the product of historical accidents. For example, the compensation of senior administrators, especially in countries with a colonial tradition, was fixed in relation to the income levels prevailing in metropolitan countries. Salaries were often augmented by an additional allowance because many of the administrators were expatriates. The salary levels for the local staff were also kept higher than the earnings of their compatriots engaged in private activities. In both cases, there was no relationship to national income levels when devising compensation packages.

#### *A closer look at compensation packages*

Civil servants have been viewed as privileged groups in society. Moreover, compensation levels have remained linked to historical factors rather than national economic realities, and have been frequently justified by the argument that Governments require the best and the brightest to bring about modernization and development. The issue remains controversial in many countries. To understand its full implications, a closer look at the components of compensation packages is necessary. These

include: basic pay; special allowances and perquisites; retirement and pension-provident provisions; and informal income.

The core component of a compensation package is the basic pay. In the absence of any comparative surveys, most developing countries have used discretion in establishing basic pay grades. These may be based on some notion of a living wage as the basic unit, with additional amounts added for the different grades. In the absence of comparable private sector data, no scientific basis has been available on which to determine basic pay for the civil service.

Many Governments pay special allowances to their civil servants for transport, housing, health and even educational studies. Some provide housing, transport and health facilities at nominal cost. Other elements in this component may include overtime pay, compensatory time and annual leave, particularly the one that can be saved beyond a twelve month period. The total amount of allowances in many cases can equal or exceed basic pay. Another common feature of compensation packages is the provision of social security benefits. These can include retirement, pension or provident schemes. Any one of these can represent a significant amount over and above the basic pay.

The final component of the compensation package can be described as informal income. While rarely discussed, this figure may represent a significant addition to civil service incomes. The informal component is the result of a civil servant's access to goods and services in economies of scarcity. For example, a civil servant may be able to get land and loans to build a private home under various government schemes. Theoretically, the schemes may be open to all citizens, but the position of the civil servant may give him/her special access to the programme through reservations or informal contacts. Examples abound that illustrate the preferential access of civil servants to all kinds of goods and services, ranging from educational opportunities for family members to the purchase of vehicles. Going beyond the informal component, some civil servants may translate their influence into business licenses and permits for family members.

All of the above combine to provide civil servants with compensation packages often unequalled in other sectors of the economy. While their situations may become precarious when social and/or political systems break down or inflation runs out of control, civil servants as a group rarely suffer to the same degree as their fellow citizens under deteriorating circumstances.

#### *Establishing comparable levels of compensation*

The challenge confronting many developing societies has been the need to determine basic principles that govern how compensation issues for civil servants can be resolved. The solutions are essentially political and social in nature. For instance, a government committed to an egalitarian value system may use one yardstick to determine civil service compensation packages. Elitist regimes may use another yardstick. In all instances, there needs to be some relationship between compensation packages and the level of national income. Alternatively, the credibility and effectiveness of the civil service to work with citizens and communities for the common good may be negated.

A common argument used to justify higher salaries for civil servants is that low salaries tend to breed corruption. This argument has been repeated so frequently that it tends to be taken as an axiom. Even a cursory analysis of the issue, however, shows no direct correlation between salary levels and corruption. If there were such a correlation, the level of corruption should decrease as one moves from lower- to higher-paying positions. This has not been the case. Similarly, governments that pay higher salaries to civil servants should have less corruption than countries where compensation levels are comparatively lower. This is not true either. Rather than attempting to blame compensation levels for corruption, explanations for it should be sought in the wider conditions of society.

Internal pay structures should be part of a country's human resource management process, and be considered along with other actions necessary to obtain, develop, retain and motivate the work-force. For example, developed countries with market economies are forced to consider the salaries of private-sector workers when determining compensation for public-sector employees. However, this can only serve as a rough guide. Generally, governments need to set salary levels that are adequate to attract and retain workers in the public sector.

A few governments are required by law to undertake periodical comparability surveys as the basis for determining public-sector salaries. The objective is to provide for comparable pay for similar positions and occupational levels in both the public and private sectors. While it is generally agreed that the principle of comparable pay is important, implementation is extremely difficult and complex. The number of occupations employed in government is huge and growing. Many in the two sectors are not easy to equate. Even for similar jobs, it may be difficult to place a price on the prestige and greater security of tenure offered in the public sector.

A closely related issue is that of brain drain . With underdeveloped private sectors, the norm in developing societies has been little brain drain from the public to the private sector. But this situation is likely to change as developing countries move more toward free market economies. Thus, governments may have to reconsider compensation levels for managerial, professional and technical personnel who are also in demand by the private sector.

All of these factors suggest that governments need periodically to review the salary structures of public employees, taking into account social criteria, economic realities, government priorities, and the supply of and demand for trained personnel. Below are some general principles that can be of assistance in establishing pay scales.

1. The grade structure on which salaries are based should be designed so that most employees have an opportunity for upward mobility during their civil service career. The grade levels should form a reasonable pyramid. At present, there is a tendency in many countries towards bunching at the higher, middle and senior levels because of low salaries at the initial grades. These do not represent promotions based on merit, but are simply a ploy to circumvent inadequate salary structures at the lower levels;
2. Salary structures should provide for equity in compensation and opportunities for promotion among different occupations. Present salary structures among different occupations are not equitable in many countries;

3. Pay structures should include in-grade steps to allow increases in salaries based on longevity in service for satisfactory performance of duties. Such steps should be based on real rather than nominal increases in salary;
4. Salary structures should incorporate an indexing principle or cost-of-living adjustment to keep salaries ahead of inflation. In many cases problems have arisen because of rampaging inflation and the failure of governments to revise salary structures in a timely manner;
5. Cost of living increases are recognized as an important element in pay and compensation packages. One reason for their popularity is the way they help to reduce the burden of inflation. Cost-of-living allowances are also given to civil servants living in major metropolitan areas. Locality-specific cost-of-living allowances have created complications in many developing countries because they favour the large cities where there usually are many amenities. These centres act as a magnet for most civil servants. However, the greater need for qualified personnel may be in the rural and far-flung areas of the country. Few civil servants are willing to move to these areas because they lack facilities and the compensation is lower. The result is a tendency towards a disproportionate concentration of civil servants in major urban centres. Compensation packages can play a significant role in attracting civil servants to the rural areas.

### **Performance and incentive systems**

Having assumed their duties, the job performance of civil servants becomes important. While evaluation of job performance is relatively easy on assignments where output can be quantified, assessing performance where judgment is the main attribute has proved especially difficult for developing countries.

Generally speaking, performance measurement systems are the weak link in personnel administration in many countries. For instance, there may be a lack of explicit standards. Similarly, there may be a reluctance to develop standards for cultural and social reasons. In many cases job responsibilities may be too poorly defined for a meaningful appraisal of performance. Trade unions and service associations may also act to hinder the establishment of norms, even where the measures are fairly straightforward. The task of performance appraisal becomes even more difficult at the higher echelons of administration. The difficulties may be due to technical issues, as well as bureaucratic and attitudinal dynamics.

A common approach to performance appraisal is the writing of periodic reports by supervisors. But many view these reports as subjective and impressionistic. Attempts to improve the format of periodic reports by making them more objective and explicit have met with limited success. Part of the problem arises from ambiguities about the purpose to be served by periodic reports. A number of questions have arisen that provide some useful insights about the various ways performance is interpreted by different actors. For example, are reports a tool to help an employee improve his/her performance, or a tool of the organization to obtain compliance from the employee? Similarly, is performance appraisal part of the individual's career planning, or an element in the enforcement of a disciplinary regime?

These issues become extremely complex when personnel administration is outside the domain of operating supervisors. This is likely to occur when a personnel agency located within the organization has primary responsibility for appraisals, or when employee monitoring and evaluation occur outside of an agency. Despite its many problems, a priority of public personnel management should be the development of performance standards and mechanisms for holding civil servants accountable. Quantifiable measuring is possible in most cases, and especially where the delivery of services is concerned. In other cases, proximate indicators can be developed to measure output performance against organizational goals.

While there is much discussion about accountability, little effort has been made to link it to performance. At present, barring a few extreme cases of indiscipline or stark inefficiency, performance appraisal systems are a formality with little usefulness for the individual employee or the organization. The result has been organizational inequities and the domination of non-performance criteria for upward mobility. Lack of proper appraisal systems can also lead to the prevalence of sinecures in the civil service and a poor quality of service to the citizens.

The cost of public administration generally, and the quantity and quality of services provided could both benefit significantly by insisting on performance standards. The emphasis on productivity in government will remain meaningless unless it is linked with individual performance standards and their enforcement.

### *Increasing productivity levels*

Incentives and recognition can motivate employees to perform better. Incentives are designed to create an environment in which employees compete for higher performance levels. Recognition is the formal cognizance of better performance through monetary awards, professional advancement or other advantages for the employee. The purpose is to raise productivity levels by increasing the quality of work outputs. It is also hoped that incentives and recognition will spark creativity and innovation.

Incentives and recognition are essential in all cooperative systems. Public organizations are no exception. However, the nature of public organizations must be factored into the design of incentive systems. While incentive systems basically seek to modify worker behaviour, it must also be remembered that public workers are subject to contractual, legal and organizational constraints. This makes their behaviour less amenable to change than that of workers in the private or voluntary sectors. Large organizations such as public bureaucracies may also encourage conformity rather than creativity and innovation.

Positive attitudes about one's work and organization are essential for all public employees. Thus, it is important to have policies and methods which discourage negativism. It is also important to create an organizational climate which encourages creativity and innovation, although these may be more a function of leadership and cultural ethos than of a particular incentive system. Similarly, recognition may be more important in professional disciplines than in government service.

Incentive systems tend to assume that civil servants work in public administration anonymously, and that they are strictly neutral in relation to partisan politics. But both these assumptions may not hold for all societies. In fact, civil servants are highly visible and prominent in many countries, and their performance brings them wide social recognition and prestige. Better performance may also lead to rapid promotions and higher responsibilities. In countries where this is not the case, there may be a need to improve incentive systems to include public recognition and rewards.

Because of the symbiosis between politics and administration in some countries, administrative neutrality remains an unrealized ideal. In these circumstances, incentive systems become a device in the hands of political leaders to promote partisan and personal loyalties rather than creativity. For example, many Governments give recognition to their senior administrators by way of titles, special medals, cash awards, land grants and similar other incentives with monetary value. These methods have been effective in promoting administrative performance in strictly neutral civil service systems. Where they support partisan and personal loyalties, incentive and recognition systems can have a negative impact on public personnel systems.

While incentive and recognition systems are important in promoting positive attitudes towards work and enhancing creativity and innovation, they also can have a downside. For this reason, the design and management of incentive systems needs to be protected against blatant political use. One way is to involve professional, technical and civic organizations in the recognition process so that government discretion is limited. Another possibility is the decentralization of incentive systems to larger organizations so that they become part of the overall management process. An example of the

latter would be a performance benchmark that addresses the ways in which managers have devised and employed incentive systems.

### **Standards of conduct**

That Governments should be fair and just employers and organize civil service systems accordingly goes without saying. But civil servants also have obligations. By joining the civil service individuals assume certain moral and behavioural responsibilities which must be carried out meticulously. Other qualities necessary for public officials include integrity, impartiality, intelligence, ability and devotion to duty.

The conduct of civil servants in many developing countries has come under criticism. Even civil servants sometimes agree that the standards of conduct among their ranks have deteriorated. They usually attribute this to two factors. One is to blame political leaders for opening the floodgates of irregularities and corruption that also sweep away civil servants. Blame is also placed on social conditions, where it is argued that civil servants are no better or worse than the society at large and if their conduct is unbecoming, they are only following societal standards.

Both arguments are plausible to some extent, but neither can entirely absolve civil servants from their responsibilities. By joining the civil service and in many cases claiming to be the mentors and guardians of the common people, civil servants become subject to a higher code of conduct. In the end, Governments must see that appropriate mechanisms are developed to enforce standards of behaviour. It is as much a matter of will as of detailed administration. Many Governments have adopted comprehensive codes of conduct for the civil service that address a variety of subjects. A few examples are discussed below.

- In countries where politics and administration are differentiated, civil servants are barred from taking part in political activities, both individually and collectively. Typically this means that they must steer clear of active participation in party politics or political movements.
- Some countries prohibit trade unionism in the civil services but allow service associations. Similarly, services declared essential cannot go on strike. In some cases, neither trade unions nor service associations can criticize the Government and both are prohibited from affiliating with political parties or movements.
- In most instances civil servants are prohibited from contacting members of legislative bodies to vent their grievances and seek legislative intervention regarding transfers, promotions, or other personnel matters.
- Civil servants are often prohibited from accepting gifts from the public. The bar also extends to their families. Corruption is strictly prohibited and elaborate mechanisms have been put in place to prosecute the guilty. Some Governments even require public officials to file an annual asset statement and explain the sources of their income for both movable and immovable property. There may also be many instructions about economic crimes.

- Civil servants are admonished to avoid favouritism or nepotism in making ad hoc appointments or granting contracts.
- Governments frequently issue instructions on discipline in the workplace. These instructions usually emphasize strict observance of working hours, accessibility to the public and similar matters. Supervisors are required to ensure complete adherence to such instructions.

In short, there is a plethora of laws, rules and instructions on conduct and disciplinary matters. Yet the problems of corruption, nepotism, favouritism, partiality and indiscipline continue in many countries. The problem in many cases stems more from an absence of government will to enforce the rules than from a lack of standards or codes of conduct. By contrast, some developing societies are extremely strict in matters of conduct and discipline, and by consistently punishing erring officials they have been able to eliminate many abuses.

As noted by a prime minister of a large country, a common condition in developing countries has been the politicization of crime, and the criminalization of politics. Where this is the case, every aspect of social life is affected. This is especially true for public administration because of its intimate links with politics. It would appear that the solution will have to start with enforcing political discipline before much headway can be made in public administration.

## CHAPTER NINE

### HUMAN RESOURCE DEVELOPMENT TRAINING AND MANAGEMENT DEVELOPMENT DIMENSIONS

A much discussed concept these days is human resource development (HRD) which focuses on the development of human beings as a strategic factor in national progress, modernization and improving the quality of life. Thus, HRD has broad connotations for social relationships, educational systems and management practices.

Human resource development is a popular topic in public administration and in management literature. In part this is due to the common occurrence of public organizations frequently failing to achieve their programme objectives. The lack of qualified, trained and motivated personnel is often at the root of public policy failures, especially at the implementation stage. Human resource development, with its focus on the need to systematically and strategically develop skills and overall performance levels, has been readily accepted in developing countries, at least in intellectual terms. For example, some countries have changed the name of their public personnel agencies to human resource management agencies, and there is a revived interest in the continuing education of civil servants.

#### *Human resource development through career planning*

Some countries have created career planning offices for senior management posts, where a few civil servants are selected to receive additional educational and professional experience through formal and in-service training and job rotation. But career planning has had little impact in public administration generally. One reason is that the structure of the civil service – cadres, classes, seniority and conventions – makes it difficult to fully develop and utilize the potential of all those serving in public administration. The numbers involved are so large that it is not easy to devise a manageable system that covers everyone. The costs of such programme may also be prohibitive.

A more important reason may be that the full application of career planning in public administration involves political, legal and institutional reforms. For example, rank systems in the civil service would need to incorporate some aspects of the position system so that individual civil servants can develop their own skills and capabilities to compete for senior jobs. The routinized systems of personnel administration would have to be replaced by dynamic personnel management, with a greater role for operating agencies than is the case at present in many countries. While reservation of senior posts for certain cadres facilitates career planning for their members, it has had little impact on public administration with its multiplicity of cadres, classes and groups.

#### *Human resource development and Policy Reforms*

Policy reforms may be necessary to make HRD strategies more relevant in public administration. For example, prevailing in-service training policies do not always cater equitably to the needs of various civil service groups.

Similarly, incentives may be absent or unequally distributed. Some countries encourage civil servants to improve their educational qualifications and award incentive allowances for getting higher degrees. However, this does not always lead to job performance improvement or promotion prospects because the degrees may have little relevance to a specific position and career structure. In such cases, there is a clear need to link educational incentives with career relevance.

Human resources development is a powerful concept, and its application needs to be promoted not only in public administration, but also in other sectors of society. The remainder of this chapter takes a closer look at how HRD has been applied in public administration and some of the problem areas.

### **The Role of training in public administration**

The notion of training has received wide acceptance in public administration. In particular, in-service training programmes and activities have expanded significantly in the second half of this century. Practically all developing countries subscribe to the importance of in-service training, and have created a variety of arrangements for carrying out the function.

Training in some developing countries has deep historical roots. Typically, training was limited to a small number of civil servants destined to occupy senior management posts in the elite cadres. Educational opportunities were pursued through intensive post-induction training in specially established institutions, elite universities in the home country or abroad, or a combination of the two. The content of the training usually comprised a liberal education combined with language and legal studies. Management subjects rarely featured in the curricula.

The expansion of in-service training took place more recently, and was concomitant with the onset of independence, national development and modernization efforts. In particular, developing countries recognized the need for better-trained civil servants to carry out the myriad of activities aimed at developing society and spurring economic growth. The conceptual framework and substantive content of training activity were usually provided by outside forces. The major vehicles were bilateral and multilateral technical cooperation programmes. Training programmes were also expected to become a means of social and managerial reforms and the promoters of liberal values. Inevitably, this produced differing perceptions between national authorities and international aid agencies about the objectives of training, even though they often shared the same view of the problems to be solved.

Over time training has come to represent a wide spectrum of activities. Different combinations of key variables in training yield a multiplicity of models and practices which do not lend themselves to easy generalizations. Some examples can serve to illustrate the wide variety of training needs, possibilities and programmes that have to be considered.

- Stages of training    induction and subsequent continuing education;
- Content    general, technical, social sciences, etc;
- Methodologies    lectures, participatory, problem solving, etc.;

- Groups technical, professional, and managerial;
- Objectives programme, organization, and individual performance improvement;
- Value systems ideological and scientific-rational.

Combining the above variables with the groups to be trained adds new complexities to the task. Typically, training activity targets two groups. One comprises professional and technical personnel occupying posts at various levels of responsibilities. In-service training is necessary to keep them abreast of changes in relevant technologies and processes and scientific developments. The other target group is supervisory and managerial personnel. In-service training is necessary to inform them about new management technologies for managing employee relations, and new methods and strategies for planning and managing change efforts.

Common to both groups is the need for training when new policies and procedures have to be introduced. Similarly, training programmes for increasing organizational productivity, cost-effective delivery of services, or new administrative methods may require common courses for the different groups.

#### *Training needs assessments*

In-service training programmes have usually evolved on an ad hoc basis. Both the nature and content of training programmes have been determined by specific impetuses rather than national policies. The ad hoc nature of planning in this area has produced many contradictions in training programmes. For example, there may be a great deal of overlap among training facilities for some groups, while other groups and training topics are neglected. Training programmes may have little or no relevance to objective conditions. Finally, there may be a dichotomy between proclaimed objectives and actual realities.

The periodic assessments of training needs is one way to rationalize training and maximize its impact. While many countries have undertaken training assessments or surveys, their scope has been limited. A common example is of a central agency that will request departments to indicate their training needs for a specific period of time. The departments usually respond in numerical terms, based on anticipated vacancies in major categories of personnel. While this information is important, it is usually insufficient for surveying actual training needs.

What is needed to impart meaning to training surveys is an analysis of the positions occupied by individuals or certain groups to evaluate performance, identify weaknesses, and examine prevailing and proposed working methods. In some cases reform programmes will also have to be assessed as part of the survey exercise so that implementation and training programmes can be linked to realizing reform objectives.

#### *Developing a national training policy*

Training needs assessments can form the basis of a national training policy. Such policies recognize the need for in-service training and set out opportunities and incentives for individual civil servants. In some cases in-service training has come to be recognized as a right of civil servants. Training may be provided in special government institutions or at external institutions. Employers pay the cost of training, and may also provide incentives to employees for completing training programmes. To be effective, national training policies need to include specific training objectives and the evaluative criteria that link specific training programmes to objective conditions. Generally speaking, the training policy should be structured so that its relevance and effectiveness can be assessed.

Unfortunately, in-service training continues to be accepted as a matter of faith in most countries, rather than a proven instrument of change. For example, there are few empirical and analytical studies that link the contribution of training to increases in public administration performance or productivity. Other desired changes also show weak correlations with training activity, and include: the institutionalization of new values, such as greater rationality, rule of law and ethical standards; efficiency gains and cost reduction in administrative processes; and improvements in the quality of policy-making. Similarly, few examples are available of in-service training leading to innovations and changes in managerial styles and ethos.

Part of the problem results from social and methodological difficulties in measuring the impact of training activities. Nonetheless, the significant amount of resources spent on training makes it imperative to assess its cost-effectiveness, among other things. The goal should be to formulate a national policy on training that clearly sets out national training objectives, well-defined strategies for meeting each objective, and appropriate benchmarks for measuring performance.

### **Management development programmes**

Management development programmes have become a highly visible component of in-service training. The programmes are premised on the strategic importance of effective managerial personnel to achieve organizational objectives. Their duration may range from a few days to several months. The shorter courses usually emphasize human relations issues, interpersonal dynamics or specific management techniques and technologies. The longer courses are reserved for mid-level civil servants in line for senior positions. The training content may include a variety of topics, drawn from law, development planning and policy, economics and public administration. In addition to national courses, programmes are also offered at regional institutions. The latter typically provide a comparative perspective and enable participants to learn from each other's experiences. The purpose of many management development programmes is to acquire knowledge, update skills and change attitudes.

*Knowledge acquisition.* Generally speaking, management development programmes have enriched the vocabulary and insights of public administration because of their focus on development administration and modernization and participative management. Civil servants in most developing countries, particularly at senior levels, can now carry out an intellectual discourse on relevant issues with great facility.

*Imparting skills.* The impact of training programmes is somewhat different when it comes to skills development. While many managers have acquired at least a modicum of knowledge about new

management techniques and technologies, many are not able to apply these in practical ways. This is especially true with regard to many of the more scientific or computerized techniques used for policy analysis and planning exercises.

*Changing attitudes.* Attitudes are the most difficult variable to address through training. A fundamental unresolved question is whether social and culture-based attitudes and behaviour can be modified through short-term courses. Another major issue has been the degree to which training can impart attitudes that can be sustained outside a structured learning situation.

Many hold the view that management development courses have become general education exercises, broadening the intellectual horizons of the participants. In some cases they have served as remedial education. In many cases, the main impact of such programmes is socialization and strengthening of the prevailing ethos. This may happen even when the formal objectives of the programmes are otherwise. It must be remembered that training programmes, like other group activities, unfold on many levels. For example, formal lectures, exercises and methodologies may all point in one clear direction expressing a coherent training design. Conversely, the actual behaviour of both trainers and participants may proceed in an entirely different direction based on another interpretation of the training activity.

#### *Content and methodological issues*

In most cases, course content is formulated by the faculty of training institutes in light of their own perceptions and interests. At the end of the course there may be some feedback from the participants-which may or may not be taken into account in designing future courses. Rarely are there any linkages between programme content and an analysis of jobs, managerial profiles, organizational or managerial weaknesses or training objectives.

Course content may consist of a number of modules, such as law, organization theory, public administration, economic development or the behavioural sciences, with little or no synthesis. More recently, some programmes have begun to include computer literacy as a module.

Methodologies can include lectures, case studies, syndicate work and field visits. In most cases, lectures consume a major portion of the time. This is partly due to the inability of programme faculties to cover all the topics, and to the practice of bringing in guest lecturers. Guest lecturers have now become the mainstay of management development programmes, with faculty members mostly carrying out scheduling activities for the modules and filling in for no-show guests. Methodologies such as syndicate work and case studies are used in many programmes, but their essence frequently seems to change. In some cases, there are genuine reasons for modifications and these enhance the effectiveness of the methodology involved. In others, modifications may make the methodology a mere formality and reduce its utility as a learning tool.

Culture and ethos are the factors that most affect methodology. In ascriptive societies, for example, hierarchy is important. Consequently, the attention with which participants listen to a lecture and discuss it freely depends more upon the status of the lecturer than on his/her expertise. In other instances, a peer group may not want to closely examine statements by another member, as this could be construed as personal criticism and should be avoided. There is also a tendency to avoid topics which may be construed as criticism of the Government or a dominant group. Some training

institutions discourage discussion of current political and socio-economic issues or sensitive issues such as ethics, accountability and codes of conduct for civil and political cadres. Where such issues are discussed, the discussion may be limited to abstract and theoretical debate, rather than focusing on real events or cases.

Another issue relevant to content and methodology stems from the quantity and quality of local training materials. While there is considerable data and descriptive material available on most countries, there is a dearth of packaged materials suitable for training purposes. This is especially true of readily available information on various decision-making and other administrative processes. Compounding the problem are government laws on secrecy that frequently inhibit access to information, particularly on sensitive issues. In some countries, religious and ideological susceptibilities may discourage the scientific/rational and objective analysis of issues. But these limitations are more in the way of self-imposed constraints, rather than the result of any external sanctions.

Most of the content and methodologies for management development courses, as well as underlying assumptions, were borrowed from abroad. Gradually they are being modified or entirely abandoned because they are unsuitable for local circumstances. Nevertheless, the impact of external concepts and materials remains great. The challenge before management development institutions is to develop and test locally derived assumptions and use them as the basis for formulating new courses and methodologies.

#### *Technical dimensions of management training*

Technology can play a critical role in advancing the development process. Accordingly, many state functions now include a technological component in the management of public affairs. This is true for both the content of public affairs and for public management systems.

Many large-scale activities, such as agricultural development, industrialization, communications, energy and education involve direct public management and/or regulation. The application of technology to existing resources to bring about greater productivity is increasingly a component of development activities. Technologies have become important even in the more traditional functions of the State, such as the maintenance of law and order, revenue collection and international relations. Growing urbanization also has technological dimensions. Greater application of technology in fact is becoming a condition for survival.

Advances in technology have also impacted on management systems. For example, the use of technical aids has become common in administrative systems and the revolution in computers, communication and multimedia technologies has added new tools to the armoury of management. The need to familiarize managers with the technical aspects of public affairs in general, and especially on how technology impacts on management systems, is no longer a choice for most countries. Training needs are particularly acute in countries with a tradition of generalist administrators, where the "conventional wisdom" expected to be exercised by senior administrators may not be adequate to effectively manage the more technical aspects of public administration. Scientific and technical applications which are popular in the management science approach often

require a more specific set of skills such as statistical analysis and familiarity with automated information collection and management systems.

For all these reasons, the technical development of management personnel has become an important part of in-service training programmes so that all managerial personnel become familiar with the new technologies involved in management processes. The most common example is the increased use of computers in public administration. While practically every country has acquired various generations of computers, in many cases they remain underutilized or completely irrelevant. A major reason for this is the uneasiness with which managers approach computers. The situation underlines the urgent need to introduce training on computer literacy and various software applications. Indeed, the introduction of new technologies should be accompanied by in-service training programmes directly linked to the practical applications of the technology in management processes. Otherwise, the resources invested in designing and acquiring new technologies may be wasted or yield negative results.

The technical content of public administration also poses more difficult questions. For instance, a generalist administrator may be assigned to several sectors during his career, making it difficult for the administrator to be familiar with all the relevant technological and scientific issues. At the same time, the administrator must be able to communicate with experts, appreciate the values and consequences of different technologies, and make informed decisions. One solution to the problem is to create an awareness of scientific and technical culture among senior managers through training. Another answer may be the division of generalists into subgroups built around distinct clusters of technology, and the provision of training that addresses the common features of each cluster.

#### *Management training for specialists*

A large number of managers come from the technical streams. This is especially true for persons at the middle and senior levels immediately below organizational leaders. Many of these specialist managers may also become top administrators for major organizations and development programmes. As they move up in the hierarchy, however, the technical content of their post diminishes. The result is that organizational maintenance and leadership qualifications become more important as the majority of their daily activity increasingly focuses on managing interpersonal relations and administrative processes. While the most common approach has been learning on the job, a more effective one may be to provide them with appropriate management development opportunities.

At present, management development training for specialists is a comparatively neglected area in training programmes. While some may participate in general management courses for mid-level personnel, the courses are rarely designed for their special needs. Specialized courses covering behavioural approaches and techniques for both management and administrative processes are rarely given.

Professional personnel may also need specialized training as they move into administrative positions. For example, medical professionals may need training programmes in health administration and management when they assume responsibility for hospital administration or public health departments. The same applies to engineers as they move up to become public enterprise managers.

Another neglected group is extension workers. As Governments are keen to transfer new technologies to farmers, small, cottage industrialists and rural entrepreneurs, it has become necessary for the managers of such programmes to fully appreciate the importance of communication skills, and the various technology transfer methodologies that can enhance the capacity of the target groups. Many Governments and international aid agencies have balked at the costs for providing training programmes on this scale, but small-scale enterprise development requires that extension workers have access to such programmes to be effective.

### *Supervisory training*

The supervisory function can be roughly distinguished from the management role in terms of its locus and nature. Supervising involves direct contact with workers through the overseeing, directing and inspecting of an employee's work. Working under and at the direction of managers, supervisors are a critical factor in the realization of management goals. Thus, appropriate training for supervisors has the potential to significantly raise productivity and performance levels.

The large number of supervisors employed throughout the system can be problematic for training purposes. While managers can be trained in a few strategically located institutions, the same cannot be done for supervisors. Further, the job of supervisors may differ among public organizations, and the geographical spread of supervisors may also be much more extensive than it is for managers.

For all these reasons, supervisory training has to be organized differently. Typically, it should be the responsibility of large departments and public organizations. Central institutions can provide guidance and assistance in designing the courses and training the institutional staff. But departments and departmental managers should assume direct responsibility for training their supervisory staffs. While some elements may be common to all supervisory training (human relations, disciplinary matters and reporting procedures), there is still a need to link supervisory training to job analysis. Given the large number of supervisors involved and their geographical spread, consideration can be given to the use of correspondence courses. Similarly, where available, electronic media can be cost-effective.

Supervisory training, barring a few instances, has remained limited in most countries. There has been more discussion of supervisory training in industry than in government. The role of supervisors in the implementation of government policies, the delivery of services and the creation of favourable or unfavourable images of government is extremely important. For most citizens, supervisory personnel may be their only contact with "government". Upgrading supervisory competencies through training can yield rich dividends. Both the better implementation of policies and improving the image of public administration should be the goal of training in this area.

### *Training of trainers*

During the 1960s, in-service training witnessed a major upsurge in the training of trainers. A number of universities established courses for it. The universities were usually in the advanced countries, and the trainees came from developing countries. Training of trainer programmes popularized a number of terms such as "catalyst", "change agent", "facilitator" and "process expert".

The job of a trainer was defined rather loosely, however, and typically centred on three clusters of activities. One perspective viewed the trainer as a training manager in a large department or organization who would focus on the identification of training needs, coordinating training activities, and overseeing relevant administrative tasks. A second view was the trainer as support staff for training programmes. For example, the trainer would arrange the necessary inputs for training programmes, such as rooms, audio-visual aids, reading materials and schedules. A third one held that trainers are instructors who should be equipped to handle all the components of management development programmes. Obviously, there is considerable difference among the three views, with each perspective requiring different academic qualifications and skills. This makes it important to clarify the role which is expected of a trainer, and to design the training of trainers accordingly.

In the case of trainers as instructors for example, a subject-matter specialist would need to have communications skills, knowledge of small-group dynamics, and competency in the various methodologies to transfer knowledge and skills effectively. Some persons can be trained as instructors and receive professional accreditation for common components of management development programmes, such as management grids, human relations, time management and conference leadership. On the other hand, the trainer as programmer does not need the same subject-matter specialization as the trainer-instructor. Finally, the training manager is an administrator, which requires a different mix of skills. The point to be made is that the training of trainers should be based on job analysis. This again involves an analysis of the local situation and the tailoring of programmes for the training of trainers to meet local needs.

One area where the training of trainers can play an important role is that of supervisory training. Given the large number of personnel involved, trainers can be developed for the delivery of both general and specialized courses. They can also provide on-site training, reducing the costs of bringing supervisors to central institutions. In fact, central institutions have a major role to play in cutting training costs by preparing trainers who will spread out through different departments and geographical locations.

### *Some practical implications*

There is no doubt that management development programmes are essential to enable managers to perform more effectively. But the nature and scope of the programmes must derive from the work environment of managers, and the relevant organizational values. At present, many of the programmes are based on borrowed assumptions and methodologies and the experiences of Western managers. There is a need to develop these programmes in a local context through determining the special role of managers in developing countries, the unique dynamics of developing-country work environments, and the problems of imparting skills and knowledge in non-Western cultures. Training in the abstract cannot be the panacea for all administrative problems. Thus, it becomes important to link management development programmes to objective realities, and to cast programme achievements in more modest terms.

There is also a need to assess the impact of management training programmes more carefully. Assessments should honestly evaluate a training programme, providing the necessary feedback for revision of future programmes. This means assessments need to go beyond impressionistic comments or formal participant responses. Moreover, the assessment should include employer input, as well as a critical review by affected citizens groups. Unfortunately, many management development programmes function in limbo with no serious involvement of the employers or citizens groups whom the managers are supposed to serve.

### **Management development institutes**

There are a number of possibilities when organizing for the delivery of training. One is to encourage universities and other educational institutions to deliver the relevant courses. Another way is to handle training needs through various professional associations. A third way is to organize training within government. The latter may be done by centralized or decentralized institutions.

Most developing countries have opted for in-service training within government. A strategy encouraged by international aid agencies was the creation of central institutes of public administration (IPA), or a national institute of management development (NIMD). The institutes were expected to become focal points for in-service training and management improvement. Some countries established a number of these institutes. Others established a hierarchy of institutions, culminating in staff colleges. At one time, it was a common practice to establish institutes for rural development or community development. Management development institutes, under various names, were also common in major sectors and public enterprises.

Overlaps among the various institutions rapidly developed. This was partly due to the popularity of certain concepts, such as integrated rural development, and the competition among institutions to offer popular courses. Another contributing factor was the common pool of trainees available to each institution. Jurisdictional conflicts among institutions have not been unknown in many countries. To resolve the problem, some Governments have tried assigning the training of different levels of officials to particular training institutions. Others have tried creating training councils to coordinate the activities of relevant institutions and avoid conflicts. In a few cases, institutions have been able to develop specialized orientations and target groups to assure their longevity.

#### *The Institutes of Public Administration model (IPAs)*

To illustrate the role and impact of management training institutions, IPAs can serve as a useful prototype. The IPA model was highly promoted by aid agencies, and practically every developing country set up such an institution. The rationale for IPAs was based on the notion that central personnel agencies may not be in a position to undertake the organization or coordination of in-service training. Because a focal point was necessary for developing managers and improving administrative performance, an institute for public administration was an effective mechanism to meet the challenge.

IPAs were supposed to have close ties with ministries, central personnel organizations and state and local authorities so that the institutes would become a meeting place for all kinds of reform

advocates ministers, public servants, university faculties and public enterprise managers. The general public, as the winners or losers of change initiatives, were rarely included.

The IPAs were given a multiplicity of functions and responsibilities, including in-service training, research, consultancy and information services. With regard to training, the IPA was supposed to identify training needs common to all departments, develop pertinent policies and programmes, execute some programmes directly and entrust others to a suitable institution. The research function was supposed not only to provide locally relevant training materials and information, but also to promote administrative reforms more generally. The ultimate goal of the research and analysis function was to make the IPAs centres of excellence. The result would be that ministries and other organizations would look to the IPAs for consultancy services and advice on solving particular problems. The IPAs were also planned as national centres of information and documentation on public administration, including comparative experiences from around the world.

Few IPAs have achieved the goals stipulated by their promoters. Most have concentrated on in-service training programmes. The research and consultancy functions, as well as information and documentation services were never fully developed, and most IPAs have been unable to earn professional credentials and recognition as centres of excellence. In reality, IPAs have become peripheral and bureaucratic institutions, exhibiting many of the characteristics of national public administrations.

In the field of in-service training, IPAs can claim impressive numbers of civil servants who have gone through their programmes. This is particularly true of countries where inducements were used to procure trainees. Some inducements have included IPA training as a prerequisite for promotions, special allowances for IPA graduates, and overseas "study tours" as part of the management development programmes.

In qualitative terms, the training role of IPAs has frequently received lukewarm or critical reviews. Both course content and training methodologies have been criticized for their irrelevance to management training. There have been few studies of career paths and the general performance of IPA graduates, and examples are scarce where increased problem-solving capacities have resulted from IPA training programmes.

There is a need to examine the future role of IPAs critically. Either they should be revitalized, or alternative arrangements should be considered. While some of the problems may have come from the institutional weaknesses of IPAs, most appear to flow from the misfit between IPAs and the larger administrative system in which they operate.

A number of issues give cause for worry. These include the interest taken by political executives and senior administrators in the work of IPAs, and the inability of many IPAs to carry out institution building. For example, not enough attention was given to building diverse and competent faculties. While most IPAs were keen to have a mix of competent practitioners and academics on their faculties, academics preferred a university or educational institution setting because it was more prestigious. Practitioners often followed their academic counterparts. Moreover, competent administrators were reluctant to be posted to IPAs preferring to remain in operational positions. Over time, morale deteriorated among those who stayed, and reflected poorly on the quality of training

offered. The inability of IPAs to attract and retain competent staffs has halted their evolution as professional organizations, and constrained their capacity to undertake critical activities such as research and consultancies.

### **Improving performance**

The preceding analysis suggests a number of directions for revitalizing training activities in developing countries.

#### *Achieving relevancy and excellence*

Training in developing countries must be relevant to local circumstances. While course content and teaching methodologies can be improved by the experiences of others, these must be defined in ways that relate to the everyday activities of local managers. A recent tendency is that of training programmes carried out separately for the public and private sectors. For many developing countries this is a strain on scarce resources. It is important to understand why this trend has developed, and to seek commonalities between the approaches applied in each sector. The aim should be the sharing of resources among institutions with similar goals.

#### *Meeting training needs*

Investment in training programmes represents a considerable portion of personnel budgets. To receive value for money, training programmes need to be periodically evaluated and placed within a national framework of training priorities. An important part of this process is linking training to job analysis and managerial profile analysis.

### *Building capacity levels*

Management development programmes as currently constituted have many weaknesses. The point to be remembered is that management development has many dimensions. Public administrators trained in a generalist tradition are increasingly assuming responsibility for tasks that require technical competencies. On the other hand, technical specialists and professional personnel such as physicians are moving into administrative posts and need management training. Supervisory training also deserves a closer look, especially when motivation and incentive systems are important for increasing productivity levels. Finally, training-of-trainers programmes can be improved through a better definition of trainers and their responsibilities in different settings.

### *Strengthening institutional capacity*

The role of institutions providing in-service training, management development programmes and senior policy courses needs to be revisited to meet the challenge of creating centres of excellence. The prevailing image of peripheral organizations in bureaucratic systems is hardly conducive to effective training or quality administrative management. Linking the work of training institutions to the expressed needs of political executives, organizational leaders and informed citizens groups deserves examination if training organizations are to play a major role in administrative and policy reform efforts. Moreover, the relationship between training institutions and operational organizations should transcend routine contacts to become working partnerships that involve active collaboration in the design, execution and evaluation of training programmes.

## CHAPTER TEN

### MANAGING THE NATIONAL ECONOMY

National economic systems traditionally have been classified as either centrally-planned, market-based or mixed economies. While centrally-planned economies are administered by state action through public organizations, market-based economies are administered by voluntary market exchanges, with the State imposing some limits on the system for social and political reasons. Mixed economies typically combine attributes of both systems to varying degrees.

The economic systems of developing countries exhibit a variety of arrangements and reflect stages of development, ideology and pragmatic concerns. A country's stage of development is influenced by the extent to which market exchanges occur, the size of the formal and informal sectors, and the institutional and organizational features of the formal sector. Ideology plays an important role in determining the mix of public and private institutions and organizations for managing the national economy. Pragmatic concerns frequently focus on poverty levels and the dynamics of dual economy systems, where a poor and ill-organized indigenous sector exists alongside a modern sector comprising large foreign and public enterprises. Shortages of local entrepreneurs and technically-trained personnel are the norm for many developing countries.

Historically, many developing countries evolved as economic satellites of larger metropolitan systems. The satellite economies were managed by institutions of the metropolitan powers and there were few local institutions. Independence meant disengagement from metropolitan systems, and attempts to integrate or reintegrate into a global economic system. Monetary, banking and trade-related institutions have received particular attention in the post-independence era. The process of both disengagement and integration-reintegration has not always been easy.

All the above factors have combined to make economic management in developing countries a highly complex task, and different in nature from many of the economic management issues that face developed countries. There is no convenient way to depict conditions in developing societies in terms of a simple universal model. The absence of reliable information and empirical evidence compounds the problem. The attempt in this chapter will be to focus on general issues of concern.

The term "economic management" is a victim of disciplinary boundaries and prevailing wisdom. For example, public administration and most civil servants consider economic management a specialized subject and the preserve of experts. Economists generally, including those employed in the civil service, prepare econometric models, analyse substantive issues and tender advice to Governments. However, little attention is given to the policy processes and organization dynamics so important for economic management. The conventional wisdom in many developing countries considered state action as the mainspring of development activity, and central planning as the main policy tool. This was true even in some market-based and mixed economies.

Generally, organization for development planning, project management and public enterprise management have received considerable attention in public administration. The larger issues in

economic management concerning monetary, financial and banking policies and institutions received have much less attention. In some cases the functions normally carried out by such institutions were assumed to be performed by or explicitly entrusted to ministries of planning or finance. In other cases, planning was really an exercise in managing a national commodity or attracting foreign capital.

Over time many countries established central banks, stock exchanges, commercial banks, commodity markets and other economic entities. But the scope and competencies of many of these institutions remained limited. Problems arose because of inexperience and the resistance of existing institutions.

In many developing countries development planning agencies and finance ministries continue to take decisions on major issues of economic management. These can include the money supply, deficit planning, allocation of internal and external capital, and the management of foreign exchange, interest rates and prices. Typically, investment banks and development financial institutions in the public sector are required to function under interim guidelines established by ministries of planning and finance. Private enterprises are also subjected to government-imposed discipline through their access to monetary resources such as domestic capital and credit, foreign exchange and various kinds of permits and licenses.

In many instances the various levels of economic management are not fully differentiated, and there are no efforts to optimize their performance. For example, a ministry of finance may take decisions on the money supply based purely on budgetary requirements, and ignoring the needs of other economic actors. Discussions about concepts such as return on investment (ROI) notwithstanding, prices may be used to extend subsidies to particular interests or raise revenues. This is particularly true of pricing policies in areas such as transportation, telephones, electricity and natural gas, and commodities such as staple foods, commercial crops and gasoline. Differential foreign exchange rates, interest rate levels and credit allocations provide other instances of state action based on administratively determined objectives.

In short, state action through a few public organizations has been the norm in the management of many national economies. One of the rationales for this style of management is the absence or weakness of alternative institutions. A major challenge faced by developing countries is to create or strengthen alternative institutional and organizational networks for economic management.

### **Ambiguities of economic management: state versus markets**

The debate on economic management is full of ambiguities. One ambiguity results from the way some terms are used interchangeably. These can include market economy, capitalism and private enterprise. In the context of centrally-planned or command economies, these terms can mean different things. For example, there can be private capitalism or state capitalism. The focus is on ownership of capital and does not necessarily reveal how it is managed. In fact, market principles can be applied to both situations. Further, capitalism is more of a social technique than an end in

itself. For purposes of this chapter, the term "private enterprise" will be used to describe laissez-faire economies.

A second ambiguity concerns the assumption that state or administrative action is the hallmark of command economies, while market forces regulate the market-based economies. In theory, the two systems are considered opposites because of the supposedly different techniques involved in the management of the two models. In the real world, however, the two systems exhibit a reciprocal relationship and influence each other significantly. For example, private enterprise has a great impact on state actions, particularly in matters of relative shares in the use of wealth. Administrative actions are also subject to market forces operating in the national and international environment. Even where national economic forces are weak, international economic forces can have a major impact on national policies.

Similarly, private enterprise is subject to parameters established by government. Governments all over the world take measures to expand, restrict or regulate the conduct of private enterprise. Governments can and do restrict the potential of capital, for example, through land tenure and use systems. Governments also decide on what goods and services are to be provided at a given time by the public sector, and can deny these opportunities to the private sector.

The mutuality of relationships between the two systems is amply illustrated by the variety of business enterprise forms, and the political-economic techniques that are used in economic management. For example, business enterprises can include public corporations and companies, partnerships, proprietorships, semi-autonomous enterprises, joint ventures and public enterprises. Each is subject to differing levels of government supervision and control. Some control techniques have included the allocation and fixing of levels of production by the State. Through contracting the State then allows private enterprise to carry out the actual production.

At issue should be the development of techniques that can increase rationality in economic management and decrease the arbitrariness introduced by political processes. This point is often lost in acrimonious debates over the size of the public and private sectors or the ownership of capital. In the final analysis, even rationality is determined by the political climate, and a high level of political consensus can mitigate the criticism against political processes.

### *Application of market principles*

Assuming that a country is committed to the application of market principles in managing the economy, an important requirement is that they be applied across the board in both the private and public sectors. An important principle is that of competition in the provision of goods and services through the price system. This requires the creation of institutions to facilitate the working of the price system, and letting prices govern the allocation of resources for the provision of different goods and services. However, this is an ideal which cannot be easily realized given the scarcities of most developing countries and the growing demand for public goods and services. None the less, there are certain imperatives which must be met by countries seeking to increase the role of markets in their economies.

*The rule of law and predictability.* A fundamental condition of a market-based economy is the primacy of law and order in the broadest sense, including adherence to the rule of law. The absence of violence, coupled with the predictable behaviour of both individuals and government is a precondition for the emergence of markets. Predictability should be amenable to reasonable calculation, particularly in the case of government consistency in public policies, and the observance of law and contracts. The rule of law requires that the privileges of property and capital be explicitly stated and scrupulously observed. Similarly, provisions for contract enforcement are essential.

*Reinventing government.* Governments will of course continue to assume responsibility for the provision of some public goods and services. At a minimum, these should include the maintenance of law and order and national security. Some Governments will also choose to provide the physical and social infrastructure necessary for development. When a country decides to extend the range of public goods and services, the response of government should not be the creation of monolithic organizations dependent upon the public exchequer for funds. Other organizational arrangements and methods can also be developed to promote competition and productivity. For example, competition among similar organizations in the public and private sectors can improve service delivery and the quality and prices of goods. Contracting out can also be used to execute specific parts of public programme.

*Promoting markets.* A major challenge before most developing countries is to organize and promote the growth of markets and market-related institutions. While the principle is stated as a unitary concept, its application regulates a host of institutions. For example, there is a need for capital markets (stock exchanges and foreign exchange markets), labour markets and commodity markets. Special ancillary institutions have to come into existence for each type of market. Going beyond these, there is a need for the marketing of goods and services or the development of a consumer market. The working of markets gives rise to many new issues such as the need for standardization of transactions, enforcement of contracts and the protection of investors. Markets in this sense can be viewed as collections or regimes of rules and arrangements that facilitate the efficient and effective production and delivery of goods and services throughout society. Special organizations such as investment banks, ombudsman offices, trade unions and business associations can both support and protect the integrity of transactions that take place in such markets.

*Public enterprise reform.* Once such institutions are developed, the role of some public organizations such as ministries of planning and finance will diminish with regard to their influence on resource allocation and pricing functions. This is particularly true of public enterprises that primarily fall under ministerial control. Public enterprises, in particular, need to increase their efficiency and productivity through more attention to market signals. At present, a major cause of inefficiencies in many public enterprises is the absence of market discipline and the preponderance of ministerial controls. More attention needs to be given to all the various dimensions that affect the performance of public enterprises.

## **Privatization**

Privatization is much discussed in developing countries. The privatizing trend began in the developed countries where healthy market infrastructures were in place and select public enterprises could be divested by government without insurmountable difficulties. Especially where structural adjustment reforms are being instituted in the developing countries, there has been pressure to shrink the size of the public sector by privatizing public enterprises. The underlying assumption is that privately owned and operated enterprises are more productive than publicly owned and managed ones.

### *Some basic concerns*

Despite its popularity there is considerable confusion about the privatization process in developing countries. A fundamental issue is: which enterprises to privatize? Should all public enterprises be sold, or only that are incurring losses? Which public enterprises or in what sector should privatization efforts focus on? What is the best way to privatize in the absence of strong financial systems? Should the sale of public enterprises be open to international investors or limited to national investors? Should money-losing enterprises be rehabilitated before they are sold or liquidated? What methodologies for valuation are appropriate?

The great diversity of public enterprises also poses difficulties in evolving appropriate privatization plans. The public enterprise sector includes manufacturing, utilities, trading, banking and distribution, to mention only a few major areas. The origins of public enterprises also vary. Some were created as an alternative to a weak private sector and limited amounts of private investment capital. Others were created to realize important national objectives such as the consolidation of national economic security, balanced growth or the elimination of disparities among regions and ethnic groups. The proceeds from the sale of public enterprises are also a subject of debate. Some Governments have used them to retire the national debt or to revive starved social programmes. Others have simply used them to bolster current revenues.

Perhaps the most sensitive issue in privatization efforts is the impact on a developing country's unemployment level. Over the years many public enterprises became employers of last resort, easing the burden to create additional jobs in the private sector for the unemployed. Privatization raises many questions with regard to employment levels. What happens to excess labour as public enterprises are privatized? What are the political and social costs of releasing large numbers of persons in tight labour markets? Who shall pay for golden handshakes when large numbers of staff are retrenched?

The accumulated experiences of privatization have at least shown that there is not one way scale back the public enterprise sector. It is generally accepted today that privatization is planned and implemented on a case-by-case basis. The exception has usually been for small enterprises that have purely commercial objectives and can be privatized in a common manner. Different countries have tried different approaches. As a prelude to privatization, some have started with the rehabilitation of sick enterprises, usually with help from an external donor. To make a political statement, others have started with the privatization of profit-making enterprises. In several cases enterprises have been sold to employees to avoid raising unemployment levels.

Experiences have also accumulated with regard to the methods available for selling off public enterprises. For example, a bidding process has been used to sell them to private parties. Despite the tendering process this method has raised transparency issues. In other cases shares have been sold through financial institutions. Bilateral negotiations have also been used in some cases. Divestment remains a challenging area for research. International technical cooperation agencies have a role to play here in collecting and disseminating information about privatization efforts. As the matter is likely to remain a major topic in the economic management debate in the coming decades, it deserves priority and consideration by both scholars and practitioners. In the meantime, there are some general points that can be made about the privatization process.

### *The way forward*

A first step should be to establish a consistent policy on privatization. Policy components should at least include:

- The objectives to be achieved through privatization;
- The processes to be used in light of the national institutional environment;
- Alternative modalities to meet the same objectives;
- A time-frame to complete the task.

Consistent with the policy, there should also be an analysis of the causes of the present malaise in the public sector. For example, is the problem one of ownership, management or both? If the primary cause is management, performance could be improved through the privatization of the management function, rather than seeking to change the ownership of the enterprise.

The policy process must also include a realistic assessment of opposition to privatization efforts from vested interests. For example, labour has vigorously opposed privatization in many cases, and their concerns and fears can pose significant political and social risks to public-sector reform efforts.

It should be remembered that the privatization process is about the use of means to accomplish an end. What comes after the sale of an enterprise, in terms of increased efficiencies and higher levels of economic growth, is what matters. Many more questions arise after divestment takes place. For example, has privatization effectively dealt with monopoly and cartel issues in certain sectors? What new laws and institutions will be needed to protect national and consumer interests? Once public enterprises are divested, new thinking is required about how to optimize the role of privately-owned and/or operated enterprises in the overall management of national economies.

Moreover, the privatization process should foster a vigorous review about the future role of the public sector. For example, a Government may decide that no future public enterprises will be established, except under stipulated conditions and when all alternative possibilities have been exhausted. More generally speaking, the privatization process should spark a renewed debate about

what goods and services the Government can realistically provide. For example, a Government may decide to set standards, but contract the actual delivery of some goods and services to private entities. This can be applied in a variety of areas, ranging from sanitation to utilities.

The privatization debate must remain focused on efficiency and effectiveness issues and improving the quality of life throughout society. If privatizing a public enterprise does not substantially decrease the cost of producing goods or increase the quality of service delivery, then better ways to increase competition must be devised. Perhaps the most difficult challenge presented by privatization is analysing the implications of specific privatization/divestment efforts and their long-term socio-economic and environmental impacts.

### **Financial Institutions**

Many developing countries have no indigenous private sector outside of the subsistence economy. Reasons for this may have included lack of opportunities and the absence of an entrepreneurial and institutional infrastructure. To improve the situation many of those countries have attempted to develop local private enterprises through incentives. Cheap credit, tariff protection, tax holidays, subsidized industrial estates and export promotion subsidies are all familiar in many developing countries. Incentives have become so entrenched in some countries that the private sector over time has simply become an adjunct of the public sector. As a result, many private firms are highly dependent on the largesse of government incentive programmes for their continued existence. With such a vested interest in the prevailing system the private sector in many countries is extremely resistant to change. Moreover, many Governments continue to play a dominant role in the national economy because they need to control the supply of scarce essential commodities or oversee the production of export commodities that are important for earning foreign exchange.

These and other reasons have slowed down the development of financial institutions which are indispensable to market-based economies. There is a need for institutions which enjoy a degree of autonomy from government decisions and are subject to market principles to control the management and flow of money. Many developing countries have been striving to establish financial institutions and in many cases have been successful. Central banks and savings programme are now familiar institutions in many developing countries. Even though the nomenclature may be the same as in advanced countries, the orientation and functions of such institutions may evolve in significantly different directions when placed in a developing country environment.

#### *Savings institutions*

Complex debates have arisen about the level of savings in developing countries, and the ways and means of increasing savings to promote development. One of the reasons for low savings is the absence of commercial banks, particularly outside large cities. Thus, Governments have launched public programme and created savings organizations. National investment trusts, national savings schemes and in some countries, post offices have all been used to attract savings. Typically, the institutions are administered by government, interest rates on deposits are fixed by government and

funds are allocated by administrative action. Much of this activity directly contradicts market principles where resources are supposed to be compensated and allocated by market forces. Public institutions of this nature should be the target of reform efforts, and should either be abolished or reoriented.

### *Investment and development banks*

All developing countries have by now established investment- and development-related institutions. However, the role of many of these banks has been limited to acting as a conduit for foreign aid and loans, as well as public funds allocated from the national budget. Disbursement activities have been limited to advancing loans for projects in public or private enterprises which have government approval. Frequently, the financing role of the institutions has been limited to specific sectors (agriculture or industry). Sometimes this has been extended to specified activities within a sector (textiles, fertilizer production, etc.). In short, the allocative and financial intermediation role of such institutions based on pure market principles has been either non-existent or extremely weak.

### *Money and banking*

Indispensable to the market economy is the concept of exchange, based on standardized money and a price system determined by the laws of supply and demand. The supply and flow of money provide the arterial network for a market-based economy and influence the economic decisions of individuals and enterprises. The intermediation role of financial institutions, therefore, becomes a critical variable in the workings of market-based economies.

Establishing a monetary system in a modern economy requires an extensive network of institutions. The scope of such a network can be extensive and can include central banks, mints, deposit and commercial banks, investment finance institutions, merchant banks, trade financing institutions, investment trusts, savings banks, provident societies, companies, mortgage institutions, cooperative societies and clearing-houses. Moreover, all of the above may have a variety of sub-categories, ancillary institutions and organizational forms. The day-to-day activities of stock exchanges, foreign exchanges and precious metals and commodities exchanges also form part of the network. Finally, the ownership and management of these institutions vary among countries and exhibits many kinds of public-private partnership arrangements.

While the precise form and mix of financial institutions may be unique to the particular circumstances of a country, the money and banking network as a whole must function with attention to market principles. A few developing countries have made significant progress in this area, but most remain at a rudimentary stage. Too many developing countries continue to experience serious weaknesses with their institutional networks and management systems. While financial institutions are meant to serve both Governments and the private sector, the task of creating, promoting and regulating them is universally recognized as a legitimate state function. However, the ownership and management of such institutions and their relationships to each other and how they should link to government remain debatable questions.

## *Central banks*

The central bank or monetary authority constitutes the apex of an institutional network for monetary affairs. The major task of a central bank is to manage the money supply. This can be done through the issuance of currency, creation of credit, regulation of interest rates and the selling of bonds. The management function of central banks has been abrogated to the State and given priority by all States. Thus, central banks in developing countries have become primarily executing and to some extent, advisory bodies.

Some common functions that most central banks carry out include the management of foreign exchange and exchange rates, acting as central bankers to the Government, being the lender of last resort for other banks and the regulator of financial institutional networks. Generally speaking, there are several areas in which central banks exhibit fundamental weaknesses.

*Autonomy.* While most developing countries have created a central bank or monetary authority, the autonomy enjoyed by central banks in different countries varies, ranging from insignificant to complete independence from government. Thus, the autonomy of central banks is an unresolved issue in many developing countries. But the advanced nations have also disagreed on this subject.

There are two schools of thought on the subject. The monetarists believe that stable economic growth can be achieved only by a central bank controlling the rate of increase in the money supply. Accordingly, the monetarists argue that central banks need maximum independence from government control. The Keynesians, on the other hand, believe that Governments can and should increase economic activity through deficit spending. Keynesian arguments also focus on the representative nature of government, in contrast to central banks. They have concluded that monetary policies and central banks should be subservient to a Government's economic and social policies. *Expertise.* The technical and professional expertise of central banks is uneven in many countries. Part of the problem can be attributed to external factors. For example, major decisions on economic matters have been frequently taken by Governments on the advice of institutions such as the International Monetary Fund, with little or no inputs from the central banks. The degree to which central banks are inexperienced with handling foreign exchange issues has in many cases resulted in the inability of Governments to make maximum use of resources. Leaving aside the political dynamics, many of these problems may have been due to a lack of technical competence.

*Regulation.* Many central banks have failed to perform their oversight function properly. The reasons for this are many. For example, in some countries foreign banks have played a dominant role. Central banks have found it difficult to intervene and discipline in instances where parent organizations of local banks were located outside of the host country. Central banks have also fared poorly in the regulation of non-banking financial institutions. In some instances these institutions have opened their doors, received monies from depositors and then disappeared. Few countries had laws that gave central banks a role in enforcing accountability with regard to such institutions.

The absence of an appropriate regulatory framework has also affected the way central banks interact with national financial institutions. Most developing countries started with rudimentary systems. In

the absence of banking institutions, Governments had to rely on their treasury offices to handle public receipts and disbursements. Because there were few commercial, savings and investment banks, Governments often had to create them, usually in the public sector. However, these institutions behaved more like subordinate offices of government departments than banks. In some cases there were no legal frameworks for regulation, or there was lax implementation of rules and regulations. As a result, some reporting systems were non-existent or so weak that non-performing loans continued to be shown as assets. Further, loans to influential parties were often written off, frequently without the knowledge of central banks. Many irregularities became known only when such institutions were in danger of going bankrupt and had to be rescued by the public exchequer.

### **Improving performance**

It is clear that market-based economies call for a different administration and business culture than may be prevalent in many developing countries. Change efforts will need to focus on both the roles and the relationships of institutions and the best ways to promote and monitor a network of financial institutions. Some areas for special attention are discussed below.

#### *Safeguarding investors*

Protecting the funds of investors is a critical prerequisite for the successful operation of financial institutions. At present, few countries have any system of deposit insurance. While the onus for compensation to depositors in defaulting institutions is borne by the state exchequer, this occurs only to the extent that a Government is willing to help depositors. Investor confidence can be a powerful tool in attracting resources for development and should be a priority of reforms.

#### *Strengthening the network of financial institutions*

A major task for many developing societies is to strengthen their financial institution networks to meet changing needs. A first step in this regard has to be the domestication of economic management. Most of the tasks involved in economic management are carried out by civil servants and political leaders. They need to know at least the contours of major institutions and the processes involved in managing a diverse economy. Most substantive policies get modified, altered in terms of beneficiaries, or altogether defeated through the application of monetary and credit policies. As such, economic management cannot be considered the sole preserve of "experts". Both political executives and senior administrators should have an appreciation of the relevant financial institutions and processes to function effectively. Management development programmes, in particular, can play a useful role in this regard.

#### *Policy reforms*

Governments also need to review their financial and monetary policies. The mandates and roles of many institutions need to be revised as new market-oriented institutions come into existence. For example, the role of planning and finance ministries and their relationships with central banks should be revisited. Similarly, the role of investment banks and credit institutions may have to undergo

changes. As foreign aid levels decline and primary reliance for resources shifts to the domestic setting, this is all the more important.

In many cases, existing laws will need to be changed, or new laws enacted to cover major activities of economic management. Often, old laws – some dating back to the nineteenth century – have been stretched to cover new realities. This has created anomalies, diffused accountability and negatively affected economic processes. In many countries there is no framework to cover all the aspects of newly emerging economic functions. This is particularly true of stock exchanges and securities markets. In the absence of such frameworks unscrupulous persons can exploit the system.

### *Protecting the public interest*

One obligation of market-based economies is to make sure that all economic actors play the game according to accepted rules. Protecting the public interest is a legitimate state function and may require the classification of laws and practices on monopolies, cartels and many investment and trade practices which seek to crowd out competitors and reap large profits. At issue is the protection of citizens from abuse and exploitation by individuals and organizations. A familiar example is that of profit-driven enterprises that try to maximize their gains at the expense of the public interest. Environmental degradation and pollution come to mind. Frequently it is the citizen, through higher taxes, who must pay the costs of cleaning up the environment.

While many Governments can be faulted for the way they have provided housing, education, water supplies and health care for society, there is no guarantee that the private sector will do better. A system of safeguards that both protects and promotes the application of market principles is important. Managing a diverse market-based economy can be a great burden on Governments with little or no experience in how market systems operate. The task is also difficult because it frequently involves real shifts in power throughout a society. Strengthening management capacity at all levels of government is a good first step. While the role of the State as provider is considerably lessened in market-based economies, there remains a significant need for state action in overseeing and regulating a fair and transparent environment in which market transactions take place.

## CHAPTER ELEVEN

### FINANCIAL MANAGEMENT AND THE PUBLIC BUDGETING PROCESS

Historically, muddling through was the norm in public financial management. Governments raised revenues and spent monies as they considered appropriate. They rarely worried about the larger economic or social objectives and implications. In borrowing to fight wars and build public works, the objects of expenditure were specific and limited to the immediate tasks. Revenues were raised from sources amenable to extraction by the State.

More recently, the thinking has changed regarding the ways in which public finance should be managed. Governments are now expected to design and implement tax and spending policies, and understand how they influence the economy. Public policy objectives such as economic growth and increased levels of income and employment have become the criterion for managing public finances, and financial analysis has become a tool for policy development.

The conceptual framework for utilizing fiscal policy to influence the national economy began in a few industrialized countries. The ideas spread to developing countries as a natural component of the national planning process. Simultaneous developments in economic concepts and analytical techniques such as econometric models gave a strong boost to public financial management. The effectiveness of fiscal policy in macroeconomic terms, however, remains debatable. This is partly due to doctrinal differences among economists on the efficacy of fiscal policies, and partly based on the rigidities of public finance.

#### **Financial management in developing countries**

Financial management in developing countries can be confusing and difficult. The nature and scope of the formal economy, the proportion of public finance to the gross domestic product and other factors have often inhibited the use of fiscal policy as a lever for managing the macroeconomy. For example, the ability of Governments to manipulate revenue streams may be limited. In most developing countries, income-tax policies are more often governed by administrative convenience than by social objectives. The tax base is typically narrow and usually confined to citizens with fixed incomes and rents. In many instances Governments have been either unable or unwilling to broaden the base for taxation. With few exceptions they have relied on indirect taxes, and the share of indirect taxes in some countries is as high as 80 to 85 per cent. A major tax burden is carried by exporters and importers.

Flexibility on the expenditure side is also lacking, with a major share of developing countries budgets going to national defence, internal security and interest charges on the public debt. The political implications of serious reductions in these areas of spending can be too dangerous for many countries to contemplate. Both internal dynamics and the international lending system make demands on the expenditure side. Generally speaking, the reconciliation of planning and budgeting systems in developing countries remains difficult to achieve. For example, the vagaries of weather in predominantly agricultural economies, the widespread discrepancies between the industrial and

agricultural sectors, fluctuations in international prices, and dependence on foreign aid are just some of the factors which contribute to the management of public finance on an ad hoc basis.

In spite of the constraints, Governments in developing countries need to utilize fiscal policies as the basis for public financial management. Initially, the impact of such policies may be limited. The long-term goals must be to establish a more rational approach to financial management, narrow the gap between proclaimed objectives and actual needs, and focus more closely on social issues. For example, fiscal policies will be important in preparing for the changes required in tax structures as a result of the recently approved international trade regime. Lower tariffs will bring about reduced revenues for many countries. Sound fiscal policies can make the search for alternative revenue sources more rational.

Many developing countries are a long way from institutionalizing fiscal analysis and policy development. At present such functions may be carried out, in varying degrees, by planning organizations or finance ministries. In both instances they may remain peripheral to the main tasks of these organizations. A few countries have established a focal point for these functions, such as an economic advisor's office, so that different points of view are included in the policy analysis process.

There are some bright spots. For example, public investment in developing countries, as a share of the GDP, has been much higher than in many industrialized economies. Even the least developed countries tend to have a higher share of public finance in gross capital formation. Savings rates are also high in many developing countries. Many have the necessary resources, but few have been successful with a policy framework that can develop them to produce higher levels of income and national economic growth.

### **The public budgeting process**

Government budgeting is a critical component of public financial management. The budgeting process includes decision making on all public finance matters, as well as the actual management of government revenues and expenditures. The budget and the process for formulating it reflect both the true intentions of government and how they will be translated into actual programmes and projects.

Many laymen and non-financial administrators think of the budget as an isolated yearly event. The image is reinforced through the annual presentation of the budget to the legislative body by the chief executive. Presentation of the budget is a major milestone in the budget process, and the tax and spending proposals receive great interest from citizens and government operating departments. The reality of the government budgeting process is that it is part of the administrative process and is continuous throughout the year, entailing many activities and dimensions.

One aspect of the process involves fiscal planning. This is usually conducted by a central agency which provides guidelines to government for the allocation of resources. Even when fiscal planning is weak or non-existent, the central agency has to prepare revenue estimates and some parameters for expenditures in the coming years. While budgeting is in reality an incremental exercise, the importance and formalism of the process necessitate going through the motions.

The continuous nature of the process is evidenced by the fact that negotiations are always under way between the central agency and the operating departments on expenditure proposals for the future year. Concurrently, while operating departments are engaged in the execution of the budget for the current year, they are assessing and rendering accounts for the budget performance from previous years.

Similarly, revenue administration is a year-round activity. The revenue agency has to estimate revenue receipts and advise the budget agency on cash income so that the necessary arrangements can be made for financing operational activities. The expenditure side usually involves the quarterly release of funds and the monitoring of levels of expenditures.

Emphasizing the continuity of the budget process and how it involves the entire administration is important to counter a negative trend that has developed among operating officials. Many operating officials consider budgeting the responsibility of finance departments, with their role limited to occasional encounters with the central agency whenever they need additional staff or new project approval.

Although the scale and scope of budgeting has increased greatly in recent decades, it has long been a function of the State. Over time budgeting has come to be governed by a number of principles that are applicable to all countries. These principles remain valid in spirit for different countries, even when subject to modification to meet local needs. The principles include the following:

1. Budget preparation and execution are executive functions;
2. Budget authorization and enforcement of accountability are legislative functions;
3. The budget cycle is periodical, usually on a yearly basis;
4. Budget authorization is specific for objects of expenditure for each major department of government;
5. Budgets are comprehensive and include all government income and expenditures;
6. Budgetary accounts must be uniform for all transactions;
7. A single consolidated fund is the destination of all revenues and the source of all expenditures covered in the budget.

To improve the budgeting process there are a number of areas that deserve attention and have relevance for a wide variety of country experiences with public budgeting. They are discussed below.

*Estimated and actual revenues and expenditures.* Forecasting and estimating, which are essentially administrative and technical functions, remain weak in many countries. While weaknesses are usually highlighted on the revenue side, they are equally applicable to the expenditure side. The variations between estimated and actual figures, notwithstanding their revision during the budget period, can become significant by the end of the year. The gap is significant not only between revenues and expenditures, but also within estimated and actual expenditures. Some departments and programmes may exceed their allocations by 50 per cent or more. On the other hand, others may be able to utilize only a small portion of the funds placed at their disposal. These inconsistencies make it difficult for Governments to optimize the allocation and spending of resources.

*The role of legislative bodies.* The role of legislative bodies remains negligible to the budget process in many cases. At issue is the enforcement of budget discipline through a system of checks and balances. For many countries the issue gets lost in the larger debate surrounding governance issues. Often, irrational budgets are seen as preferable to enhancing legislative functions.

A related tendency in some countries is the resort to establishment of extra-budgetary funds to escape legislative oversight. Such practices have created the impression of impropriety, where set aside funds are viewed as a way to divert resources for partisan political objectives. All government funds need to be subject to explicit and legal criteria.

*Trust funds and earmarked funds.* Trust funds and earmarked funds present other difficulties. Trust funds are distinct from public revenues, as they are collected and held by Governments as trustees. Social security funds are a good example. In some instances trust funds have been used as general revenues and included in the consolidated fund. Such practices can create future obligations against public revenues that cannot be met.

The creation of earmarked funds has become a controversial issue. It may mean that some resources remain unused while other urgent needs go unmet because of a shortage of funds. Earmarked funds are generally considered improper for covering the costs of general functions of the State. Some countries have justified using earmarked funds for general purposes when the source of the funds comes from fees and charges for specific services, the cost of which is to be recovered from the users.

*Gross accounting versus net accounting.* The International Monetary Fund's standards for government accounting require that receipts and payments should be shown on a gross basis with no offsetting debit. Allowable exceptions can include: enterprise transactions where identifiable costs are set against sales revenues; refunds of revenue and recoveries of expenditure; agency and trust transactions; and redemptions of short-term debt. Many Governments, however, continue to show departmental enterprises on a gross basis without relating costs to revenues. The implication is that they are controlled on a line-item basis and that overall performance escapes scrutiny.

*Programme versus organization-based budgeting.* On the expenditure side budgets normally provide for allocations by object (staffs, travel, purchase of supplies, etc.). This emphasis on "inputs" does

not necessarily reflect the outputs of spending and the complete unit cost of programmes. It may also limit managerial ability to shift funds among objects of expenditure.

Many improvements have been suggested to shift the focus of budget classifications from the organization form to the programme form to emphasize outputs and benefits. The aim of the improvements is to make the budget a genuine tool of management rather than simply an accounting tool. Various proposals have become popular in budget administration and have included programme budgeting, planning performance budgeting systems (PPBS), zero-based budgeting and many other variations. While all of these approaches have positive aspects, government departments have found them difficult to implement. The basic concern for ensuring legality and accountability remains with what are called the budgetary accounts. The other refinements sought by the new systems usually mean a superstructure over the basic system. Except for performance budgeting, the benefits of the proposed systems have not been consistent with the effort demanded to implement them.

### *Revenue administration*

Revenue administration has received the least attention in the field of budgeting. It remains an archaic exercise in many countries. Although complaints are frequently voiced about insufficient revenues due to tax avoidance and evasion, little information is available on measures taken by Governments to ameliorate the situation. Occasionally tax amnesties are declared to encourage the collection of unpaid taxes. The results of most remedies for increasing revenues remain below government expectations. The problem has many dimensions. For example, the nature of the economies of many poor countries limits the capacity of the State to extract resources.

A major factor is the large size of the informal economy in many countries. The informal economy is not necessarily limited to barter transactions. It covers a large share of the monetized economy in rural areas, small and medium-size enterprises, and the buying and selling of goods and services. Most of these activities are undocumented and can represent a significant portion of the national economy. While there have been proposals to promote documentation of economic transactions in some countries, the task is daunting because of the large number of persons involved, the absence of a sense of civic responsibility, the lack of banking and financial institutions and networks, and the often complicated arrangements for paying money to government. High rates of illiteracy and an inability or unwillingness to keep even simple accounts can also cause problems. In some societies fraudulent bookkeeping has become the norm.

Governments have tried to overcome revenue collection problems by introducing flat taxes for different kinds of commercial and professional activities. The costs of collection and enforcement, however, may exceed the expected revenues. There may also be an attitudinal problem arising from the ostentatious lifestyle of leaders at the public expense, and the ability of the rich and powerful to go without paying taxes. Where Governments are perceived as inept providers of services, citizens may feel justified in withholding taxes and other fees. Moreover, revenue collection services have not received the attention necessary to bring about the needed improvements. A typical response has been to increase the number of collectors rather than improve and streamline the system. The image

of the services may also promote the impression that tax payments can be avoided by extra-legal arrangements.

There are serious challenges faced by Governments anxious to enhance revenue collection. As such the remedies may have to go beyond simple amnesties or isolated measures. A first step should be changing the image of government and the revenue collecting agencies by streamlining and providing better training for tax collectors. With low income levels the norm for citizens in most developing societies cannot be expected to give away precious funds to government officials without a realistic expectation of reciprocal benefits. Likewise, in many countries there is little information available to citizens about government programmes and policies and why it is important to pay taxes. On the other hand, where irregularities are clearly defined, the wrongdoers have to be dealt with properly. Another, often neglected, but urgent need is to simplify forms and instructions and to provide convenient locations for the paying of taxes. More generally, measures are needed to promote overall economic growth so that more people are absorbed into the economy and the tax base is broadened.

#### *Public finance in decentralized systems*

Financial management under decentralized systems can be complex. A decentralized system needs to involve the budget process, the execution of national policies and the administration of development projects. In federal systems there generally is a constitutional division of government functions and taxation powers between the centre and constituent units. Generally, central Governments have emerged as the stronger and richer entities relative to the constituent units. Consequently, the most remunerative sources of revenue are assigned to the central level, and states (or provinces) are dependent on the centre in varying degrees. In many cases the development budgets of states come entirely from the centre. It is also not uncommon for states to be dependent on the centre for a significant share of their recurring budgets. Most local governments also have to depend on the centre for financial resources. While local governments may have minor taxation powers assigned to them, the revenues may not suffice to carry out even routine activities such as sanitation and street lighting. This means that local governments usually have to look to the central one to fund all significant activities.

Ideally the problem could be solved by assigning resources to decentralized entities which are commensurate with their constitutional and legal responsibilities. This has rarely happened in developing countries. There may be political, economic and social reasons for not doing so. For example, some areas are rich in minerals or opportunities for export-crop production, which central Governments feel the need to control. Some areas may comprise concentrations of ethnic minorities which are seen as a potential threat to national unity. It will be in the interest of the central Government to deny these areas the power to control their own resources. Finally, portions of some countries may have been set aside for large numbers of refugees or are near hostile borders. Again, central Government will want to maintain direct control over these areas. For all of these reasons the primacy of the central Government in revenue collection has come to be universally recognized as a way of maintaining control.

#### *Revenue sharing and conditional grants*

The concept of general revenue sharing is now widely accepted by developing countries. Difficult questions remain, however, on the criteria to be used in dividing the pool. Each side wants to maximize its share and uses the arguments which most favour its case. For example, population rates, level of poverty, the points at which revenues are collected, the location of resources which generate income and locus of expenditures are all used as arguments to justify demands for a certain pattern of division. The problem can become serious in the absence of a broad national consensus and in some instances has led to false censuses and financial statistics.

Most Governments now recognize the importance of solving the problem amicably. The instrument normally used is the establishment of a finance commission. Either provided for in the constitution, or established by law, the commission has the responsibility to divide the resources in federal systems between the centre and the constituent units. It includes representatives of the central Government and the constituent units. The commission may be a standing body, or it may meet every so many years to spell out the basis for the division of resources. Most Governments have also moved toward the establishment of local government finance commissions to perform similar functions. Such commissions include representatives from the central, provincial (where appropriate) and local governments. While general revenue sharing arrangements are popular and used extensively, they have not eliminated the need for other types of financial relations between the centre and the decentralized entities.

Many times central Governments need priority programmes which the decentralized entities cannot meet. For example, most development projects are funded and implemented by central Governments, irrespective of jurisdictions. Similarly, central Governments may use conditional grants for the implementation of priority programmes, even though the grants can lead to problems in budget coordination. For example, agriculture, irrigation, education, rural health and housing are generally provincial or local concerns. But the central Government may carry out development projects in these sectors on its own or through decentralized jurisdictions.

Once the projects are completed, managing and financing their maintenance costs becomes the responsibility of the decentralized entities. In some cases these fail to provide for the maintenance and recurring costs of development projects in their budgets on pleas of scarce resources, or as a pressure tactic. In other cases there is a lack of synchronization between the budgetary actions of the centre and the decentralized entities. Poor coordination and the failure to budget all project costs (both start-up and recurrent) have resulted in roads, irrigation works and other physical infrastructure that are poorly managed and maintained. Social infrastructure projects have suffered much the same fate. School buildings and rural health centres built with central funds have often remained vacant because projects budgets did not include salaries for teachers or health workers.

All of these misjudgments adversely affect the utilization of scarce national resources for development. The problem has become serious enough to warrant priority action by Governments. The maintenance and running of completed development projects should be made a part of the project approval process. When there are political dimensions to the issue, administrative actions can

play a major role by promoting better synchronization and coordination of measures required by the different jurisdictions.

Conditional grants also deserve a closer look. They are typically given by central Government for specific programmes and require the commitment of matching funds by the receiving entity. Frequently the receiving entity cannot come up with the matching funds. Even when matching funds are not required, the recipient entity may not be interested in or able to carry out the programme. In both instances funds are underutilized or diverted to other uses. In resolving this problem it is important to focus on the dynamics of administrative relations at different levels. Instead of relying exclusively on procedural and legalistic approaches, the stress should be on promoting cooperative administrative systems.

### *Public enterprises*

Government budgeting to support the public enterprise sector, including departments, public corporations and limited companies, has raised a number of issues. A fundamental one concerns enterprise capital. For example, enterprises organized under private company laws may have shares fully or partially subscribed by the Government. Whether it receives dividends or incurs losses on the shares, there is a system in place for compensating government investment. By contrast, capital may be advanced to the enterprise as a lump sum grant. This frequently happens in government-financed utilities. In these cases calculations about the cost of capital or return on investment are absent. At issue is the need to rationalize public investment decisions to assure the proper management of capital funds.

A number of issues have arisen over the way public enterprise budgets are developed and administered, which is supposed to be on a commercial basis. But in the absence of competition or strict requirements by Governments to ensure a return on investment, enterprise management is in a position to provide for inputs more liberally than would be the case in regular government departments. The loophole is one of the reasons for the often-heard complaint about political interference in public enterprises in matters such as the employment of excess personnel, offering better terms and conditions of service than are available to government officials, and recruitment and promotion irregularities.

While public enterprises are subject to commercial-style audits, these cannot legally question the level of inputs so long as they are properly authorized by the board of directors. This allows public enterprises to escape the kind of scrutiny by central budget offices or legislative bodies which is a common occurrence in the case of line government departments and agencies. Some Governments have attempted to introduce performance audits to bring the cost of inputs closer in line with the value of outputs. The exercise has proved difficult because of the complexities in developing meaningful measurement units of performance and unit costs. The problem becomes particularly difficult in the case of enterprises engaged in commerce, trade and banking. In some instances, public enterprises have refused to divulge financial information to auditors on the plea that such a course would adversely affect their operations or complicate relations with their customers, borrowers or depositors.

In the meantime, imposing discipline on public enterprises remains a ministerial function. Some Governments have established large holding companies or ministries of production to provide a layer of supervision over public enterprises. But the problem remains critical. The privatization measures taken by many countries have finally begun to bring about some of the needed reforms in this area. Where some functions remain under government control or management, as in the case of utilities, the accumulated experience of government has begun to produce better supervision and management of public enterprises.

Finally, some countries have established special legislative committees to oversee public enterprises. Typically, the regular budget is accompanied by special supplements for public enterprises that give more detailed information on their operations. The supplements are then reviewed by a standing committee of the legislature. A common concern with this approach is the extent to which legislatures can be effective in imposing discipline on public enterprises. In the absence of other mechanisms, however, the creation of special legislative review committees may serve a useful purpose.

#### *Administering and coordinating foreign assistance*

International donor funds have become a major component in the budgets of most developing countries, particularly in support of development budgets and social programmes. Thus, aid flows add yet another dimension to their budgetary process.

International aid has many forms and modalities. For instance, foreign assistance and funding can be the result of bilateral and multilateral negotiations, or arrangements with private donors such as foundations and international non-governmental organizations (NGOs). Assistance can include outright grants (either cash or in kind) and loans of various types, and technical assistance involving foreign consultants. While some foreign aid may come with no restrictions, foreign assistance is usually given on the condition that controls be established to track where and how monies are spent and resources are distributed. Assistance such as food aid may be in commodities that Governments can sell in local currency.

In most instances each donor has a set of procedures, standards and reporting requirements, as well as its own budget cycle. Donors expect these to be fully complied with by the recipients. On the other hand, the recipients have their own budget cycles, procedures, standards and reporting systems. The donors and recipients may not always be compatible in that respect and coordination between them can become a tiring and time-consuming exercise.

A number of steps have been taken at the country and international level to ameliorate the situation. A major development has been the assessment of country needs. The assessments are carried out by Governments, sometimes with the assistance of missions from international agencies. They produce a country programme which is placed before a consortium of major donors, usually convened by the World Bank or the United Nations Development Programme (UNDP). Donors are expected to indicate both their willingness to finance various projects and the level of assistance they will

provide so that a developing country's Government can prepare its annual and development budgets more realistically.

While the approach appears reasonable in the abstract, both donors and developing countries have found it difficult. For example, donors have had problems with making funding commitments that are compatible with their own budget authorization procedures. On the other hand, developing countries have had problems with changing priorities. Moreover, perceptions about priorities can diverge significantly between donors and developing countries. Even after some of these difficulties are sorted out, potential aid recipients often have little more than a vague idea about the magnitude of aid which is likely to be available from different donors until more specific bilateral negotiations take place on specific projects and programmes.

The result is that uncertainties remain a part of the budgetary process in developing countries. Sometimes foreign aid becomes available, but the recipient country is not ready with the administrative, technical and financial provisions required by the aid package. At other times a country may be ready with local budgetary provisions and related inputs, but the aid may not be forthcoming for one reason or another. Frequently, feasibility studies and technical assessments, particularly for large projects, become the source of differences between the two sides. Instances are not unknown of projects which underwent multiple feasibility and technical studies and still remained unfunded.

Perhaps many of these difficulties are inherent in the process of international cooperation and can only be eliminated to a certain extent. The present climate is not particularly conducive to international aid, and the prospects of improvement in the process of coordination do not look bright. None the less, the issue is important and considerable experience in this area is now available to both recipients and donors, and should form the basis for improvements in the aid coordination process. Too often aid coordination issues are addressed in isolation as part of country case studies.

A recent innovation in coordinating international aid at the country level has come from the United Nations Development Programme (UNDP). Country representatives of UNDP were re-designated as resident coordinators, and given a mandate to coordinate assistance from different sources in consultation with national authorities. Related initiatives have included the launching of country programming exercises. But these steps have achieved only modest success. Part of the problem arises from divergences among components of the international system, in which every component member continues to act as an autonomous and sovereign entity.

In the last analysis, developing countries need to seize the initiative in coordinating inputs from donors. Their capacity to do so has improved with experience in national planning. But these skills have been allowed to decline with the recent emphasis on developing markets and privatization measures. As a result, no new institutions have come into existence to undertake the functions of planning commissions which are not directly relevant to "marketization" or privatization. Coordination between recipients and donors is such a function.

At the country level most developing countries have made significant progress in aid coordination and administration. Most have now entrusted the function to a ministry of finance or of economic affairs. All matters relating to international aid from abroad or from within the country are required to be routed through the ministry. Some countries even require national and international NGOs, or private flows of aid to be routed through the ministry. In such instances, the ministry keeps records of various aid projects and prepares periodic reports on aid utilization for national and international organizations. With a few exceptions, developing countries have been able to improve rates of utilization of foreign aid over the years.

The aid coordination mechanism has added a new echelon to operating administration and increased centralization. Operating officials frequently complain about excessive paperwork and the delays entailed by multiple clearances and consultations. The challenge is to strike a balance between coordination demands and operational efficiency. One solution may be to permit operating departments to liaise directly with the aid agencies after initial project approval by a ministry. While operating departments may be required to keep a ministry informed about the progress of projects, the ministry generally does not interfere in detailed administrative decisions.

### *Contract management*

Governments use contracts to execute most of their physical and industrial projects. The contractors may be domestic or foreign. Usually foreign contractors have prevailed in the execution of large development projects funded by external donors. Contracting has implications for the public budgeting process and overall financial management issues because it is an important mechanism for allocating resources. Given its importance, contract management has not received the kind of attention in budget administration that it deserves.

A major outcome of contracting has been the emergence of coalitions built around contracts in a given sector. For example, the concept of the military-industrial complex has been around for many decades. Similar alliances have developed in poor countries among local bureaucracies and intermediaries, and military-industrial actors abroad. These coalitions can easily influence the allocation of budgetary resources and the working of Governments in the least developed countries. Sometimes foreign Governments are supportive of such alliances, and make official grants or loans conditioned on the use of their services. Similar coalitions may also develop with regard to other development functions. For example, major public works projects may spawn alliances between government leaders and public works contractors.

Such practices not only affect the allocation of resources, but can also lead to increases in the cost of projects. For example, difficult questions have arisen over the use of local versus outside contractors. Outside contractors may be justified by their supporters because of the potential for technology transfers. In other cases they may have an edge because of tied loans and grants. In addition to cost factors, issues such as appropriate technology and the development of local capacity have also become germane. Some of the problems related to contract administration are the result of ad hoc approaches and the lack of strong management systems. For example, bidding procedures may not be fully established or understood in some countries, allowing possibilities for influence-peddling in the

selection of contractors. A frequent criticism has been the lack of transparency in the award and management of contracts.

Contract management in public administration is likely to grow as more emphasis is placed on privatization and measures to make government more efficient. Increasingly Governments are being persuaded to employ private contractors for many of the functions which were previously carried out by public organizations. This gives added impetus to streamlining their contracting procedures. The most important elements for reform are bidding procedures, costing methodologies, project evaluation and monitoring and clarifying the rights and obligations of the parties. Greater use of contract administration will also generate more demand for arbitration institutions and the strengthening of local capacity over a broad range of activity. In some instances unresolved contractual issues may end up in international arbitration, in which developing countries may not have much experience. The contracting process, as a specialized subject, will need to become part of their training repertoire.

At the national level there is a need to develop policies on contract administration more generally. They should include clear guidelines for bidding procedures and all the subsequent phases of contract administration. An important consideration should be to ensure the transparency and accountability of all transactions. Contracting policy should also explicitly make the commitment to build local capacity to supervise and manage the contracting process. In view of the large sums flowing through the contracts process, investments in institutional, procedural and personnel initiatives in this regard are likely to yield high dividends.

### *Public debt levels and the national budget*

In many developing countries no factor has impacted on national economic growth and development activities as the debt level. Over many years, high levels of indebtedness have absorbed increasingly more of the financial resources available to them. Much has been written about the causes and effects of debt in developing countries. The focus here is to discuss some general issues on how debt levels affect the budgeting process.

On one level, Governments are expected to have balanced budgets. In the case of developing countries, they are expected to have balanced budgets at least in respect of their current accounts. Borrowing is justified only for investment in economic activities which yield a reasonable return or enhance meeting development goals, or else to make loan and interest payments. On another level, developing countries are under pressure to have surplus budgets. The surplus is considered necessary for investment and capital formation and to cover the cost of imports.

How debt affects national budgets and the performance of the national economy is a debate that began in industrial countries and has spread to and influenced developing countries with the widespread application of structural adjustment policies. Both domestic debt levels and foreign debt levels are an issue, and each has different implications for the economy.

The domestic debt level may be the result of financing government activities through borrowing from the market (selling of bonds and other treasury instruments), overdraft provisions from central banks, inter-fund loans or other devices. The loans may be short or long in duration. The proceeds may be used for current expenses or investment purposes. Borrowing may take place on behalf of the central Government, or for decentralized jurisdictions and public enterprises, the latter usually approved and guaranteed by it.

Different classes of loans have different implications for public finance and government budgeting. The major issue in regard to domestic debt is the excessive discretion available to the chief executive. Most developing countries do not apply the concept of a national debt ceiling, despite legal and even constitutional provisions to do so. As a result the issues involved are rarely openly discussed, and borrowing can become a tool of convenience rather than a sound fiscal measure. One solution is to bring legislative bodies into the process of determining debt policy. For example, the chief executive can be required to seek authorization from the legislature on any changes in the national debt ceiling. This would allow open discussion and permit periodic reviews of the situation.

A more serious problem for developing countries is that of foreign debt. Foreign debt may be the result of loans from multilateral institutions, foreign Governments or private institutional investors. Loans may be short or long in duration, and can involve both commercial and concessional financing. Often the loan portfolio comprises loans made by private institutions and public enterprises (with government guarantees), as well as Governments.

It is generally agreed that foreign debt has become a major burden for many developing countries. Interest payments alone have reached unsustainable levels for several of them. As more loans mature the onus on developing countries will further increase. In some cases the repayment of capital and interest exceeds new flows of resources.

A number of attempts have been made to solve the international debt problem, including proposals ranging from the complete write-off of loans, to multiple reschedulings of maturing loans. Proposals have also included enterprise shares being sold to creditors in swap for loans, as well as conversion of debts into bonds for their sale abroad. On the domestic level improving international economic performance has created the impetus for the formation of local stock exchanges and securities markets, and the provision of local banking mechanisms to meet increasing demands for the allocation of credit.

Many developing countries have now succeeded in reaching manageable debt levels. The outcome has been increasing rates of economic growth and more funds available for social programmes. Debt negotiations have been in a number of countries and a new generation of leaders has come to recognize the importance of implementing fundamental principles of financial administration. Unfortunately, there is a category of least developed countries that for various reasons have continued to drift further into economic chaos. The causes are political and social as well as economic. For these countries special measures will almost certainly have to be devised to halt widespread deprivation and potentially destabilizing mass migration.

## CHAPTER TWELVE

### REFORMING PUBLIC ADMINISTRATION

Public administration is a continuous process in all States. In this sense, it is always undergoing reform. In developing countries in particular, it must keep pace with the wider transformation processes that are being attempted in society. Moreover, droughts, famine, civil war and dramatic changes in leadership can all place additional pressures on public administration in developing societies. Many factors explain this continuous process of transition and change and are briefly described below.

*National values.* National values often change with the advent of independence or new political leadership. As a consequence, public administration systems formed in an earlier era for certain purposes may have to be transformed to conform to and serve new values. For example, many developing countries are in the process of modifying current administrative systems to reflect an increasing emphasis on popular participation in public affairs, the accountability of elected representatives and the State's responsibility for the welfare of its citizens.

*Changing roles and functions of the State.* As the role and function of the State undergo change, so must administrative capabilities. At one time administrative reforms were carried out to enhance the centrality of the State in the national development process. Now that greater emphasis is being placed on market-based economies and the role of the private sector in economic growth and development, public administration systems are undergoing reforms that will increase opportunities for partnerships between the public sector and the private and non-governmental sectors.

*Environmental change.* Various environmental changes directly impact the nature of demands made on public administration. For example, rapid population growth and burgeoning urbanization and industrialization create dynamics which cannot be handled through traditional public organizations, personnel or methods, and administrative capabilities have to be upgraded and redistributed to meet new demands and situations. Urban sprawl and its attendant high population densities may mean that planners and public officials have to devise new ways to deliver health, sanitation and education. Similarly, heavy concentrations of young persons in the population may mean that new strategies have to be developed for dealing with unemployment and crime issues.

*Resource availability.* Changing resource availabilities can necessitate adjustments in administrative structures and practices. Over the past decade many developing countries have come under international pressure to carry out structural adjustment programmes that have included administrative reforms. In the absence of well thought-out administrative development plans, many countries have been forced to undertake retrenchment measures on an ad hoc basis. Generally the response has been to apply across-the-board cuts, with undifferentiated attrition in staffs and discontinuance of all new programmes. These strategies can be highly dysfunctional and can affect the long-term future of a country.

*Rigidities.* Public organizations, personnel systems and management practices typically evolve on an ad hoc basis developing both positive and negative characteristics. Administrative reforms which emphasize positive efforts, rationalization and coordination can facilitate the internal functioning of public administration and remove the rigidities that often stall flexible administrative responses to emerging problems and new situations.

*New technologies.* Administrative reforms are a way of taking advantage of new technologies. For example, the introduction of double-entry bookkeeping, new methods of cost accounting, new management techniques or information technologies - all require organizational and procedural changes to exploit their technological potential fully.

The administrative reform process can be costly and time-consuming when the desired result is a public administration that is a genuine instrument of change. Some Governments have shown an enlightened degree of sensitivity towards administrative reform. Although analyses have revealed various weaknesses and change programmes have been known to produce unintended consequences, Governments have now generally recognized the need for greater public-sector productivity.

In some instances, Governments have been concerned that the discovery of administrative weaknesses may be used by creditors or donors as an excuse to deny assistance or to impose stringent conditions on funding. This situation usually arises when countries have lost the initiative and are responding to external pressures. The safeguard against these difficulties is not to shun reforms, but to keep the initiative squarely with the national authorities.

### *Dynamics of reform*

Three expressions are used interchangeably in describing measures to enhance administrative capabilities: administrative development; administrative modernization; and reform. While the terms share many common characteristics, each has a different focus and approach.

*Administrative development.* In response to the need for new functions and tasks, administrative development typically means setting up new organizations and inducting new kinds of expertise into the civil service. A good example is the establishment of central planning agencies, sectoral planning units and a number of project-related authorities or units. One organizational expansion was accompanied by the recruitment of economists and engineers into the civil service. Other examples include the creation of public authorities and enterprises to manage a wide variety of development activities.

*Administrative modernization.* The purpose of administrative modernization is to upgrade the capabilities of public organizations and personnel through the use of scientific management and modern management techniques. This has usually involved the creation of policy analysis units, central and departmental "Organization and Method" units and management training institutions.

Both administrative development and administrative modernization call for the expansion of public administration systems. While both approaches have created more opportunities for individuals and

organizations, prevailing authority patterns were not directly impacted. The end result was that public administration systems have become large conglomerates of public organizations, personnel and practices characterized by a wide spectrum of archaic and modern entities and ethos. The expectation that newer organizations and personnel would radiate their influence throughout the larger system has not always materialized. In fact, the reverse may have been true. There is mounting evidence that newer segments of organizations have frequently adopted the ethos of older organizations.

*Administrative reform.* Administrative reform differs from administrative development and modernization in some key respects. For example, reform programmes focus on an existing universe of public administration and seek to deal with government-wide problems. The purpose generally is to promote coordination in the management of public affairs through such measures as standardizing organizational patterns and practices, establishing uniform rules and regulations for public personnel, making management practices more effective and strengthening the budgetary process. Of the three approaches, administrative reform efforts have been more difficult to implement because they represent real or perceived shifts in prevailing authority relationships.

Reform priorities and strategies have generally depended upon the perspectives and interests of the parties involved in the reform process. Many countries have come to recognize the importance of administrative reforms in meeting the changing needs of their societies. Sometimes reforms have come about in response to a crisis. In other instances they have become political slogans. For example, governments have been dismissed or toppled on allegations of abuse of power, corruption, mismanagement and maladministration. Incoming regimes have promised to remove the shortcomings through reforms, and to make administration more transparent, responsive and accountable.

International financial institutions and aid agencies (both multilateral and bilateral) have also promoted administrative reforms. Practitioners and advisers are frequently joined by the academic community in advocating administrative changes. Seminars and conferences have regularly convened to identify administrative problems in developing countries and to explore avenues of administrative change. This has produced a sizeable reform "industry" involving international organizations, consulting firms, universities and change process experts.

Notwithstanding the popularity of the subject, there has been little agreement on the approaches, priorities and strategies of administrative reform. Each popular concept or technique became fashionable for a short while, only to be replaced by new ideas and techniques. Practically every developing country has instituted several reform efforts over the last three or four decades. While the impetus for reform has often come from within the country, international examples and pressure have also exerted considerable influence. While reform efforts have produced a voluminous body of written reports, their impact has been negligible in all but a few instances because of the difficulties in implementing large-scale change.

*Public administration reform agencies*

Most developing countries have been persuaded to establish central public administration reform agencies and departmental units to promote administrative reforms on a continuing basis. The movement started with the establishment of Organization and Method (O&M) units to assist senior administrators in rationalizing their organizational structures and improving their work methods. The model was borrowed from large industrial enterprises practising scientific management. Gradually the central O & M offices were upgraded to central administrative reform agencies under various names such as management consulting services, public administration agencies, development administration units or simply administrative reform departments. The goal was to develop a focal point for spearheading administrative reforms. The assumption was that Governments were keen to reform their administrative systems and what they lacked was technical and professional support. The central administrative agencies were to provide such support.

Central administrative reform agencies were intended to carry out administrative analysis and planning. In many ways the process was viewed as analogous to economic planning. The reform agencies were to prepare administrative plans for government-wide organizational structures, as well as methods and procedures. It was envisioned that they would set standards and serve as a clearing-house for administrative changes. Although high expectations informed the creation of administrative reform agencies, their performance has been highly uneven. Controversies developed over their role (mandatory or advisory), location (chief executive's office, functional ministry, or autonomous) and their sphere of action. By now most of these agencies have become routine organizations.

Public administration in all countries needs a surveying and analytical capacity. It is also important to have national capabilities for management consultancy services. But there is no single best model for organizing these services. Central administrative reform agencies alone cannot perform both management consulting and the wide variety of functions involved in survey and analysis work. The specializations involved and the resources required to keep them in the central offices on a standing basis are probably unrealistic. Alternatively, small administrative reform agencies could carry out certain basic tasks and build supplemental capacity in other government or non-governmental institutions. More realistic goals for central agencies would be as information depositories on public administration. In this way they could follow up on the implementation of approved programmes and serve a clearing-house function.

Most central administrative reform agencies, however, have been engaged in peripheral ad hoc assignments. In some countries special commissions or committees were established to carry out major administrative reform programmes and central agencies were ignored. Part of the reason for the low standing of central agencies may stem from their treatment as routine organizations, where they are mostly staffed by civil servants from government departments. However, survey and analytical work calls for special aptitudes and skills. The typical civil servant is likely to lack the specialized skills involved in highly analytical and scientific assignments.

Improved training can help central administration reform agencies earn the credentials and professional standing that would compel leaders to take them seriously. There is an urgent need to define their terms of reference more precisely and to view the agencies as special entities. Moreover,

it is important to provide reform agencies with the appropriately qualified staff and allow the staff opportunities to improve their professional credentials continuously.

### *Administrative inertia*

A continuing obstacle to reform is administrative inertia. Some observers point out that administrative systems frequently retain their basic volition and ethos even after a change of regime and/or ideology. While this may be a pessimistic judgement, there are also other reasons why administrative inertia remains an issue. To begin with, public administration systems are social institutions embedded in and reflective of the national milieu. This can make it difficult to institute change initiatives, particularly if it means a less favourable position for organizations and agencies relative to the rest of the government machinery.

Public administration institutions have also become vested interests in their own right and in some instances have allied with their client groups. When reforms are perceived to threaten the privileges of powerful groups and classes they are unlikely to be implemented. Moreover, when powerful interests are resistant to change, reform efforts may be more cosmetic than substantive.

Other reasons are more pragmatic in nature. For example, the size and diversity of public administration systems make it difficult to institutionalize reforms without major effort and investment. Some countries have found it difficult to make the long-term commitment that is required. Further, there is always individual resistance; fear of the unknown and the safety of familiar routines and practices are a strong inhibitor of change efforts. To overcome resistance may take more patience and tolerance than most managers and political leadership can give. Most reform programmes have attempted to deal with these problems through discussion groups and additional training. In the final analysis, a well thought-out strategy is indispensable to the successful implementation of reforms. This may require not only educational and training campaigns, but also the reallocation of resources and personnel and close monitoring of the transitional process. Few Governments have been able to do this.

### *Political agendas and administrative responses*

Administrative reform has sometimes been delayed or postponed by the political realities of developing countries. For purposes of survival every State relies on the unifying nature of cultural, linguistic or economic forces. Where there is cohesion, stability and general agreement on goals and objectives, the potential is high for Governments to experiment, decentralize or disperse public functions.

In the case of fragile States characterized by linguistic, ethnic, regional or tribal diversity--a heavy reliance is placed on public administration institutions to provide the glue for holding the country together and ensuring some semblance of political stability. Politicians may also try to realize their political agendas through administrative responses. Many fragile States have used public administration as a way to concentrate authority in the centre. The result is that field administration

and local government and decentralization have been kept weak or under tight deconcentration. This has led to an excessive burden on central organizations and the frequent resentment of people living outside the centre. Some countries have used political realities to justify special discretionary powers for public organizations and officials.

The accumulated experience of developing countries shows that administrative responses are inadequate when the problems are essentially political in nature. In fact, reforms that strengthen and centralize government may aggravate the situation by making the central Government and public administration the target for complaints or public protests. Frustration levels may increase if public administration is identified too closely with a particular region, group or class. Sometimes public administration itself may become the arena to deal with conflicts surrounding ethnic and linguistic issues.

It is clear that administrative institutions and processes have failed to solve political problems. Political processes that allow debate and accommodation are the appropriate response to political issues. Such an approach will enable public administration reform to be based on the instrumental tasks for which public administration is qualified and competent. Many problems have developed in this regard because political development has not kept pace with administrative development.

### *Role of public administration*

Public administration is generally considered the instrument of government. Many civil servants blame administrative maladies on political interference and claim that fear for their jobs forces them to become acquiescent. One remedy suggested to address political interference is constitutional guarantees for the terms and conditions of service of civil servants.

The status of civil servants and public organizations varies greatly among countries. Some countries provide constitutional cover to the civil service, while others regulate it through legislative or executive action. The experience of various countries shows that these differences are generally irrelevant with regard to the quality of administrative behaviour.

Perhaps a case could be made for making public administration an instrument of the State. This would not make it immune to governmental policy directives would become more autonomous in the execution of public policies, where most political interference takes place. However, certain conditions would have to be met to ensure responsible and responsive administration:

1. Administrative processes must be explicit and transparent;
2. Civil servants must assume responsibility for self-regulation and the disciplining of their errand coworkers;
3. The division of tasks among various institutions of the State must be observed scrupulously;
4. Public administration must be professionalized with a strong and enforceable code of conduct;

5. There must be a strong system to enforce accountability.

In the last analysis, laws alone cannot suffice to improve public administration. They have to be supplemented by conventions and ethical standards and practices which grant legitimacy to government decisions and actions.

### *Leadership*

A critical factor in the success of administrative reforms is the role and quality of leadership. The nexus between leadership and reform efforts has several dimensions. In one respect, leadership provides the impetus for reforms. Leadership is also critical to the implementation process.

Leadership for initiating administrative reforms may come from legislative bodies, political parties, government executives, civic movements, professional bodies or the permanent career service. Sometimes public administration reform movements have come from civic and professional groups before being taken up by Governments. In particular, professional groups have a special role in promoting the use of standards and technologies in public administration. For example, accounting professions can make useful contributions to the improvement of accounting practices in government. The latter are indispensable for the realization of many of the objectives of good governance such as accountability and transparency, but are often overlooked by reform advocates.

In many developing countries there is evidence that the initiative for reform came from within public administration. This is due partly to the weaknesses of private or non-governmental institutions, and partly to the absence of a tradition of cooperation between the executive and other institutions. To some extent this deficiency can be reduced by increasing the transparency of public administration transactions and decision-making processes, and encouraging a public dialogue about administrative problems.

While intra-administrative leadership succeeded in many cases in bringing about reforms (especially in management processes), their impact was limited. The problem can be traced to the failure of reform leaders to work with the leadership of affected groups such as civil service associations, trade unions, departments and authorities.

Different actors may have differing views on the reform process. For example, political leaders want visible and pragmatic reforms that produce tangible results in a short time. On the other hand, professionals may be more inclined toward long-range reforms. Improving productivity will require coordination between long- and short-term goals.

The leadership function for administrative reforms comes both through individuals and a network of institutions. This has clear implications for the reform process in that leadership needs to proceed beyond the policy formulation stage to encompass policy approval, implementation and the ongoing evaluation of change initiatives.

Reforming public administration is a dynamic and continuous process. In developing countries, administrative reforms frequently accompany wider transformation processes. In this sense, public administration is both expected to transform itself and assist in transforming society. No wonder reform movements often stall or proceed too slowly to satisfy political leaders. More recently domestic groups outside of government have been participating in reform efforts. International lending institutions and aid agencies also have strong and influential voices in change initiatives. From this survey of some of the larger environmental factors affecting administrative reform efforts, the next several chapters take a closer look at administrative performance and how specific reforms are being carried out.

## CHAPTER THIRTEEN

### ADMINISTRATIVE ACCOUNTABILITY AND CONTROL

Public accountability is a central tenet of democratic government. Accountability gives legitimacy to government action and ensures society that the Government is serving the national interest. While there may not always be agreement on terms such as the national interest and the common good, this should not detract from the importance of accountability. Good governance demands that government be responsive and responsible to its citizens. In this sense, public organizations and political leadership are the trustees of the nation pledging to serve in the interest of society.

In the context of public administration, responsibility and accountability take on special meaning because both public organizations and individual officials have a duty to implement public policies in a clear and transparent manner. Civil servants are expected to carry out their duties based on professional standards and codes of ethical conduct. While standards and values are necessary in public administration, they are rarely sufficient to ensure satisfactory performance. Most Governments also try to enforce appropriate behaviour through various control mechanisms to counter administrative abuses of power. Political responsibility and administrative accountability are not popular topics. For example, many public administration textbooks and government reports on administrative reform rarely mention these issues. When discussions on accountability do occur they are usually confined to financial accountability and auditing practices.

While accountability is in fact a multidimensional concept, two important distinctions can be made. One approach considers accountability in terms of structure, where public administration is charged with converting inputs (policies, programmes and resources) into outputs (goods and services). From this perspective, organizations, resources and personnel are rationally designed to optimize efficiency and effectiveness criteria. Another approach considers accountability in terms of process and emphasizes intra- and extra-administrative practices and procedures. From this perspective accountability is examined in terms of internal management control systems and external control mechanisms.

#### *Management control systems*

In theory a management system should be a two-way flow of information. For example, policies, resources and directives flow from top to bottom. Information on implementation flows up from bottom to top. At each stage in the downward flow, policies, resources and directives become more detailed and specific. The reverse happens in the upward flow of information. Detailed information is combined and synthesized through progressively higher levels of aggregation.

A management control system is expected to serve a number of purposes. Foremost is the movement towards the realization of objectives, the detection of any deviations or identification of problems, and the taking of corrective actions. Management control can also be used as a means of

self-appraisal by an organization, promoting organizational learning and managerial effectiveness. Designing a control system requires the establishment of operational goals of ascending specificity, the setting of performance standards and the defining of the limits of flexibility. An information system also must be designed to clarify the control factors and the types of information (accounting, statistics, targets) that must be collected, analysed and disseminated. At each level, data analysis enables corrective action and informs reporting to the next level.

The above is a simplified and highly idealized description of a management control system. In practice there are many shortcomings and discontinuities in the management control systems used in public administration. For example, policies and directives may not be adequately specified and, in some cases, they may be non-existent. In many countries health, education and other social-sector allocations assume the continuation of old policies and directives, and budgetary allocations are in terms of inputs without any reference to outputs.

While successive levels of administration may try to exercise some control, the process is usually selective, and often includes items which have become topical for some reason. Examples include the control of allocations for travel, purchases and transport costs. Even these controls may not generate an information flow when the emphasis is placed on multiple approvals of individual transactions. A majority of developing countries do not have well-articulated management control systems, even for reporting on the utilization of inputs. Deficiencies can arise from accounting weaknesses or from the division of accounting responsibilities between operating units and outside accounting units.

Consequently, many management control systems do not yield even minimal data which can enable higher levels to take corrective action. Nor do they generate data which can be aggregated at higher levels for accountability purposes. The more common practice is a disjointed attempt towards the end of the budget year "to close the accounts". Such exercises are typically carried out by specialized accounting units. In some cases, the specialized units are distinct from the operating units, and there is little involvement of the operating units. The only exceptions to this loose arrangement are some of the large development projects which are of special interest to the Government and usually involve a foreign investment component. In these instances, the management control system may be sharply defined and made a condition of access to resources.

Management control systems should be ubiquitous and an integral part of management processes. Their design and installation should not entail high costs. In fact, they may not involve any additional costs other than the redeployment of some resources. However, they do require better articulation of administrative processes and procedure and the streamlining and rationalization of administrative structures. Simple management control systems may not serve all the purposes usually stipulated by management experts and considered desirable for political reasons. For example, problems of quality do not receive much attention. None the less, even the introduction of basic systems will be an improvement for many countries. Refinements can be considered after some experience has been gained. Too often, attempts at establishing management control systems have failed because management and efficiency experts have attempted too much. Likewise, political leaders have been too easily beguiled by the exaggerated promises of such systems.

Simplicity and attention to basic tasks need to be the first priority of developing countries in this regard.

### *Reporting*

Reporting can include informing both citizens and legislative bodies on the work of public administration. Practically every nation has a system of reporting celebrated events such as state of the nation messages and annual budget presentations. The constitutions of some countries may include Directive principles of policy, where the Government is required to report on their observance and achievements. Ministries and departments countries are required by law to issue annual reports. At least on a superficial level many of these arrangements generate enough information to convey an idea about government operations. But reporting problems are legion. To begin with, some reporting provisions are observed more in breach than in compliance. A brief survey of practices reveals that most developing nations have at least a nominal system in place, but their purpose is largely symbolic. The need is to impart life and vitality to the system so that reporting becomes a more meaningful activity of government.

*Formal reporting.* One type of report rarely issued is the report on implementation of directive principles of policy. Such reports are usually included in constitutions for political expediency rather than meaningful reporting. Annual reporting on ministries and departments is also abused. It is rare for annual reports to be published and they are often issued so late that they are no longer relevant. State of the nation messages may be more in the way of inspirational sermons on what the Government hopes to do in the future than an analysis of issues and concrete policies.

*The budget.* Budget presentations have their own unique characteristics. The presentation generally includes two major activities. One is the speech given by the head of the government or the finance minister. In countries with electronic media the speech may be presented on radio and television, and may last several hours. The second activity is the issuance of one or more budget documents. The documents may include budget proposals for the coming year and an economic survey covering the current and previous year. The data in the economic surveys are mostly statistical and at a level of generalization which conveys little information.

While the budget proposals include allocations for inputs, there is little concrete information on programmes and outputs. The only items in the whole exercise which arouse interest are proposals for taxation and measures affecting exports and imports. In any case, the presentation (both oral and written) is so full of technical jargon and so dull that few can understand or appreciate its meaning. Even the officials who are charged with implementing the budget frequently confess to not having read the document. The concept of budgeting as a tool of management is alien to many senior administrators and most mid-level administrators. The exceptions are those specialists concerned specifically with the budgeting process. In short, the reporting content of the budget leaves much to be desired.

*Information handling.* In far too many cases information given out by the Government is highly selective. This may be due to a lack of genuine information at the highest levels of administration.

Another reason may be that management systems have failed to generate the right kind of information. In some cases the information is selective because Governments want to paint a brighter picture than is warranted by the realities. More frequently it is an attempt to use information for partisan political purposes. For example, incoming governments have frequently criticized their predecessors for maladministration, corruption and abuse of power, and promised to enforce accountability. Barring a few notable exceptions this has rarely happened and the practice is repeated over and over again.

As a general rule, information released by Governments tends to be diffused, imprecise and related to intentions rather than realities and policies. In particular, statistical information may be more by way of guess-estimates than hard data. The technical dimensions of statistics are rarely explained and usually poorly understood. Both the quality and quantity of information in government deserve more attention.

*Public relations.* A widespread practice in developing countries is the establishment of central public relations departments, or public relations units in larger organizations. Some Governments even bring in foreign consultants to advise them on public relations. The function of these units is to project a positive image of ministers and senior administrators. Until more information is available on the functions of these units and how they serve the national interest, their existence can only be considered wasteful. Public relations in a democracy have been shown to be a valuable tool in forging consensus on critical issues and explaining government policies. These ideals are not always interpreted in this manner in developing countries, and many public relations efforts tend to be self-serving.

#### *Legislative review*

Legislative oversight or review of government and administration can be tenuous. Even in long-established and industrially developed countries the executive and legislature attempt to act independently of one another. In many developing countries, legislatures have lost the battle against the executive. One reason for this is the growing complexity of government where political leaders and senior administrators have the advantage in access to critical information. Other reasons include the nature of executive powers where information can be restricted on grounds of national security, and the emergence of autonomous public institutions beyond the pale of legislative control. Despite these problems, legislative bodies have a role to play in exerting influence on the formulation and implementation of public policies, and the enforcement of standards of conduct by executive and administrative officials.

In political theory, legislative review is an important mechanism for enforcing accountability of government and administration. A major component of legislative review is the budget process, which has been discussed elsewhere. Other mechanisms are also available to legislative bodies to review the work of government more generally, or to review specific programmes and policies. Real changes in this area may have legal and constitutional implications but they are worthy of consideration. Several ways to strengthen legislative bodies are discussed below.

*Building skills.* There is a tendency in some developing countries to keep legislators busy in matters and areas which have little relevance to their main task. This may be intended to divert their attention away from critical issues, or because of scarce resources available to government. Whatever the reason, there is a need to raise the substantive and analytical capacity of legislative bodies to perform their responsibilities more effectively.

As products of the electoral process, legislators typically comprise a broad spectrum of experience, education and orientations to the management of public affairs. This means that some elected representatives will have no experience with the nuances of policy-making, formulating laws, or familiarity with constitutional principles. While senior administrators usually have many opportunities for executive development where at a minimum they are socialized into the system no comparable facilities are available for legislators. Opportunities for legislators to participate in executive development programmes can promote their awareness of the complexity of governing, and serve as an introduction to managing issues of national importance. Even if an individual stay in the legislature is short, the investments in leadership potential can serve the nation well when they rejoin their local communities.

*Support services.* A striking difference between the executive and the legislature is the amount of support services available to each body. While the executive has the whole administrative infrastructure to call on for support and advice, few Governments provide any substantial assistance to legislators. For example, research assistants could be an invaluable tool for gathering information on pertinent issues. Too frequently, the level of debate in legislatures is less than satisfactory because of the poor quality of information available. Better information produced in a timely manner can enhance the quality of discussions and gradually lead to more meaningful deliberations.

A related idea involves legislative reference services. At present few countries provide such services. A legislator wanting information has to either request the administration or rely on informal channels. It is important to remember that information is power. If legislatures are to improve their oversight capacity, they must have access to timely and accurate information. Effective support services can enhance the position of legislatures vis-à-vis other political and administrative actors.

*Committee systems.* One advantage of a committee system is the ability to hold public hearings and to bring in expert witnesses to give testimony. These actions can improve the deliberations of committees and widen the participation of individuals in deliberative processes. Different approaches have been used in creating a committee system. For example, standing committees can be established for different stages of the budget process, major sectors of the economy or different development programmes. Ad hoc committees can also be constituted and charged with the study of specific policy issues. Some countries have budget appropriation committees and public accounts committees, but their role is usually limited in the absence of overall system strengths. All of this presumes, however, that Governments are genuinely interested in strengthening legislative bodies and widening participation in the governing process. In some cases committees are little more than political responses to demands for action, and their reports and recommendations are generally ignored.

*Oversight.* Another practice in some countries is the question hour which provides an opportunity for legislators to elicit information from government. How the question hour is used varies among countries that have adopted the approach. In some countries, it is no more than an attempt to embarrass the government. In others, it is a genuine attempt to understand a particular issue or policy. The type of government response is also a factor in the effectiveness of the question hour. Similarly, adjournment motions and other such devices when employed seriously, can improve the oversight function of legislative bodies.

Ultimately the public is the master in a truly democratic government. Public accountability should occur not only through legislative bodies, but also through electoral and political processes. The point is worth mentioning because too many governments practise the forms of accountability with little regard for its substance. Legislative review issues are about putting the right mechanisms in place, as well as the commitment to allow them to function properly.

### *The media and accountability*

The national media are generally considered another link in the chain of accountability. This view is based on the assumption that they can freely undertake investigative reporting, serve as a conduit for information between Governments and individuals and groups, and generally keep government excesses in check by reporting responsibly. The discussion below briefly examines these assumptions in the context of developing-country experiences.

*Electronic media.* In many developing countries the electronic media are owned by the Government and project the views of those in power. In fact, in many countries television and radio are the symbols of government power and are commonly the first targets of coup attempts and insurgencies. In some countries, radio and television stations are run by the defence forces and major departments. This gives them direct access to the public airwaves without worrying about central policies. Generally, the mission of these broadcast facilities is to project favourable images of the entities concerned. The trend has been a rapid increase in the use of electronic media in most developing countries, generally under government ownership or auspices. In a few cases, countries have allowed private or mixed ownership of the electronic media. While the latter are usually allowed freedom in the entertainment field, they are required to broadcast the same news as carried by the official media.

Technological developments have given many developing countries access to communication satellites, and this has provided opportunities to access international satellite networks for news and other information. For many citizens, the electronic media have become an important source of information about events occurring abroad. Satellite communications have also provided opportunities for government to reach the most remote corners of the country. Most Governments can now reach the majority of their populations through radio or television. Because of low literacy rates and the absence of newspaper-reading habits, even among literate groups, the electronic media have emerged as a major source of information. Putting aside purely political goals the electronic media can serve many useful purposes in developing countries. In addition to their entertainment

value, they are increasingly being used for educational and extension activities to reach otherwise inaccessible groups or areas.

Unfortunately, the role of the electronic media in the accountability chain is non-existent in some countries, and radio and television have become tools for projecting favourable impressions of government policies and personages. While some countries have initiated policy debates on the role of electronic media, the content of the debate is usually oriented to support the Government's viewpoint with carefully selected debaters. Instances of censorship are also not unknown when the views expressed by a speaker are considered unfavourable by the Government.

A necessary first step in making the electronic media part of the accountability chain is to increase the access of opposition groups to radio and television. Non-partisan discussions on national policy issues should be encouraged as a way to increase the knowledge of viewers and listeners and sensitize Governments to different points of view. Such measures can make government work more complicated, but they can also strengthen nation-building activities and help to achieve consensus on critical issues. However, many Governments have only a weak commitment to opening the airwaves to groups that oppose their policies.

*Print media.* In most developing countries, newspapers are of recent vintage. Some were started as part of freedom struggles. Others came into existence after independence. In many cases government-controlled newspapers exist alongside privately-owned publications. With a few notable exceptions, scholarly journals in such fields as economics, public administration and science and technology are rarely evident. Some are brought out by institutions established by government to undertake economic research, management development programmes or similar activities. The role of the print media although gradually increasing, remains limited to policies in terms of inputs, or to the evaluation of outputs. The role of the press as watchdog or critic of government remains embryonic.

Problems with the print media come from both sides. For example, Governments are guilty of trying to influence the news and editorial content through censorship, restricting the allocation of government advertisements and in some cases even newsprint, and the purchasing of newspapers for circulation in government offices. Governments have also devised stringent rules for the establishment of printing presses and the startup of newspapers. Some newspapers are required to deposit cash securities with Governments which can be confiscated as a disciplinary measure when the latter find it is necessary. There are few recourses for newspapers in this regard.

Newspapers, on the other hand, can be irresponsible in their actions and inaccurate in their reporting. Many operating on free-market principles avoid controversial issues and rely on tabloid journalism to sell. Their motivation is more to increase the quantity of newspapers sold, than to improve the quality of their news reporting. By contrast, some newspapers perceive their role as upholding the public trust through factual reporting and some analysis. This approach often makes their long-term survival precarious.

Investigative reporting is new to many journalists in developing countries. This is due partly to a scarcity of information, and partly to their desire to play safe. Most of the news they report tends to be based on hand-outs by various government agencies or public personages, and the movements and utterances of government officials are given prominence. Many newspaper columnists are retired government officials and tend to rely on familiar and safe categories in their writings.

Another problem is that journalists may be active in the same pursuits (power, prestige, profit and visibility) as other major groups in society. There are many instances of journalistic competitions in sycophancy, by the desire to be near the seat of power. Some reporters may also receive favours from different groups or use their position to obtain benefits from government agencies. This makes them cautious because if they go too far in their investigative reporting, they may face intimidation from public agencies, political parties, powerful individuals or organized groups.

Where the press has been given more freedom, there have been tendencies to promote muckraking. In such instances what passes as news is more invective, innuendo and selective information. Rarely has a story of administrative wrongdoing, for example, been followed up by sorting through all of the pertinent information and conducting an in-depth analysis of the issues.

The overall picture of the press in developing countries suggests that its role as watchdog for the public interest and check on government excesses is minimal. Political leaders, administrators and the public all need more education about the ways a free press works in a democratic setting. Political leaders need to have more courage in allowing a public review and critique of their actions. Journalists, for their part, need to be more responsible in their reporting and more responsive to the information needs of society. Finally, citizens need to be more critical of what they read in the newspapers and hear on the television and radio. More education about the ways in which the media can serve democratic societies is necessary in developing countries. Otherwise, the media can not become a meaningful link in the public accountability process.

### *Openness and transparency in Government*

Closely related to the foregoing discussion is the issue of openness and transparency in the way government goes about its business. The necessity for both is readily agreed to by citizens and government officials. Many developed countries face a similar dilemma.

While open government may be the ideal, it is also recognized that this is not entirely possible in the real world. It is generally agreed that the State has the right to keep certain kinds of information secret to protect the national interest. Similarly, information on intra-administrative processes may be protected on the assumption that it enables senior administrators to speak frankly during policy formulation. Certain law-and-order issues may also have to be kept secret for national security reasons. For example, all countries ban the disclosure of official information to unauthorized persons. They all have official secret acts regulating or limiting disclosure of information relating to defence, security and foreign affairs.

The difference between developed and developing countries in this regard is worth mentioning. In developed countries, the voluntary release of information happens quite frequently. Moreover, developed countries have documentation classification criteria which administrative agencies are expected to observe meticulously. They also have a system for the declassification of documents after a certain period of time.

In developing societies, the tendency is to keep most information secret. At issue is where to draw the line and how to maintain a balance when considering the release of information. The bias in developing countries is in favour of the State. Problems arise when secrecy becomes a habit in government or information is managed to convey partial or biased images. Rather than the national interest, individual or party interest becomes the dominant criterion in deciding whether to release information, or how much of it to release. The result is that citizens are unable to hold government accountable or exercise their individual rights.

Limited citizen access to non-classified information in developing countries is unfortunately all too familiar. For example, a citizen may have difficulty in getting information essential for his/her transactions with administrative agencies. Instead of government publicizing relevant information, the onus is placed on the citizen to find his/her way around the bureaucratic maze. These often fruitless searches by individuals for information give rise to corruption and create information brokers. The latter make money simply by getting hard-to-get information citizens should be able to access at no cost.

To protect group interests, public administration systems have been able to suppress, or cause inordinate delays in, the release of administrative reform reports. These reports have nothing to do with national security, law and order or state secrets. But the information is kept secret to discourage debate. An interesting phenomenon has developed in this regard. Through their access to these reports, many foreigners are now more knowledgeable about certain internal operating matters of developing countries than citizens of these countries. Secrecy also breeds corruption. This has been amply demonstrated by financial and development institutions in many developing countries where white-collar crimes frequently occur but are seldom publicized.

The bureaucratic model adds its own distortions to information flows. The free flow of information in public organizations and systems is considered essential for effective management. Yet information is routinely withheld and is usually the result of intra-bureaucratic politics. The upward flow of information may be distorted for purposes of self-promotion, safeguarding group interests or opposing reforms. Nobody wants to be the bearer of bad news, and higher echelons may never know the reality until they are jolted by some crisis.

Some of the same dynamics also apply to lateral flows of information. For example, administrative agencies may deny information to watchdog agencies such as supreme audit institutions and ombudsmen, or withhold it from legislative bodies. The assumption that the entirety of administration and government is sharing pertinent information and working with the same facts is usually not a valid one.

Finally, the availability of information to scholars and researchers presents another problem. Both statistical information and non-sensitive information may not be easily accessible. Information about administrative processes may be even more difficult to get. This partly explains the paucity of scholarly material on many developing countries.

What is urgently needed in many countries is the adoption of an official policy on information. The policy should establish criteria for classifying government generated information, rules for accessing non-classified information, procedures for declassification and appeal procedures for reviewing administrative decisions regarding secrecy. Vigorous implementation of the policy can enhance societal perceptions of government and promote better feedback from the public. It can also improve internal administrative performance. Even when introduced in an incremental fashion, these improvements can make government more responsive to the public interest.

## **CHAPTER FOURTEEN**

### **FINANCIAL ACCOUNTABILITY AND CONTROL**

Control of the public purse and how public funds are expended have been among the key determinants in the evolution of state institutions and the relationships among them. Since annual budgets are typically the legal authority for spending public monies, the entire budgetary process becomes relevant for fiscal management, and for enforcing financial accountability and control at various levels of operation.

For analytical purposes there are three levels involved in fiscal management and financial accountability and control in government. These are the legislative bodies, political directorates and operating entities. Each level has a number of institutions, officers and procedures to carry out their pertinent functions. In most developing countries government budgeting is essentially an executive function. The interaction with legislative bodies is mostly formalistic and their input limited and insignificant. Thus, the exercise of financial control and the enforcement of accountability have become an executive function. Some countries have recognized this reality and have institutionalized control and accountability functions within the executive branch. For example, a ministry of finance through its various offices can exercise strict control. Major departments have their own control mechanisms. Audit courts and boards also play a strong role in the enforcement of accountability.

In countries with strong legislatures the legislative system plays a key role in the budget process. A meaningful committee system that includes committees for appropriations and public accounts has, for example, enabled many legislatures to increase their role in the budgetary process. The emergence of strong supreme audit institutions has also facilitated the effective management of public resources.

Despite these improvements, most developing countries need to work on many fronts to improve government budgeting and financial accountability. The basic need is to reform and upgrade accounting systems to strengthen the management of public expenditures. The emergence of legislative bodies as strong institutions can facilitate the process. Governments also need to improve and strengthen internal mechanisms to deal with different phases of budget administration such as budget preparation, execution and review by the legislature. The following sections examines these issues in more detail.

## **Budget administration**

### *Preparing the budget*

Financial accountability and control begin with the budget preparation phase. Although this phase is not typically discussed in connection with financial control, it is a key phase in the process because it lays the foundation for all subsequent measures. The budget preparation phase determines programme concepts and structures, modalities for implementation and costs. During the preparation phase the interaction is primarily between the operating departments and the central budget office or ministry of finance.

Bargaining and negotiation inform many of the activities between the two sides during this phase. For example, the operating departments may try to use strategies which increase the chances of eventual approval of their programmes. One strategy involves the understatement of costs and the overstatement of benefits. Alternatively, the strategy may be to inflate the costs of programmes where approval is more or less assured. The latter is based on the conventional wisdom that estimates will be pared down by a budget agency or the legislative body.

Review during the budget preparation phase is fairly detailed. Subsequent phases usually aggregate the information and do not include the same level of detail. Even under budget systems emphasizing expenditures by objects there is usually some discussion of the relevance between proposed expenses and expected outputs. Where development programmes and projects are involved, planning agencies may also get involved in the process. In fact, some countries require that no programme or project can be submitted to the budget agency unless it is first approved by the planning agency. In other cases there are joint working parties that review the project.

### *Consolidating budget estimates*

The next phase involves review of the consolidated budget estimates by the central budget agencies and the Government. Included in the estimates are the programmes agreed upon between the central budget agency and the operating departments. These are placed in the proper budget format as required by legal provisions. Budgets of the various departments and agencies are reviewed in their totality and consolidated in a single document. This stage of review enables the Government to examine the proposed budget in terms of legal requirements, national economic policy and objectives and resource availabilities.

Flexibility is an important feature of this phase because Governments prefer to have maximum flexibility in the approved budgets, the rationale being that it facilitates the prompt execution of their programmes and allows them to meet unforeseen circumstances. For these reasons the budget estimates may provide for lump-sum grant requests for certain programmes. Requests may also be included for contingency funds to meet unforeseen events and fluctuations. Other requests may be for secret and discretionary funds designated under various labels.

The question of flexibility is highly complex. On the one hand, operations may be facilitated by flexibility in the use of resources. Conversely, too much discretion may jeopardize financial control and open up possibilities for irregularities. These possibilities can be avoided only through arrangements for close scrutiny and supervision of expenditures. The arrangements may be different from those governing regular parts of the budget but they should be equally stringent.

### *Presenting the budget*

The presentation of the budget and the finance minister's speech are an important occasion in most countries because this is when the consolidated budget estimates are presented to the legislature. This is also the first time the public will hear about the proposals and expenditures stipulated in the budget. The presentation of the budget usually has an immediate impact on prices and economic activities. The event may pass peacefully or erupt into protests. The lightning rod is usually the array of proposed taxes. Hostile reactions to the budget frequently reflect the lack of prior consultation between the Government and affected interests. The role of legislative bodies in most cases is limited to general review and criticism, with little or no authority to change any budget proposals. The finance bill, after approval by the legislature, becomes the budget of the country for the coming fiscal year.

*Appropriations.* The approval given to the government for its "demands for grants" is called appropriations. Appropriations constitute the central point on which the structure of financial control is based. However, the system of appropriations has become a formality in many countries. Weak appropriation systems have been further eroded by strong executives and the ineffectiveness of legislatures. The system of appropriations is based on three principles.

- A sum appropriated for a particular purpose cannot be spent on another one;
- The sum appropriated is the maximum, and cannot be exceeded routinely;
- Monies are available only for the year for which they are appropriated, unless specifically provided for otherwise.

All three principles are commonly dodged devices such as re-appropriations (within the executive), supplementary grants and year-end peaks of expenditure, or the transfer of funds to special accounts. The approval of the legislature for such measures is usually obtained after the fact.

### *Executing the budget*

Once the budget is approved, its execution becomes the responsibility of the Government. In practice, executing responsibility falls to either the budget agency or a ministry of finance, depending on the organization of the finance function in a country. In some countries the budget agency may require additional information from the operating departments to "sanction" the funds allocated by the legislature. Practices also vary among countries in releasing funds. In some, approved credits may

be released to the operating departments in a lump sum. In others, the release of funds may occur on a monthly, quarterly or ad hoc basis. There are three separate but related fiscal control measures that occur during the execution phase:

1. The first fiscal control measure involves the examination and approval of each proposed expenditure to ensure that it is prudent, legal and covered by the budget appropriation and availability of funds. Also called the pre-audit function, it used to be performed by an authority outside the operating department. Barring a few exceptions, the function is now entrusted to operating departments, both to eliminate delays and to emphasize their responsibility;
2. A second measure involves the recording of actual treasury business, including the receipt, disbursement, allocation and accounting of funds. Both the recording of transactions and accounting of funds are usually done by a network of government treasuries functioning under the authority of the ministry of finance. The development of banking networks in most developing countries is bringing about reforms in this area;
3. A third measure involves the examination and verification of completed transactions and their related accounts by independent audit. This is usually done by the supreme audit authority of the country. Conducted after the fact, the exercise often turns out to be of only academic interest. The exception is when a major scandal is uncovered, or where the actors involved are still around to be prosecuted. This exercise is typically the first time legislative bodies get a chance to review the execution of the budget.

### *Legislative review and control*

The last phase of the budget cycle is the legislative review of government accounts. At the end of the fiscal year, Governments "close" their accounts for the period. That usually involves summarization, formal balancing and the publication of the overall budgetary results. The term "close" is not applied by Governments in a literal sense. The books may remain open for a month or two to allow liquidation of obligations and the preparation of statements. The task of closing may be entrusted to an accountant general of the Government, or to a part of the supreme audit institution which also has responsibility for accounting. The officers have to reconcile their figures with those of the operating departments. The process has been difficult to complete in a reasonable period of time. In some cases the unreconciled amounts are put in a "suspense account" so that the books can be formally closed. The accounts are then audited by the supreme audit institution.

The closed accounts with the audit report are then submitted to the legislature for review and formal closing of the fiscal year. In both developed and developing countries, these documents are submitted to the legislative bodies. In many developing countries, these is not unknown to find these documents going to legislatures three, four or even five years after the close of the fiscal year. The situation is even worse when there are rapid changes of government.

*Public Accounts Committees (PAC)*. The legislative body usually refers the matter to a standing committee known generally as the Public Accounts Committee (PAC) which comprises members of

the legislature and has the power to summon principal accounting officers. In some cases legislators have been reluctant to join PACs. Where there is no legislature the head of State may constitute a special committee comprising administrative officials or public figures. These committees are assisted in their work by the supreme audit institution.

The PAC examines the appropriation accounts and finance accounts placed before the legislature. It also reviews the report of the supreme audit institution. The committee has several requirements to satisfy:

1. The expenditures shown in the account as disbursed must have been legally available for the purpose on which they were spent;
2. The expenditures must have conformed to the authority governing them;
3. Every reappropriation must have been made in accordance with the rules;
4. All revenues must have been brought to account.

The committee then holds hearings and takes up the question of audit objections with representatives of the operating departments. The departments are required to submit compliance reports to the committee. After completing its work the committee reports back to the legislature, which formally adopts a resolution to close the budget year.

The procedure has been described in some detail to underline its formal and legalistic nature. The elapsed time makes the exercise one of purely historical interest. By the time it is completed the government may have changed, and the new government may use it for political purposes. If the chairman of the committee belongs to the ruling party, he may be reluctant to criticize the report openly.

### **Accounting and classification systems**

Government accounting systems have increased tremendously in scope and complexity as government activities have expanded to include multiple types of organizations, activities, funds and transactions. The priorities of Governments have also changed, requiring different kinds of information. For example, an accounting system serves management purposes only when it is able to provide information at the right level and time and in the right form. A manager has to be concerned with planning, directing, evaluating and reporting. All of these functions demand the timely availability of facts and figures. A system in which accounts are kept by an agency outside the relevant operating unit is unlikely to meet the needs of a modern manager.

In addition to serving the needs of operating managers, accounting systems are expected to yield information which can be properly classified for purposes of economic analysis and the planning of government activities. Fiscal planning is naturally more interested in financial transactions in terms of their amounts, incidence, productivity and consequences. Budget documents based on traditional

accounting concepts may not bring out the implications of financial policies for national income, capital formation or industrial growth.

Thus, both accounting systems and accounting practices are critical for public financial accountability and control. In many developing countries, however, they are also the weakest areas of budget administration. A few countries are only now moving from hand-kept old fashioned ledgers to computerized systems. Obviously, they have a long way to go in developing accounting systems which can serve the purposes of a modern State. In the meantime much of the discussion about financial control, accountability, budgeting as a tool of management and new forms of budgeting is beyond the capacity of many countries until more basic reforms are put in place. Budget accounts, as well as different forms of accounting have been a focus of recent reform efforts. Training to upgrade the skills of accounting personnel is also receiving attention.

### *Budget accounts*

As a general principle accounting systems have to be designed to show compliance with legal provisions. To do so, the commitment and disbursement of monies have to be related to budget accounts. The system must permit a determination of the adequacy of custodianship of monies and assets under the responsibility of administrative officials. Further, the accounts must be maintained on a basis which permits an independent audit extending to all records, funds, security and property.

An important priority is the development of accounts to meet the requirements of fiscal control and accountability. For this purpose the accounting system has to start with the bookkeeping operations of operating departments and treasury institutions. These then have to be compiled for the Government as a whole. The format has to serve the management needs of the Government and provide a proper rendering of accountability to the legislative bodies.

Basic accounts and their classification should be designed to serve the maximum number of considerations. Furthermore, a system of multiple classifications should evolve to introduce and facilitate economic planning and management effectiveness. This is a task which cannot be performed in isolation by an accounting agency. There is a need to involve budget offices, treasuries, planning agencies, institutions and operating departments in a joint effort to develop an appropriate accounting and classification system. A parallel exercise may also need to take place that involves different types of public industrial and commercial enterprises.

Moreover, the task should not be viewed as a one-time exercise. Accounting systems should be revised periodically to accommodate changes in accounting concepts and technologies. At present, the availability of computers and software capable of processing vast amounts of data at high speeds and low costs opens opportunities not available earlier. The scope of such ventures, however, depends upon a grasp of the basic issues, concepts and programme designs.

### *Cash basis versus accrual*

Most government accounts are kept on a cash basis. Following this system, accounting transactions are recorded when monies are received or expended. A cash basis system can make it difficult to calculate the precise costs of operations or to compare costs over time. Problems can arise because of unused inventories and supplies, and payments that have been shifted to different budget years. The accrual system offers an alternative by allowing the recording of transactions as revenues are earned, and as goods and services are actually utilized. While accrual accounting obviously gives a more realistic picture of costs, most Governments have found it difficult to shift from cash basis accounting to accrual accounting.

### *Depreciation accounting*

While depreciation accounting may not be important for an agency spending most of its budget on salaries and wages, other agencies may find it extremely useful if they use capital equipment in a commercial type of activity, provide services to other government departments, or are required to keep their original capital intact. However, depreciation accounting is rare in most countries.

### *Upgrading skills*

Many shortcomings in accounting systems are caused by the lack of relevant skills. Accounting functions in government departments are usually carried out by clerical staff under the supervision of generalist managers. Often, accounting cadres may comprise generalists who receive some post-entry training. The training relies heavily on the use of government manuals covering the procedural aspects of budgets, accounting and auditing. Little or no time is spent on the discussion of key concepts, classification systems or information management. These deficiencies reflect the importance of upgrading the skills of accounting personnel. Reform efforts also need to bring in personnel agencies so that accounting improvement programmes include approaches for all levels of personnel.

### *Audits and accountability*

Most countries employ two types of auditing to support and enforce financial accountability. The pre-audit system consists of control prior to the payment of a government obligation and covers all transactions. The post-audit system represents control after the payment of an obligation and is done on a sample basis.

*Pre-audit.* Pre-audit usually involves advance determination of the legality of a particular transaction. It extends to the examination of vouchers directing the payment of obligations. The pre-audit function is used to determine the correctness of obligations, availability of funds, inclusion under the right appropriation account, certification on actual receipt of goods and services and related issues. This function is frequently combined with the counter-signature of warrants for incurring or liquidating obligations.

Pre-audit practices vary greatly among countries. In part they are influenced by the designation of agencies responsible for the keeping of accounts. In many countries, for example, accounts are kept

by an accountant-general, and operating departments have to refer all requests for payment of obligations to him/her. In other instances, countries may require operating departments to work through a controller. The procedure has come under serious criticism. The operating departments usually complain about overcontrol, duplication, delays, and second-guessing by the accountant-general or the controllers. Operating departments claim that this second-guessing limits their managerial authority.

A number of English-speaking countries have tried to deal with the problem by decentralizing the preaudit function. For example, they have departmentalized the accounts and designated the head of the operating department as the principal accounting officer. The officer performs the pre-audit function and becomes the designated officer for budget administration of his/her department. This is usually done with the help of an in-house unit, or an out-posted unit from the accountant-general's office. On the whole the system seems to be working well, although in some isolated cases there have been reported irregularities due to political pressures. In a few federal governments, control authorities have resented efforts to decentralize to constituent units.

In some countries, the pre-audit function is carried out by internal administration, but by entities separate from the operating departments. For example, an inspectorate from the ministry of finance will be stationed in the major operating departments. Increasingly, the trend is to merge pre-audit with internal administrative controls. Administrators frequently complain about the excessive load put on them by legislative, finance and audit institutions. Many administrators see themselves as cogs in a complex machinery with little concept of budgeting as a tool of management. Heads of small agencies and even senior operating officers not directly concerned with finance frequently display similar attitudes.

*Post-audit.* The post-audit function audits completed transactions. It may be confined to traditional or legal audit functions. In these instances it is similar to the pre-audit function, but not as comprehensive. Post-audit may also include review of the adequacy and effectiveness of the internal audit system, including relevant rules and regulations. It may also cover the efficacy of the administration of the operating department as a whole. In some countries the post-audit function may include performance auditing, substantive auditing or other special aspects specifically requested by the competent authority. While different countries combine different elements in their post-audit functions, the minimum function common to all is the traditional or legal office.

*Supreme audit institutions.* The post-audit function is normally entrusted to an entity which is independent of the administration. Its designation varies among countries but as a general designation, the term "supreme audit institution" will be used here. In fact, the head of such an institution may be an individual, a court or a presidium.

In many countries, the office has come to be recognized as a constitutional entity. In others, the head of the institution is given judicial or semi-judicial status through statutes. The authority given to the institution also varies among countries. In some, the auditor-general is considered as an office directly under the legislature. The auditor-general submits reports directly to the legislature, and may be asked by it to look into specific programmes or procedures. In other cases the auditor-general is

required to carry out activities as spelled out by the head of State or the legislature. For example, his/her report is submitted to the head of the State who then places it before the legislature.

The job of the supreme audit institution is not always easy. This is particularly true when accounting systems are in a rudimentary state. The attitudes of operating officials can be hostile and uncooperative, especially when the availability of resources does not keep pace with the rapidly increasing number of government transactions. For these reasons the performance of supreme audit institutions shows great unevenness among countries. Some enjoy great prestige and have been a major force in raising standards of integrity, probity and discipline. Several have played a leading role in promoting better accounting and management systems. A few have shown great moral courage in exposing government scandals despite threats. Others have played a more passive role, content to report on their assigned tasks.

The emergence of public-sector commercial and industrial activities has also raised new issues. In most cases these activities have been made subject to post-audit by the supreme audit institutions. The audits may be in addition to, or substituted for, commercial audits. In the latter case, the audit institution usually has a separate commercial audit division. The problem sometimes has been the availability of current or recent information. Similar situations may occasionally prevail in the audit of defence budgets, which are notorious for delays and bad accounts.

Supreme audit institutions are critically important in enforcing accountability for several reasons, including their leading role in improving accounting systems and procedures, and the assistance they provide to legislative bodies. In the last analysis, their work can also be of great benefit to the administration more generally by promoting public confidence in its performance.

### *Performance audits*

In recent years there has been a growing interest in performance audits. Their purpose is to assess the value received for money spent by focusing on costs and outputs. The concept is difficult to apply to programmes which have major qualitative attributes. None the less, in most activities it is possible to formulate proximate indicators. Some Governments have tried to apply the concept to projects with large physical outputs. The responsibility is given to the supreme audit institution and the scope of the exercise limited to infrastructure projects and enterprises. The experiment has not always been successful. Among the difficulties mentioned by supreme audit institutions have been the lack of proper methodologies, trained manpower, and the format of available information.

*Methodology.* Methodological issues have included the difficulty of defining units and unit costs. The latter become especially important when operating managers bring social policy objectives (usually stated in nebulous terms) into the process. Another handicap is the lack of comparable data from other jurisdictions or the private sector. In one country, the performance audit unit entrusted with the task could not come up with an appropriate methodology in almost three years. Sometimes performance audit units are asked to look into sick and ailing enterprises. Reports in such cases are usually prepared on the basis of informed judgements rather than specific methodologies.

*Manpower.* The lack of trained manpower is a major constraint. A workforce of auditors who have been primarily engaged in traditional audit for most of their careers is not easily turned around to undertake performance audits. Governments have organized in-service training programmes for auditors but not always with good results. Typically, most auditors will develop an awareness of the concepts and their importance, but are unable to translate them into appropriate methodologies and action programmes when they are back on their jobs.

The absence of professional staff also causes problems. Usually supreme audit institutions are staffed by financial auditors who have been trained on the job. Few include economists, engineers, lawyers or contract specialists on the audit teams. This makes performance audits of physical projects which involve complex legal, economic and engineering issues an uphill task.

*Information.* The quality of information available on a project to be audited can pose daunting problems. For example, the project may not have been designed in a way that lends itself to performance evaluation. The relevant administrative and engineering personnel may have moved on, leaving little or no documentation about their activities. The relevant information may not be available in one place. Moreover, the officials currently in charge of the project may consider the demands of the auditors onerous.

Foreign donors frequently express a lack of confidence in local accounting and audit procedures. Thus, many have their own systems for large aid-funded projects. Usually they will employ outside consultants, and their certification becomes essential for the release of aid instalments. Aside from initially designing aid projects so that they are easily amenable to performance audits, donors need to do more to involve local staff. For example, joint teams could perform the accounting functions so that the local staff can get hands-on training. The teams could also be used to conduct a joint performance audit on completion of the project. While important, performance audits are in danger of becoming an academic exercise unless local capacity is developed to carry out these tasks.

All in all, accountability and control systems are weak in many developing countries. Central to reform efforts in these areas is the need to build capacity among individuals and organizations to manage complex government activities and high levels of transactions. Critical areas for reform include the maintenance of accurate accounts and instilling financial discipline. Public finance reform is at the heart of improving administrative performance and accountability.

## CHAPTER FIFTEEN

### ADMINISTRATIVE ABUSE AND ITS REMEDIES

Administrative transactions with the public tend to grow exponentially as the role of the State increases to cover more functions, populations explode, economies grow and diversify and new technologies are introduced. Visible indicators of the growth of administrative transactions are reflected in the rapid expansion of public organizations, the size of the civil service, the number of laws, rules and regulations and higher levels of administrative discretion.

Opportunities for administrative abuse also tend to increase with more and more transactions being carried out by an ever increasing number of administrative units. Most administrative actions involve investigation, enforcement, entitlement and regulation. Development programmes and projects, in particular, have more scope for administrative abuse because of their newness and the absence of established standards and methodologies.

Administrative abuses of power are frequently discussed with regard to the police, human rights issues, customs and tax administration. Sometimes the focus is on agencies with major regulatory functions. It is probably fair to conclude that the potential for administrative abuse exists whenever individuals (individually or collectively) interact with government. There are a variety of reasons for why abuses of power occur. Some of these are discussed below.

*Failure to observe the law.* Administrative abuse in its simplest form may occur because public officials fail to observe pertinent laws, rules and regulations, policy guidelines and established practices. While some forms of abuse of power in this regard may be blamed on ignorance or inefficiencies, many represent wilful, perverse, arbitrary or biased actions. Frequently the motivation is illegal gain. Often there is collusion between an official and the interested party, making it difficult to discern all infractions of the law. Judging by the large number of special agencies and arrangements established by Governments to control corruption, it is clear that the potential for maladministration and violations of the law is indeed great.

*Selective enforcement of laws.* Abuse may also occur because of selective enforcement of the laws. Selective enforcement may be linked to the privileged position of individuals or groups or the vagueness of community standards. Both conditions are prevalent in many developing countries. The vagueness of community standards and ambivalent attitudes are particularly visible where attempts are made to replace ethnic customs and customary laws with statutory laws and practices based on universal legal norms. A more general phenomenon found in developing countries is the tendency to take decisions (or no decision) on specific cases. While this kind of decision-making occurs at all levels of administration, their impact is greatest at the lower levels where it directly impinges upon individual rights and obligations.

*Unclear laws and policies.* Unclear laws and policies are another source of administrative abuse. Irregularities occur when policies – whether stated as laws, executive orders or supervisory

instructions are vague or contradict earlier guidelines. In most cases, the laws and orders are more likely to deal with substantive issues than with procedural dimensions.

*Concentrated power.* The concentration of all powers in the same agency can lead to abuses of power. For example, a public organization for housing may combine policy and rule-making powers, implementation power, and enforcement and review powers. Moreover, the same official may have responsibility for legislative, executive and judicial functions. Separating the three processes can become difficult. Also at issue is whether a person can be trained to perform all functions equally effectively. The largest component of administrative actions in developing countries involves combining some legislative and judicial actions with the execution of policy decisions.

*Combined powers across functions.* Some developing countries combine administrative and judicial powers in the same officials across programmes or functions. This is particularly true at the lower levels of administration. For example, a revenue officer may be given magisterial and judicial powers to try criminal or civil cases. Linking enforcement with implementation powers can lead to abuses of power.

*Public Enterprises.* The undertaking of commercial and industrial activities by Governments through regular departments, public corporations and special authorities adds more complexities to the administrative process. Often there are no clear guidelines on the extent to which public enterprises should operate along commercial lines. While there may be statutory compliance requirements covering reporting and auditing functions, these may be ignored for political reasons. Secrecy about the operations of such entities can breed abuse. The problem is especially visible in government-owned enterprises such as railways, post offices and utilities.

#### *Administrative discretion*

The wider dimensions of administrative abuse concern delegated legislation and administrative discretion. Because legislative bodies cannot see all possible contingencies, they cannot promulgate detailed rules or ask the executive to do so. In a few instances there may be some procedural safeguards, but even these are likely to be limited by the time administrative actions occur in individual cases. For example, the civil and criminal procedure codes prevalent in some countries are limited when it comes to individual cases. Moreover, procedural safeguards rarely figure in the case of major government departments where policy-making is essentially a function of public administration. This makes administrative discretion an important feature of public administration. Public administrators make the rules, enforce them, interpret them and take punitive action when necessary. Only in exceptional cases does an administrative decision get reviewed by legislative or judicial bodies.

Abuses of power in these circumstances can occur from ulterior motives or simply poor judgement. Sometimes abuses occur as a result of a larger bureaucratic pathology operating within an agency or department. The capacity of individual citizens to challenge administrative decisions that violate their economic or civil rights can also result in abuses of power. For example, a citizen's lack of knowledge about his/her rights and obligations, fear of authority, weak mechanisms to obtain redress

of grievances and poor access to power centres all work against the citizen and enable public organizations to act unilaterally. In many cases, the quality of administration in a developing country becomes the quality of justice.

To its detriment, public administration has focused more on organization, processes and techniques. A better and more informed approach would be to place more emphasis on the nature of interactions between public administration and citizens. In the final analysis, citizens are the ultimate recipients of administrative actions and are most affected by the negative or unintended consequences of policies. Administrative discretion is a pervasive phenomenon in many developing countries. When it becomes too broad, however, the original objectives of programmes and policies may be diluted.

The issue is not so much how to limit discretion in all cases, but rather how to make discretionary powers more responsive and responsible to the aims and purposes of proposed policies and programmes. The overriding goal of public administration should be to serve government in ways that benefit society and reduce or eliminate injustices. The perception of public administration as an instrument of government needs to be balanced by its role as protector of individual rights and equity through fair administrative procedures and practices.

### *Human rights issues*

In 1948, the United Nations adopted the Universal Declaration of Human Rights. It was hoped that the Declaration would promote awareness of individual rights and serve to check governmental and administrative excesses. This remains an ideal. A number of countries have guarantees of fundamental rights incorporated in their constitutions, and these rights carry legal and moral force. In most cases they are justiciable rights. Adherence to individual rights can increase administrative responsiveness to society, allow for the redress of individual grievances and generally promote a government's legitimacy of authority. However, the experience of many developing countries has shown that the influence of individual or human rights on the conduct of public administration is often limited.

There are multiple causes for this state of affairs. Some have to do with political instability, especially where there have been rapid changes of governments or constitutions. In other cases Governments have suspended fundamental rights by declarations of emergency, either in the whole country, or in certain regions or territories. Martial law regimes have also been inclined to suspend or curtail human rights.

The initiative for the observance of human rights has to come from individuals resorting to the judicial processes. However, the enforcement of human rights in specific cases often varies because of the costs involved, poor access to relevant information and the energy and time required to pursue the case in a court of law. It has also been observed that courts administer the laws as they see fit, and this may not necessarily lead to the delivery of justice. For example, a genuine case may be lost due to legal technicalities. In public administration, there often are conflicts between individual rights and administrative discretion. Most cases of abuse of power occur where the offending official has discretion on his/her side.

The monitoring of human rights violations has now become an international activity. A number of Governments and some non-governmental organizations (NGOs – both national and international) monitoring the human rights records of countries have used reports and public forums to exert moral pressure to bring about change. The cases most likely to receive prominence involve political dissenters or well-known persons. Rarely do these activities focus on the more routine cases involving administrative abuse of power.

Human rights are not always absolute and may have to be restricted in the interest of public welfare. For example, the right to freedom of movement and residence within national borders may be restricted to control the spread of communicable diseases, or to assure the maintenance of law and order when natural catastrophes occur. Sometimes an administrative determination can influence the enforcement of human rights. For example, some countries use preventive detention, administrative punishment and exile as routine administrative tools.

The Universal Declaration of Human Rights stipulates that no one will be subjected to arbitrary arrest, detention or exile. Similarly, the Declaration provides that no one shall be subject to torture or to cruel, inhuman or degrading treatment or punishment. Problems arise, however, when Governments give differing interpretations to the meaning of degrading or inhuman punishment. While the concept of human rights remains limited in its application, it carries a strong moral force and should be viewed as an attainable ideal. There is an urgent need to make human rights issues more widely known in many societies.

At present administrators are being urged to acquire more knowledge about emerging issues and develop a variety of skills. While many management development programmes have enlarged the number of subjects they offer and teach them in greater depth, few have emphasized the point that all administrative activity must follow the rule of law and adhere to basic human rights principles. Too often, basic tenets are neglected, such as encouraging civil servants to read and discuss the United Nations Declaration and relevant national legislation.

### **Administrative remedies**

#### *Administrative review*

Broadly speaking, most countries use either common law or civil law systems. There are significant differences between the two in terms of philosophies, basic principles and their operating features. In particular, it is important for the following discussion on remedies to examine how the two systems view administrative law.

1. *Due process.* Increasing the observance of due process in public administration is greatly needed. Basically this would mean the issuance of procedural rules for all the transactions of public administration business. While some general rules are necessary, it is also important that major departments and services of government develop and adopt their own explicit

rules. For example, services in some countries have rules in tax administration. Rules would be particularly beneficial in areas such as the police, prosecution and punishment;

2. *Transparency.* Transparency of administrative processes is essential. Secret deals and bargaining can hurt not only the principle of equity, but also the image of public organizations. Transparency also means greater review of administrative practices by legislative bodies;
3. *Redress of grievances.* In some countries, government departments or offices are especially established for the purpose of citizen redress. They help citizens collect relevant information, advise them on procedures and, in some cases, may even prosecute an administrative agency on the citizen's behalf;
4. *Informal adjudication.* Wherever possible administrative agencies and the citizen should have arrangements for informal adjudication. For example, community organizations such as village councils could be empowered to dispose of specified infringements of administration;
5. *Sovereign immunity.* The doctrine of sovereign immunity extended to public officials is prevalent in many countries and needs revision. Many citizens' grievances cannot be addressed because the official concerned is able to use the doctrine for acts performed in his official capacity;
6. *Appeals provision.* An important measure is the establishment of an appellate level to review decisions by lower levels. Effective supervision combined with a strong appellate tier that is not excessively committed to organizational loyalty can eliminate many cases of administrative abuse;
7. *Judicial review.* The elimination of needless and cumbersome barriers to judicial review can improve the process. For example, the requirement to exhaust all administrative remedies before a case may be taken to the courts should be modified. Similarly, the finality of administrative action provisions and the question of reviewable and non-reviewable acts should be considered and revised with regard to national circumstances.

### *Ombudsman*

In recent years there has been a great deal of interest in the institution of ombudsman to protect the rights of citizens from administrative abuse. Several developing countries have now appointed an ombudsman or similar officials (parliamentary commissioner, procurator, administrative inspection organ), or created an office of ombudsman. For purposes of general discussion the term used here is "ombudsman".

The ombudsman is considered a useful institution to reconcile the demands of administrative efficiency with the protection of individual rights. For countries without comparable arrangements to deal with issues of administrative abuse, the ombudsman can provide an alternative to litigation.

A major motivation in the appointment of an ombudsman is to extend legislative control over public administration. Although not a member of the legislative body, the ombudsman receives instructions from and submit findings to the legislature. In other cases the ombudsman is authorized to receive complaints directly from a citizen. A procurator differs somewhat from the ombudsman in this regard. The procurator is an official appointed by the central authority to act as its agent in supervising general administration. In some cases, the procurator is also in charge of criminal administration and can be a judicial supervisor. Finally, procurators can receive complaints from both individuals and groups, and their findings may or may not be legally binding.

In establishing an ombudsman, countries have generally attempted to make the position or office distinct from and external to administration, provide it with functional autonomy and ensure that the ombudsman is non-partisan and easily accessible. Further, the ombudsman is typically given a term of office during which he/she cannot be removed. Though not explicitly stated in all cases, the ombudsman is expected to be well versed in the law. It is also expected that he/she will not act as a critic of administration, and will adhere to national policies and the requirements of administrative efficiency. Similarly, it is anticipated that the ombudsman will be sympathetic to citizens' complaints about acts of omission or commission by public organizations.

Ombudsmen also vary in their methods of work. While most receive complaints directly, some do so through parliament. Some countries confine the work of ombudsman to individual cases, while others allow the ombudsman to recommend a general course of action to recommend a general course of action to obviate future instances of maladministration.

The success of the ombudsman largely depends on his/her ability to get all the information and documents relevant to the case under investigation. Thus, administrative attitudes become extremely important. In most cases, the right of the ombudsman to receive relevant documentation is well established and public organizations cooperate readily. The work of the ombudsman does not preclude judicial review. In fact, the ombudsman may not accept a case under judicial consideration or for which a judicial remedy is available.

The real impact of an ombudsman in redressing citizens' grievances and protecting individual rights can only be understood in the context of a nation's larger legal and political framework. Generally speaking, the institution has increased public administration's awareness of the need to be more responsible in deciding on cases and more careful in recording their reasons for particular cases. The publicity generated by reports of the ombudsman has also served as a salutary influence on administrative decisions regarding individual cases.

One caveat is in order. While the ombudsman is generally perceived to be the protector of the public interest, sometimes there is more form than substance to the position. For example, questions have

arisen about the motivation behind some appointments, the powers of the ombudsman and the scope of their activities, all of which can vary greatly among countries.

### *Judicial review*

Most Governments allow judicial review of administrative decisions, although with certain limitations. In civil law systems court functions comparable to judicial review may be performed by a Conseil d'Etat, which though distinct and pre-eminent, remains a part of public administration. The advantage of the Conseil d'Etat is that it has been able to acquire a degree of independence from administration and thus can serve as an effective judge. Public administration in such cases is not subject to review by ordinary courts of the land. However, it should be pointed out that the Conseil d'Etat has no civil or criminal jurisdiction. It exercises jurisdiction only over the executive functions of public officials who as citizens, remain subject to the regular courts.

In common law systems no privileged position is given to an executive official, and official actions are subject to review by regular courts. Some developing countries, however, have placed restrictions on the courts in trying certain types of public officials. The role of the judicial review process also differs among countries. In some cases it cannot begin until all administrative remedies have been exhausted. Judicial review may also be limited to questions of law, excluding questions of fact.

A number of countries have criminal or civil service laws which give jurisdiction to the courts to try public officials for acts of maladministration. For example, an official can be tried for corruption, criminal misconduct, the misappropriation of public property or abuse of official power. However, the procedure is extremely complicated. While the offences are within the jurisdiction of a court, action can be started only by the police who require clearances from different echelons of public administration depending upon the status of the official involved.

The judicial review of administrative acts in many developing countries generally depends on the level of national commitment to the rule of law and the independence of the judiciary. In countries where regimes can easily change laws (by the executive or through compliant legislative bodies), the situation becomes rather tenuous. The laws may negate the jurisdiction of courts or change substantive laws. In these instances there is a state of law, but no rule of law.

### *Other remedies*

Some countries rely on legislative assistance, the press and appeals to political leaders as remedies for administrative abuses of power.

*Legislative support.* While legislative bodies may try to supervise public administration through the enforcement of accountability, they do not normally deal with individual cases. But in some instances it is possible to mobilize legislative support to redress individual wrongs.

One device which has developed in some countries is the parliamentary question. For example, the aggrieved party may ask the member of parliament for his/her constituency to raise the issue with the minister concerned. The member may raise the question with the minister privately, or give a notice to ask the question in the parliament. If the question goes to the parliament the minister is bound to answer it and any supplementary queries. Usually the minister is keen to avoid the question in parliament if it is likely to embarrass his/her department and thus may be encouraged to look into the matter and try to resolve the issue. The minister can then hold an inquiry in his/her department.

Under the concept of ministerial responsibility, the parliamentary question becomes a check on administrative actions, and most civil servants do not want to place their minister in an awkward position. The publicity surrounding parliamentary questions also serves as a check on administration. For the most part, the effectiveness of this device depends upon the importance given to the legislative body and the concept of ministerial responsibility.

A comparable practice is to contact the aggrieved parties' representative in the legislative body. The representative then pursues the issue with the department concerned on the assumption that the department is anxious to provide a satisfactory answer or to resolve the issue. If the issue raised by the aggrieved party is of general interest or has broad policy and legal implications, the asking of the question or contacting of the representative may compel the government to appoint a commission of inquiry or special counsel. The latter is a rare occurrence.

*Resort to the press.* Resort to the press, either through contact with a reporter or a letter to the editor, may help an aggrieved party to get relief. Because it assumes that the government is sensitive to the press and public opinion this remedy may not be available in many developing countries.

*Appeal to political leaders.* Mobilizing political support also assumes sensitivity to public opinion on the part of leaders. Indeed, political leaders may sometimes be amenable to taking action,

especially if they believe that it will strengthen their position *vis-à-vis* the administration or particular public officials, or generally increases popular confidence in their leadership. In some countries, government heads have inspection teams to look into problems at their behalf and take necessary action if the administrative action is found to be the result of bad faith or delinquency on the part of an official.

It is important to remember that control and correction of administrative abuse are a function of the system as a whole. While corrective organizational and jurisdictional arrangements may assume many forms, their success is more likely to depend upon the commitment of the overall system to practise public administration in the public interest. Where the emphasis is on the creation of formalistic institutions and procedures, little may be achieved by way of preventing administrative abuses of power.

## **CHAPTER SIXTEEN**

### **USE OF INFORMATION TECHNOLOGY IN PUBLIC ADMINISTRATION**

The use of information technology (IT) in public administration has been developed in two dimensions: office automation and information systems. The first dimension (i.e. office automation) seeks to raise efficiency and productivity of office business; the second one aims at organizing and utilizing information to support administration and management, as well as policy development and decision-making, so as to improve effectiveness, efficiency, and productivity of an organization as a whole.

Office automation consists mainly of three components: word/text processing, data processing and calculation, and communications. Word/text processing technology includes word processors, electronic editors, xerox machines, scanners, printers, plotters, project panels, and desk-top publishing. Capture devices (optical mark reading, optical character recognition, digitizer) and mass storage support (magnetic, optical: CD-ROM, WORM, CD-R/W) are designed for accelerating data input and storage. Database and spreadsheet software are used for data processing and calculations in an office environment. Multi-function telephones, facsimile machines, electronic mail, electronic conferencing, etc., are the tools provided by information technology to improve communications between offices. In addition to the three aspects, some other applications of computer software, such as presentation, graphics, and various business software, are also extensively used to raise the efficiency and productivity of office business.

An information system is a mechanism used for acquiring, filing, storing, and retrieving an organized body of knowledge. Generally speaking, an information system is composed of computing hardware, software, and communication facilities. These are tangible portions of an information system. The intangible portion of an information system, which is crucial and usually neglected, is the organizational aspects of an information system. User requirements analysis, data capturing and cleaning, data maintenance and updating, information dissemination and idealisation, etc., all need to be well planned and organized. Any information system, no matter how advanced its hardware and software are, cannot possibly be successful unless management and organizational aspects are a top concern.

The integration of the microcomputer and other electronic office facilities is becoming one of the main trends of office automation. A typical example is the first wave of smart office wares shown on the market. The software allows standalone computers to send and receive messages, including binary or editable files or standard facsimiles, using a mail-enabled application and a fax modem. Uniting computers and telephones into one logical unit is another example. In its simplest form, call control lets the user's computer control telephone functions. Software and a user-friendly interface simplify calls, transfers, and conference calling. Auto-dialling for single-party and multi-party calls can be integrated with information databases or organizational directories to support custom applications. Moving to unified messaging is another trend of microcomputers being used in office

automation. The day when an end-user can retrieve voice mail, electronic mail and facsimile messages using a telephone or personal computer will arrive soon.

It is obvious that office automation and information systems will be finally integrated in comprehensive information systems and will be working together to pursue high efficiency, quality and productivity.

At the early stages of computer applications, computing power was largely concentrated in data processing (DP), such as the first computer payroll system, developed in 1954. Applications development was then directed towards support of management and decision-making organizations, i.e., so called management information systems (MIS) and decision-making support systems (DSS). Before 1980s, people had been working on computerizing their business processes, i.e. using computers to automate or aid business activities as much as possible.

With the rapid development of information technology, particularly distributed processing and network computing, the concept of IT use in the public sector has changed dramatically. The focus of IT use, therefore, has shifted from the acquisition and implementation of computer equipment and systems to ensuring their optimal exploitation by means of adjustments to procedures, organization and staff utilization. Accordingly, a shift in emphasis has taken place from efficiency and productivity gains by automating routine tasks, to achievement of effectiveness expressed in terms of applying new solutions to traditional tasks and providing solutions to new tasks. The applications development of computers in organizations has been redirected from computerizing existing business processes of organizations to redesigning business processes and/or re-engineering organizations so as to take full advantage of and best benefit from information technology. Many government agencies and enterprises in developed countries are quickly restructuring their organizations to make them computer-friendly and implementing more appropriate procedures compatible with an IT environment. In the process, they are eliminating layers of traditional management, compressing job categories, creating work teams, training employees in multi-level skills, shortening and simplifying various business processes, and streamlining administration. The results have been impressive.

### **Three levels of government information systems**

Government, like many other organizations, can be viewed as a three-level entity: strategic, managerial or administrative (tactical), and operational. Each level represents a different level of control and has a different level of data requirement and view of the government.

The strategic level is the highest level either in a government organization or a Government as a whole. This level is responsible for the sector's or entire government's policy and direction; it is primarily oriented toward functions rather than toward processes and tasks. Strategic data are highly concentrated and usually contain little detail. In many cases data at this level may be limited to critical success factors (i.e., key numbers or graphs which indicate the basic situation and represent the trends). Strategic data are a mix of internally generated and externally obtained information.

The managerial or administrative level controls and organizes the actions of an organization. It also performs the supervisory activities aimed at ensuring correct input processing and monitors processing rates and quality. The managerial level is responsible for the tactical implementation of the policies and directions received from the strategic level. It is oriented toward functions and processes. Managerial data are more fluid and limited than those of the operational level; the people at that level are more dependent upon information than data. Managerial and administrative data are almost solely derived from internal sources, and they reflect the operating status of the business conducted by the organization. The data provide day-to-day monitoring of operations and may be used at either the summary or the detail level. In most cases data at this level are extracted from operational reports. Managerial data needs are not as immediate as those of the operational level.

The operational level is data- and processing-oriented. Its inputs are specific and derived from current data events. It is the operational level which is the predominant recipient of data in the organization. The operational units and their related managerial overseer are fixed in focus; their horizons are limited to their own specific activities. The operational level is primarily oriented toward processing and task, rather than toward functions.

These operational areas are usually the first to be systematized and the first to be computerized. Their activities are particularly suited to proceduralization and systematization, and they are already subject to high degrees of standardization and normalization.

Corresponding to the three levels of government organizations, government information systems also can be divided into three different categories: (i) operational systems, (ii) management information systems, and (iii) decision-making support systems.

#### *Operational systems*

Operational systems are the systems which support the people at the operational level. They are characterized as being transaction-based, cyclically processed, usually batch-oriented, and usually operating in a current time frame. That is, the transactions are accumulated and processed on a periodic basis. The files created from those transactions represent the accumulation period and are designed for expediency of processing rather than for the production of information. Operational systems are built on a function-by-function basis or functional-collection-by-functional-collection basis, and each systems-supported function is traditionally called an application.

Typical operational systems in a government are statistical data-processing systems in public sectors, accounting systems, payment-processing systems, revenue systems, customs systems, and the like.

#### *Management information systems*

Systems at this level are developed on a client-specific basis and are used to facilitate and control the day-to-day business of the organization. These systems are customized to the needs of the user client and are usually under the control of the user.

Management information systems are broader-based and more horizontal in nature, and they usually arise from the operational files of the ministry. There are applications within management information systems, but they are more on the order of reporting than processing. Existing data are arranged and ordered to provide the control, coordination, and planning functions with views of the business.

Examples for management information systems in government are financial management information systems, personnel management information systems, external finance management information systems, programmes/projects management information systems, civil registration systems, enterprises registration systems, motor vehicle registration systems, passport management systems, patents management information systems, land management information systems, police information systems, judicial information systems, information systems for national defense and security, and information systems for various public sectors.

#### *Decision-making support systems*

Emphasis in the use of decision support systems is on providing support to decision makers in terms of increasing the effectiveness of the decision-making effort. Generally, decision support systems are used for strategic and sometimes tactical situations. The primary components of a decision support system are a database management system, a model-base management system, and a dialogue generation and management system. Obviously, decision support systems usually are built based on operational systems and management information systems existing within the organizations.

These systems are retrospective in that they are concerned with the past, and prospective in nature in that they project future trends from past events. The data in decision support systems tend to be less precise and more statistically oriented. That is, they tend to look at the whole situation rather than individual events.

Examples of decision support systems in a Government are national, sectoral, and urban/regional planning information systems, natural resources information systems, laws and regulations information systems, scientific and technological information systems, social and economic information systems, demographic information systems, manpower information systems, executive information systems, and so forth. Artificial intelligence and expert systems have been developed rapidly as tools to support decision-making.

### **Management issues in the development of government information systems**

The development of information technology's use and the utilization of information resources have become a matter of strategic importance in all countries today. Government decision-makers and policy developers are facing pressing demands to meet the challenges of this technologically driven change. The impact of modern information technology in developing and developed countries is evident. No longer is it possible to consider development in any socio-economic sector without

considering the issues associated with information infrastructure, information systems, and information resources.

The use of information technologies in public administration will not end with the implementation of one or two or three information technology projects. Computerization, establishment of information systems, and other IT uses in public sector, are processes instead of events. Once information systems are established in a government agency, they must be continuously improved. Established systems and adopted technologies need to be continuously upgraded and renewed in order to keep pace with the state of the art in information technologies and to pursue higher efficiency and productivity. Also, data stored in government information systems need to be updated regularly. Public information, as valuable information resources, needs to be continuously explored and developed. Rapidly increasing technical performance and a continuing decline in costs will probably characterize IT for the foreseeable future. Computerization will no doubt be one of the indispensable essentials of the development process of developing countries in their efforts to modernize. In view of this, having a long-term plan is necessary for smooth and healthy development of IT use.

#### *Government policy for information systems*

The central government can play a crucial role in the development of IT use in public administration. The way to motivate and guide activities in this important area is to formulate government policies for information technology.

Public policy is crucial to successful acquisition and dissemination of IT. Appropriate government policies are necessary to remove distortions in any macroeconomic or social policies which would prevent efficient supply and demand for IT. Government can also play an important role as facilitator, coordinator and strategist.

The existence of such a policy provides the development and management of government information systems with legitimacy and direction, while avoiding the waste of sophisticated systems being developed in a haphazard manner, without regard for government-wide concerns and priorities. Moreover, a policy also provides the donors with guidelines for their activities relating to this area.

Generally speaking, the following issues are expected to be addressed in a policy framework.

1. *Establish strategies.* The pursuit of effective IT use in public administration will necessitate enormous investments by both the public and private sectors in physical infrastructure, equipment, and training as well as a substantial planning and implementation effort. This will place heavy demands on available financial, managerial and technical resources, even if these are substantially complemented by external resources. It is important that these investments and efforts be guided by a well-structured and understood strategy which establishes priorities and an action plan for the short, medium and long term. Information technology is a potentially powerful tool within a dynamic organizational structure. In order to effectively use IT, Governments should improve the organizational environment in their agencies, consider the consequences with respect to the role of

professional staff, remove legal obstacles when applicable, and adopt a realistic attitude to other types of constraints arising from cultural, historical, economic and political issues.

2. *Define the goals of government information systems.* The general goals to be defined are:

- To improve external efficiency (e.g., quality of service at the same or a lower cost);
- To improve cooperation and management in government;
- To improve policy decisions (i.e., to give high priority to information systems that assist policy-making);
- To improve cooperation with the private sector (e.g., by reducing the cost of providing information).

3. *Assign priorities.* The priorities in the development of government information systems should be directed towards removing obstacles that could hamper the design, approval, implementation and operation of a particular system. Government policy should stress the cooperative as opposed to the confrontational aspects in the design of information systems projects and promote efficiency by dealing with the interrelationship between information technologies and the need for restructuring government activities. Priority should also be given to avoiding the creation of ministerial monopolies, or de facto corporate monopolies, to use incentives to recruit and retain technical professionals, and to train personnel, both professionals and end-users.

As a good penetrating strategy, priorities should also given to those information systems that are low-cost, high-benefit, and easy to implement.

4. *Create the appropriate institutional framework.* The issue of centralization versus decentralization of government information systems must be addressed to define the central government's role in information systems development.

Two key arrangements are crucial: create a high-level commission that will concentrate on establishing a long-term strategy and key parameters to evaluate policy implementation; and select a key agency as the government's focal point for coordination and implementation of policy on information systems development. The focal point should be located in an organization that gives it authority, such as the office of the president or the prime minister, and staffed with an adequate mix of managerial and technical experts. The focal point should be the liaison within the government as a whole, carrying out its duties through close relationships among the ministries concerned. Policies should be feasible and practical, reflecting the state of the art of computerization in the government and the focal point's own capabilities.

The focal point should identify critical matters in information systems development. Coordination of information systems may best be achieved if the role of the focal point is supportive and advisory, rather than prescriptive and authoritative.

There are a variety of measures and activities that can stimulate the management and coordination of government information systems. Periodic surveys on the current status of information systems development in each ministry should be conducted regularly to assess existing computer resources and information systems and identify major problems requiring the focal point's attention. Coordination of budgets with respect to information systems in each ministry should be carried out through a close working relationship with the budget bureau. Government should encourage each ministry to make its own medium-term plan for systems development and combine them to form an overall plan within the long-term strategy. Information systems requirements that are common to several ministries should be identified and a common solution should be found. Pilot projects should be undertaken to test and develop solutions to important and difficult problems.

Guidelines on both managerial and technical matters in particular materials promoting the application of methodologies of information systems engineering, should be produced with the development of information systems. All ministries should be provided with training courses and common services, such as the state of the art of information technology, methodologies of information systems development, local area networks, common databases, data communication facilities, and technical consultations. Developing standardization of data, procedures, procurement and training is also a significant issue that should be addressed.

Other issues that need to be addressed by a government policy for information systems development include: acquisition of computers and communication resources; guidelines on employment and working conditions; issues relating to legislation and regulations on information systems; and education and training for self-reliance and sustaining development of information systems.

Irrespective of the current status of information systems in a country, it is essential to note that technological changes are setting a clear trend towards massive sharing and integration of information and towards extensive sharing of information technology resources. The implications of this strong trend for the formulation of national policies, especially in the developing countries, have to be ascertained and forced into a national plan for the future.

#### *Integrated planning of information technology s use in the public sector*

Information systems and information resources have to be planned and managed. Every institution has to do so, including national, sectoral, local and municipal government organizations. The planning and management of these vast information resources are evolving into a strategic sector in the economy of many countries. In many developing countries the planning and management of information resources have not yet been put on the agenda, or are still in a state of disarray. Some countries have realized that a lack of tradition and experience in the planning and management of information systems and resources can have a catastrophic impact on the whole socio-economic development process.

Government policy should planning and coordination of information infrastructure and systems. Success of an information system depends largely on a clear understanding of its objectives and

requirements. This means that IT use planning and a thorough study of requirements based on an understanding of priority programme needs are essential.

Planning of IT use identifies a long-term strategy and ensures an overall consistency of information infrastructure and systems development with the main objectives and priorities of the government as a whole. Planning is the key to success and the only way to manage change effectively. Planning also brings control and leads to better resources management and priority setting. Under a long-term plan, the projects undertaken will be those most needed by the government agencies and will form an integrated set of systems that work together without conflict or duplication. Planning improves communications between government agencies and helps to close the communications gap with users and top management. Furthermore, technical approaches of information infrastructure and systems and manpower development will also be addressed in an integrated strategic plan.

Without planning, there is no firm basis for funding; there is no benchmark for measuring operating efficiency; procurement is frequently made without the benefit of competition; and finally, the needs of users may not be satisfied on time, if at all. This critical need for good planning has long been recognized in the developed countries, and has been the experience of developing countries in successfully developing their government information systems as well.

There are two levels of planning for IT use: strategic and operational. The strategic level deals with the whole government, its objectives, priorities, and major management and organizational choices on a long-range time scale (three to five years). The operational level handles a specific information domain, a subset of the government organization's functions and/or processes, and the related day-to-day management and organizational choices and roles in a medium-range time scale (one to three years).

In a rapidly changing technological and political environment, it is difficult to plan very far in advance, even five years ahead, which is generally accepted as the optimum planning period. Although planning in the areas of information infrastructure and systems is subject to unanticipated changes, it must be done if economy and efficiency of operations are to be achieved. Good planning, supported by sound requirements analysis, should be a prerequisite for funding any IT projects.

The following aspects are expected to be included in an integrated plan for government information systems:

1. The development strategies of government information systems;
2. The relative priorities to be assigned to government institutions;
3. The underlying aims of computerization as regards the organization's productivity, quality improvement and image;
4. The main technological approaches and procurement standards for computers, micro-computers, office automation, networks and communication technologies;

5. The policy of government agencies regarding information flows, from and to the agencies environment;
6. Resources allocation, budget and financial policy; and
7. A time-frame for human resources development which synchronizes with the systems development.

The central government can support effective management practices on the part of government agencies by requiring regular plans for information systems. Government agencies should ideally be required to prepare the following on an annual basis:

1. A statement of the information processing requirements of the agency, based on its mission needs, which stem from national programme goals and priorities;
2. A plan that identifies the agency's approach to satisfy information systems requirements for the medium term (i.e., up to five years) and also provides a general statement of longer-range plans. A medium-term plan should be supported by appropriate justification for any information systems service that a department/agency proposes to provide in-house and/or any significant project development, equipment or service proposed for the remainder of the current year or a new year.

In addition, each agency should produce a yearly report on the past fiscal year and current year to date. The report would highlight the major uses of information systems in support of departmental programmes and activities, comparing actual use with previous plans, identifying any departure from these plans and providing an assessment of services received or provided.

The method for information systems planning is generally a five-step process, including:

1. Assessment of opportunity and preparation;
2. Critical analysis of the existing situation, estimation of user requirements, and choice of orientations;
3. Elaboration of possible scenarios for development;
4. Development of a programme for the scenario selected; and
5. Implementation and follow-up.

*Development strategy*

Presently, the average life cycles for microcomputers and mainframe computers are about three and five years respectively. It is also notable that the life cycles of government information systems projects in developing countries are at least two to three years on average, if not longer. Comparing these two facts, the question is: what is the life cycle of a newly developed government information system? The same question could be asked of information infrastructure building. And, more importantly, what is the development strategy of developing countries for information infrastructure and systems given the rapid upgrading and renewing of technology, so that a newly developed infrastructure or system will not immediately become obsolete at its establishment? These are the questions which most decision makers of information infrastructure building and systems development in developing countries are concerned with all the time.

An IT use strategy is an overall decision made in consideration of the management, personnel and government policies, as well as the state of the art of information technology. It describes the principles that show how the objective of the government's organizational development is attained by use of information technology. The strategy should deal with overall questions and can be relatively timeless. If the direct result of a strategy is decisions on purchases of technology, these will normally be a part of the action programmes.

An IT use strategy could also be described as a long-term plan indicating the scope and principles of the government's information infrastructure and systems investments over a long period of time. The objective is to create a connection between the different purchases, to manage new technologies with older ones, and to adjust them to the institution's development.

The actual structure for preparing an IT use strategy should be determined on the basis of the present situation of computerization, telecommunications, and information systems development of each country, the size of its government, its development stage, etc. However, when preparing the strategy it is important to try to reflect the genuine requirements for data and information on the basis of present and expected functions of every government agency and to set up possibilities for meeting these requirements in the future.

The following four strategic principles are recommended for the consideration of decision makers in developing countries.

1. *The principle of dynamic balance between three elements: information gathering capacities; information utilization capacities; and the capacities of information infrastructure and systems.* These three elements have to be balanced so as to ensure actual utilization of the overwhelming parts of the available capacities of the information infrastructure and systems.

The principle of dynamic balance between the three capacities establishes to a large degree the modalities for successful growth in information infrastructure and systems. The current situation in developing countries, generally speaking, is that the capacities of information gathering and utilization are underdeveloped, while the capacities of information systems have been established to some extent. Microcomputers spread everywhere in the offices of government agencies and local area networks have been established in some government buildings. However, information gathering

capacities and information utilization capacities in many developing countries are still weak and need to be strengthened urgently. This can be proved by the fact that many microcomputers now are still used merely for word processing and spreadsheet purposes and only few are utilized to provide information services. Therefore, more efforts should be made in, and more attention given to, strengthening data/information gathering and utilization capabilities. Of course, administrative capacities to utilize information are dependent on major reforms of the manpower skills available and on the organizational structure. Similarly, information gathering capacities depend on data availability and quality and the management of data actions. This relationship requires reforms of administrative processes and control, as well as human resources development.

2. *The principle of evolution rather than revolution.* The development of government information infrastructure and systems in developing countries may span two dimensions: establishing new applications systems, and upgrading and renewing, i.e. re-engineering, currently existing systems, most of which are mainframe-oriented and were established for electronic data processing purposes in the 1970s or 1980s.

Today, workstation-oriented, network computing with client/server architecture to achieve distribution processing, resource sharing, and data/information sharing, has become the primary paradigm of proliferation of information systems. It is likely that all countries will move in the direction of this type of proliferation, whether developing new systems or re-engineering existing ones. This paradigm is in favour of developing countries because it provides them with a flexible strategy which is low cost, low risk, and high benefit. It also suggests the strategy of evolution instead of revolution to develop information infrastructure and systems.

Following this strategy, the evolutionary track for developing countries is most likely to be as follows:

- Start from and popularize the development of single microcomputer (workstation) applications while training users and technical professionals in government agencies;
- One of the prerequisites for any government information system, particularly for the least developed countries, is to clearly define basic requirements, and to develop a system that is very simple at the beginning. It is also very important for everyone to have realistic expectations from the product.
- Connect microcomputers, on the basis of applications developed, to formulate a local area network (LAN) to strengthen the power of the system and share the resources and information;
- Add mini or mainframe computers to local area network if larger capacity is justified and definitely required by increasing applications;

- Connect local area networks (LANs) sited in various government agencies to formulate an integrated government information network, e.g. wide area network (WAN), and share the resources and information on a larger scale.

From the point of view of the three levels of government information systems characterized earlier in this chapter, the evolutionary track of computer applications in developing countries may take the following course:

- Develop operational systems first and computerize day-to-day routines as well as possible;
- Develop management information systems on the basis of developed operational systems; and
- Develop decision-making support systems on the basis of developed operational systems and management information systems cautiously.

On the whole, the proliferation processes of government information systems in developing countries should be gradually improved and upgraded, and any overambitious plans for information systems should be avoided.

3. *The principle of physical decentralization as well as logical centralization.* Information technology has been experiencing a continuous drop in the price of processing power, data storage, and networking technology. With the rapid development of software and communication technology, it is now possible, at a reasonable cost, to obtain information processing power in a small manageable unit or in a network environment which would have been inconceivable a decade ago. The technical progress creates favourable conditions to decentralize government information systems.

The trend towards decentralization has been fostered by pressure from users requirements for real-time and real-space information accessibility. The advantages of both consistency and flexibility of decentralized information systems make them very attractive and full of vitality. In particular, decentralization provides developing countries with a cost-effective approach towards computerization of public administration.

The issue of decentralizing government information systems depends primarily on political choices on the organizational structure of administration and public services. This is true for both sectoral and geographic decentralization. Of course, technical factors (availability of communication facilities) and economic ones (cost of communication, cost of computing, and cost of personnel) should be taken into consideration as well. Today, most newly developed information systems are physically decentralized, either partially or entirely.

Effective decentralization, however, requires some centralized coordination or control. Without this, redundancy in data collection, duplication of efforts in system development, incompatibilities of hardware and software between government agencies, and lack of standardization and normalization

could result in increased costs over the centralized alternative. Moreover, resource sharing, in terms of both computer equipment and data/information, can become very difficult, if not impossible.

Logical centralization of government information systems requires integrated policy, integrated planning, and integrated logical design of the government information systems as a whole. These imply that the planning and design of government information systems as a whole should be centralized; so should the management of government information systems and government data/information resources. In addition, logical centralization means emphasizing standardization and normalization of information systems.

Logical concentration requires centralized management of information resources as well. For example, data collection needs centralized management and coordination. The same data or information should be collected only once within government agencies, at the most convenient source, and shared within the government, i.e. no redundancy in data collection. Hence, data or information collection within one government agency must take into consideration the needs of other agencies of the government and/or the public. In addition, data or information collected should be retrievable to all legal users.

6. *The principle of function orientation rather than institution-orientation.* The environments of certain developing countries, under which government information infrastructure and systems are to be developed, are usually unstable in terms of institution or structure. Some countries are in a transitional status either politically or economically. Administration reforms in developing countries often result in restructuring government organizations. Obviously, an unstable government structure may lead to unstable government information systems.

A management information system, just as its name implies, is a system for management to obtain and produce *information*. In principle, a management information system is always attached to its management process, i.e. the organization. When an institution is restructured or removed, the information system attached to it will die along with it.

In order to avoid the waste and loss scarce resources, the principle of function-orientation instead of institution-orientation the development of any government information systems must be followed so that any restructuring of government agencies will not fundamentally influence the performance of established information systems. For example, government financial management is usually divided into four functional processes: planning and programming process; budget formulation and presentation process; budget execution and accounting process; and audit and evaluation process. Correspondingly, a government financial management information system should be designed and implemented in accordance with these four functional processes and with less concern for the organizational structure of the ministry of finance. No matter how a ministry of finance is structured, the four functional processes of financial management are universal and should not vary even in an unstable environment.

*Methodologies for information systems development*

Methodologies, specifically on life cycle of systems development, provide the framework and procedures within which the myriad of development tasks can be performed. Most methodologies cover the entire span of development activities from project initiation through the post-implementation review. A methodology for systems development is a formal and structured approach that outlines and describes sequentially all phases, tasks and considerations that are necessary for a successful project. The framework and procedures will ensure that each development phase is carefully planned, controlled and approved, that each complies with set standards and is adequately documented and properly staffed.

From the viewpoint of management and control, the methodologies of information systems will do the following:

1. Use the experiences of experts and other system developers for reference, and thus provide managers who are new to the process with a check-list of steps that should be taken and questions that should be answered so as to facilitate the development of information systems;
2. Provide a historical record of the development process, through the use of a formal methodology and the documentation it requires, that could be useful for future planning and for evaluation of information systems;
3. Allow user-managers better control over the progress of the project and thus increase the usability of the end results; and
4. Permit the transfer of design from one application to another, and the transfer of personnel from one project to another.

It is most important, therefore, that the development or improvement of information systems be undertaken according to a set of formal procedures or methodologies.

Before an information system is developed, there has to be an in-depth examination of business processes relating to it and of interactions within the government agency concerned or between government agencies. Information systems are designed to computerize and support related business processes so as to improve the effectiveness, efficiency and productivity of government business. Obviously, without streamlined business processes, or business flows, there will never be a streamlined information flow within or between government agencies. That is the reason why Business Process Redesign (BPR) and re-engineering have been very popular in industrial countries since the 1980s.

The purpose of BPR and re-engineering is to introduce needed changes in organizational structure to accommodate the new information technologies. Under the broad rubric of reengineering, institutions are flattening traditional organizational pyramids and transferring more and more decision-making responsibilities to networks and teams. The re-engineering phenomenon is forcing a fundamental overhaul in the way business is handled, and, in the process, deeply cutting into employment rolls, eliminating traditional jobs and job categories while creating new ones. With the

introduction of new information and telecommunications technologies, many business processes and positions in institutional hierarchy are also being threatened with extinction. For example, traditionally, middle managers have been responsible for coordinating the flow up and down the organizational ladder. With the introduction of sophisticated new computer technologies, some of these positions and coordinating business processes become increasingly unnecessary and costly. Today, a growing number of government institutions in industrial countries are deconstructing their organizational hierarchies and using the computer to perform the coordination functions preciously carried out by many people often working in separate departments and locations within the institutions.

Re-engineering and BPR represent the contemporary concept of IT use in institutions and are no doubt a better means to pursue higher benefit from modern information technology. They also provide developing countries with a short cut to modernize their public administration by the use of information technology.

There are three different types of information systems development:

1. Information systems with custom-designed software, where the systems applications software is custom-designed to meet the special needs of the users of the information systems to be developed;
2. Information systems using packaged software, where the software developed by a third party, either vendors or consultants, is used as the fundamental applications software. Of course, some customizing work may be inevitable; and
3. Re-engineering of existing information systems, which is done through re-engineering of existing code and data and migrating them to a new advanced software technology environment and platform to modernize and enhance the functionality of existing information systems; or by getting old "legacy" systems to fit into a modern one by use of connectivity products.

With the development of software technology, it can be expected that more and more information systems will be developed using packaged software. Regardless of which type of information system mentioned above is being developed, an appropriate methodology of information systems engineering must be adopted to ensure the success of the system development.

The following four different methods for information systems development are currently being widely used:

1. *Data-oriented method*: used when data/information necessary to carry out the institution s work form the basis. The data-oriented method is suitable for the processing of large, non-homogeneous amounts of information and very dynamic procedures;

2. *Functional method*: used when the organizational units (functions) and their mutual communications form the basis. The functional method is suitable for the processing of complicated procedures with many surfaces of contact and processing rules. In addition, the method is suitable for well-defined tasks;
3. *Evolutionary method*: this involves a successive development. Higher-priority system parts are introduced before the lower-priority ones, but in such a way that all parts of the system form part of a planned totality. The evolutionary method is suitable for the introduction of systems in phases, or when some of the system are more important than others. Further, the method is well suited for complicated systems; and
4. *Prototyping method*: used when a functioning model of the future system is desired. The prototyping method is suitable for highly unstructured tasks, e.g. dynamic environments, experimental situations, dialogue systems, and for preparing organizations for the introduction of information systems. Prototyping is a method where development of test versions (prototypes) of the system are carried out at a very early stage. The method is also called experimental system development, systems development with prototypes or interactive systems development.

Selecting a systems development method is based on an evaluation of the totality of the four main areas: the nature of the tasks; the organization involved; the technology available; and the personnel which includes users and technical professionals.

#### *Standardization of government information systems*

Standardization plays a key role in a healthy and smooth development of government information infrastructure and systems. The compatibilities of hardware, software, and communications facilities of government information systems are secured by standardization, and would include the compatibilities and sharing of data/information within and outside government agencies. The broad social and economic benefits in the proliferation of information systems rely largely on standardization because standards are the tools for raising productivity, avoiding duplication of efforts, and reducing the risk of investing in complex systems. Standardization practices help government agencies to utilize the skills of their staff members and reduce training costs. Standardization is a tool for managing change, protecting the increasing volume of computer data/information, a method for raising the level of science and technology and the quality levels of management.

Standardization is particularly important for developing countries because it can save a substantial amount of resources, accelerate the development of government information systems, and assist developing countries in following the main trends of information technology development if existing international standards are extensively adopted.

Information systems standards are usually composed of data standards, technical standards, methodological standards, and security standards.

*Data standards* help to eliminate duplication and incompatibilities in the collection, processing and dissemination of data, and to promote useful information interchange. Standard data elements and representations for geographic places, dates, time, industrial classifications, government organizations, and other identified priority entities (individuals, business enterprises, land units, buildings, vehicles, etc.) are the prerequisites for the development of government information systems.

During the establishment of data standards, the lists of basic entities and priorities should be identified first and unambiguous definitions should then be assigned to those basic entities according to the legal environment. A thorough evaluation of the quality (coverage, reliability) of existing registers needs to be conducted and amended as necessary. Meanwhile missing registers should be identified and set up. Adequate common identifiers for each basic entity will then be designated to identify the minimum set of information to be included in the basic register according to existing privacy regulations. Finally, access to and use of the basic registers within the public sector information systems can be organized.

Data classification is another important issue. In this connection, key information items of common use in government information systems, or which are essential for planning and development, for instance economic data, need to be identified. Each information item should be defined and related to the relevant basic entity. Classification(s) to be used for these information items could then be identified.

*Technical standards* include hardware, software, and telecommunication, as well as information systems as a whole. As the common foundation of government information systems development, a consistent set of standards for the description of the technical architecture of government information systems (network, mainframe, workstation, etc.) should be chosen. A limited set of hardware standards needs to be selected to facilitate compatibility and data communications (operating systems, floppy disk types, and formatting). A unique set of telecommunication standards and protocols should be designated in order to ensure the development of data transmission within the government, from the cabling systems to the user interface. A limited set of software for mainframe as well as microcomputer (e.g. database management system, word processing) should be chosen in order to facilitate the setting up and use of common data bases, and to reduce costs of development and training.

*Methodological standards* involve choosing a unique and consistent set of methodologies covering all the steps of information systems planning, design, implementation and evaluation, such as: information systems planning methods; information systems design methods; software engineering methods; quality assurance and testing methods; security and maintenance methods; and performance assessment methods. It is the popularization of these standards of methods that guarantees the quality and success of information systems development. Therefore, it is necessary to make sure that these methods are made mandatory and are applied by contractors in all public sector service projects, including procurement; and that these methods are introduced at the appropriate level in the training curricula provided by the various institutions contributing to the initial and

in-service training for public administration professionals and managers. Also, it is important to design the processes so that they may be amended or replaced when necessary or useful.

*Security standards.* A government policy can be issued to establish and fix the responsibility for security within the government. This will be a useful strategy to set the stage for the subsequent issuance of security standards within it. Security standards should be formulated on the basis of risk assessment. They should specify security issues and problems, the ownership of government information resources, and the protection afforded (over those resources), including the responsibility of users/owners for the care of the information resources entrusted to them, access control, and formal programme. This responsibility would also include physical security over the physical resources, e.g. microcomputers, minicomputers, and LANs etc. under their care.

Government plays a key role in the standardization of information systems. It is the government's mandate to set clear policies and objectives for their standardization through precise definition of their fields of application, nature (descriptive or normative) and process of development, updating and application. Of course, the State bureau of standardization, if it exists, would take the main responsibility for the development of various standards of information systems. In the meantime, it is helpful to set up an ad hoc national commission to be responsible for setting priorities, planning, organizing, supervising and maintaining the various kinds of standards identified. The terms of reference of the commission are suggested as follows:

1. Make sure that standards are taken into account in other fields of information systems policy, training, procurement, regulations, and laws;
2. Organize a review of existing information systems according to development priorities to ensure the use of standards where necessary;
3. Review all significant information systems projects to ensure that information standards are taken into account;
4. Organize the updating of standards (especially classifications) in order to keep them consistent with developments in legislation, as well as in technology;
5. Make sure that when changes are made in legislation, the necessary time is allowed to adapt the information systems using the data standards affected by these changes;
6. Avoid setting standards that could prove inapplicable and counterproductive, or obstacles to innovation, by associating all the relevant institutions of the public and/or private sectors with their development.

While developing and issuing the standards of information systems, it is necessary to edit and disseminate various guidelines to the government agencies to assist in the selection and evaluation of information technology resources; to provide technical or economic criteria for making choices among several alternative practices; to assist in the implementation of a standard; to establish a

recommended practice when a mandatory standard might inhibit developing technology or overly constrain management options. In addition, enough attention should be paid to existing corporate, national and international standards, such as ANSI (American National Standards Institute), ISO (International Standards Organization) and Microsoft.

### *Related laws and regulations*

The tremendous importance of computer applications and information systems has made the issues of relevant laws and regulations more and more crucial in developed countries. As far as developing countries are concerned, some issues require immediate attention while some will be faced in the near future. Early attention to laws and regulations will help the creation of an environment for the development of government information systems. Issues that are of immediate and pressing importance include data security, privacy, statistical disclosure, protection of intellectual property, vulnerability, computer crime and fraud, and transborder data-flow legislation.

As a result of computerization, there is an increased danger of unauthorized penetration and use of sensitive and confidential data, or the destruction of databases and communication networks. Concern over the security of data and information systems has led to regulations that address information system design, personnel, operation, and data transmission. For example, a standard rule for data security may include guidelines on the designation of a data security manager, management of magnetic data files and records of inputs and outputs, management of documents (on system design, operation procedures, code books, etc.), management of the operation of computers and terminals, maintenance and security of computer rooms and facilities to store magnetic files, contracting out computer work and providing data to outside people. Regulations regarding the handling and transmission of classified data and information stipulate that scramblers and encoding devices must be used to prevent unauthorized access to information while it is being transmitted.

The provision for privacy of data normally involves legislation and administrative guidelines for ensuring that the collection, maintenance, and dissemination of an individual's information by the government is consistent with the laws relating to confidentiality. The acceptability of the use of the data must be based on the individual's fundamental confidence that government organs and other data users will deal justly with him/her, that he/she is legally protected and that despite his/her relative impotence, he/she will not be abused. The government information systems should prevent access to data that are legitimately secret, confidential, private, or otherwise not accessible under the law and prevent improper interference with or erasure from the record. A most controversial case is a national individual identification number that information systems can use for various administrative purposes. Easy access to data on individuals from various administrative offices makes public administration extremely efficient. However, crucial questions arise concerning protection of the privacy of individuals, the extent to which the data can be retrieved, and so on. Consequently, different mechanisms of securing privacy must be devised.

Much of the data gathered or information compiled by government agencies is legitimately of interest to organizations and individuals outside government. Accordingly, legislation should exist to make information of interest available to the public. In particular, surveys and statistics on various

subjects should be routinely made available to the public. In addition, data subjects should know what personal data relating to them are on file, why they are needed, how they will be used, who will use them, for what purpose and for how long. Data subjects should be able to verify data related to them and have the right of redress.

One of the major areas in computer law is concerned with the relation between copyright and patent law and the legal protection of software. The emergence of sophisticated equipment, software programs and application packages emphasizes the importance of legal protection of intellectual property through national legislation. This would include software protection, patenting and copyrighting. The development of software and computers must be protected against illegal copying to ensure that developers are properly rewarded for their work and to encourage others to enter the marketplace. Traditional means of protecting intellectual property are copyrights and patents. There is the problem of distinguishing between the central idea captured in a program and the program itself. Another problem is that the distinction between hardware and software is increasingly blurred.

Computer crime is one of the major areas of concern in terms of computers and the law, which has become one of the most publicized aspect of computer use. The various crimes associated with computers are difficult to evaluate in terms of either magnitude or frequency, but it seems safe to say that the number and variety are increasing and the stakes are growing. Computer crime involves the use of the computer, with or without computer networks, to steal or embezzle money in a manner that could not easily have been done otherwise. There are also such crimes as stealing computer time, unlawful access to files, the acquisition of privileged information, and the actual destruction of computer files. This last activity has probably become the most highly publicized, as such terms as "virus" and "worm" have penetrated the public consciousness. In industrial countries, while much computer crime has traditionally been perpetrated in banks, small and large companies and government bureaucracies, viruses have had a direct impact on the ordinary citizen at home. Computer viruses seem to arrive as regularly as biological ones and with occasionally the same devastating effect.

To safeguard against computer crime in government information systems, it is necessary to adopt "minimum" legislation with regard to: data safety and requirements, which should be based on internationally accepted technical standards; protection of users and the public under predetermined conditions; and transborder data flow, to ensure that confidential or sensitive information of vital national interest is stored and processed only within the borders of the country itself.

### **Critical success factors**

#### *Commitment of top management*

Top management's awareness of the role that government information systems are to play, and how they are to provide support to government agencies decision-making, policy development, and administration and management, is crucial if government information systems are to be successfully developed. The better the understanding of information systems by the top management of a government agency, the more opportunity the management information system has to be successful.

It is obvious that a commitment to the development of a management information system must begin with the top management of the government agency. On the one hand, the development of systems must have a sponsor, normally a top administration officer. The responsibilities of the sponsor are to establish the goals and objectives of the system, provide funding, designate the project manager and carry out other development activities. On the other hand, the conflicts taking place in systems development between the interests of different departments within a government agency need to be coordinated at the highest level. In addition, the resistance to the changes and revisions of original business systems brought by new computerized operational systems must be overcome through the leadership of top management. Needless to say, top management's evaluation and oversight of applications requirements provides the impetus for the government information systems staff to meet the needs of users.

Effective communication between the information managers and top management, as well as participation by senior management in information management decisions, is important to the success of IT use in getting top management's support for needed actions and resources. This is because information technology is an area in which few top managements of government agencies have much experience; thus, it is hard for them to understand the problems and issues and contribute to the decisions that must be made by information managers. It is even harder for them to evaluate information management performance in the absence of industry standards for performance measurement.

It is the information manager's job to promote this improvement, not top management's. In general, surprisingly few information managers make strong efforts to spend time with senior management in order to help them understand the issues, trends, and problems of information management and few information managers report directly to the top. The place to start is education—not technical education about computers and the like, but the business problems, the management problems, and the key decisions to be made in the information management area, as well as the issues, the trends, and the impact of technological forecasting on the business of the organization.

One of the persistent problems which information managers have always had is the inability of top management to evaluate and measure the contribution of information management's function to the organization. Although computers and systems services benefit their users, it is not always easy to demonstrate the productivity and project contribution which the information management function makes possible for the organization. Therefore, performance reporting is required if information management is to gain top management support.

Information managers cannot afford to neglect the information needs of senior management in the organization. Efforts to provide information service to senior management can provide a far greater contribution to the performance of the organization and higher rewards for information management than the use of resources to serve lower-level managers and clerical staffs.

*Effective user relations*

Another critical factor to the success of any information systems development lies in the effectiveness of its user relations. However, this is one of the most difficult challenges faced by information managers. Many organizations do an excellent job in managing their technical resources while doing a dismal job in user relations. The inadequacy in this area has, in fact, caused the fall of many information managers over the years. The reason is not simple. High demand and expectations, shortage of resources, the rapid pace of technological growth, the long lead times needed for equipment planning and systems development, constantly changing requirements, technical obsolescence, communications problems, interpersonal relationships—all of these are contributing factors. However, part of the answer must lie in a better understanding of each other's business problems and opportunities. Information managers need to understand the user's business needs; user managers need to understand more about data processing and information systems work. Learning more about each other requires more involvement in each other's business. The successful marriage of business and technology requires participatory management by information managers and user managers. In addition, it is important to understand that attitude, sensitivity, and good communications, rather than technical competence, are what impresses users.

Information systems serve various users at different levels of an organization. Discovering user characteristics is important. There are *passive users* who will almost never ask for assistance from the information system regardless of the opportunities for improved management effectiveness or operational efficiency that can be achieved with information systems applications. There are *overly active users* who want information systems to produce solutions even when the cost of such application cannot be justified. This kind of user tends not even to think about costs and benefits when requesting such service. There are *semi-informed users* who consider themselves systems-wise and tend to insist on their right to make decisions about information services and equipment. This is a frequent cause for the serious difficulties that have given information systems a bad reputation in some organizations.

Noting that users can range from top management to a middle-level director to a junior clerk, a user-service strategy should be developed. Often, information professionals spend most of their time serving junior-level people, neglecting the needs of top and middle-level management. In fact, users who contribute most to the organization's business should receive more services from information systems; and users who are receiving high-quality services from the information system should be aware of it. Of course, a user-service strategy will tightly associate with the development of a long-term plan for future information utilization at the organization, division, and functional levels of management.

A formal user-satisfaction survey can be conducted to monitor user satisfaction with the information systems services. It can be carried out by the information systems unit itself, but this approach might tend to inhibit frank and candid responses. As an alternative, the management of the organization can initiate such a survey, through either some other function (like auditing) or the appointment of an ad hoc committee. Or, finally, the survey can be conducted by an outside consultant or consulting firm. The value of the latter approach is that it assures objectivity and, in some cases, allows outside comparisons. Obviously, a positive report validates user satisfaction ratings and is meaningful feedback to top management.

Involvement of users in their own projects has been a demonstrated success strategy for years. This joint systems development strategy includes the involvement of users in the following four facets of systems project: planning, project team organization, systems development, and post-evaluation.

It is frequently a strategic error to attempt a major improvement in the utilization of information systems resources when the potential user has had little experience with modern technology. Such a user is ill-prepared to cope with a massive infusion of new technology. Even if information systems specialists see a very favourable cost-benefit ratio for a big investment in information technology, a cautious strategy may be warranted for several reasons: a big proposal may frighten management in the user division; the user may not be prepared to assimilate a major change in its way of doing business; and the user's lack of knowledge of systems and technology could result in communications difficulties and misunderstandings. In such cases, the information systems manager should take a "gradual advance" strategy—one that demonstrates the costs and benefits of the proposed project, starting by providing simple, low-cost, rapid response to users.

A simple strategy for improving user satisfaction is the establishment of a help desk or customer service centre within the information systems department. The responsibility of the service centre is to keep apprised of both production and output distribution problems so as to keep users informed when down time, reruns, or backlog problems will affect on-line operations, report deliveries and the like. The service centre could give users a single telephone number to call about service problems affecting them, or simply register complaints about service, late report, etc.

It has been noted that there may be some disadvantages to user participation. For example, a large, varied user community can have difficulty in reaching a consensus on important development issues. Generally, users are not always aware of the latest technology and not always able to make the best judgements about future directions. Accordingly, users can often fail to see the broader and long-term picture, and are driven by what is needed at a particular moment and fail to see the long-range effects of adopting a particular technology. Therefore, if user participation proceeds without periodic appraisal, particularly in the development and implementation of a new system, the result could be negative.

Another important issue regarding successful user participation is managing the expectations of the users involved. Difficulty may also arise when employee suggestions or opinions cannot be adopted, or when they conflict.

#### *Appropriate institutional arrangements*

Appropriate institutional arrangements are required for smooth and effective development of government information systems, particularly for developing countries. Rational formulation and implementation of government policies, integrated planning, development strategies, and standardization on government information systems, cannot be carried out without appropriate institutional arrangements within the government. Centralized technical support, including methodologies of modern systems development, hardware and software procurement and

maintenance, education and training, etc., will undoubtedly save a great deal on scarce resources for the government and greatly benefit systems development, operation and maintenance. Whatever these institutional arrangements may be, there should be a central focal agency. When there is no existing appropriate central agency, a new institution must be created for this purpose. Both newly created and existing agencies in different countries have proved successful.

At the national level, a ministerial level commission with appropriate representation on both the legislative and executive branches needs to be organized. It must concentrate on the formulation of government policies on information technology use, instead of setting long-term goals and strategies to stimulate the use of information technologies in public administration, setting priorities, and allocating information resources. The role of the commission is to concentrate on:

1. Instructions on the formulation of government policies for information technology;
2. The establishment of long-term government goals, strategies, priorities and plans for the use of information technology;
3. Allocation of government resources for the use of information technology and establishment of realistic funding limits;
4. Coordination, interpretation and resolution of conflicting interests, needs, and expectations of the ministries and agencies;
5. Reviewing long-term and annual plans, evaluating important investment proposals and approving key government information systems projects on a prioritized basis consistent with the resources available and the needs of the government;
6. Other important issues of relevance.

One of the most important, but often overlooked, benefits of such a commission is its use as a vehicle for improving communications between government decision makers and information officers. Minutes of meetings must be circulated to both the members of the cabinet and of the commission.

A central focal agency, which has principal responsibility for developing government information systems in the country, should be of high level and headed by a top-ranking official. In many cases this official is of cabinet or ministerial rank. This confirms the importance of the agency's mission and strengthens its position in negotiating matters of policy or coordination with the other ministries and departments. This central focal agency, if established, could not only be an information technology policy initiation body, but also an information systems development and management centre as well as a technical support centre at least for the use of information technology in public administration. The functions of the agency are mainly:

1. To initiate, develop, and ensure the execution of government policies for IT use in public sector;
2. To work out a long-term strategic plan and annual development plans of IT use in the public sector;
3. To administer, manage and coordinate the development projects regarding IT use in government;
4. To administer, manage and coordinate data/information resources as a national information centre;
5. To promote the application of methodologies and the development of standardization of government information systems;
6. To provide technical assistance and support services to government agencies in their information systems development, operation and maintenance.
7. To organize and conduct various training programme stimulate the popularization of information technology in the public sector.

This agency will play a leading role in computerization and the development of government information systems in the country. Therefore, it should be equipped with advanced computer hardware/software and be staffed by well-educated, highly-trained, and experienced personnel.

The start-up operation of the central focal agency could be done with two or three people. However, if the staff does not increase over time and remains at a low level, it might be difficult to leverage the effort of improving the development process of IT use with the help of the central agency. Efforts must be made to grow steadily until a reasonable number of personnel is staffing the agency. This is done by justifying the increase in staff with a corresponding increase in responsibility and productivity. Management should be made aware that it might take a long time and necessitate many resources for the agency to fulfil its role. The benefit will not appear overnight.

Many developing countries have found it easier to create a central focal agency than to maintain it later on. The problems generally are twofold: on the one hand, the government needs to understand that it takes time for such an agency to get on the right track and it is not an easy job to fulfil its functions; on the other hand, searching for a qualified head for the central agency is critically important: he/she should not only have the knowledge of modern information technology but also, more importantly, management capabilities and political skills to deal with various aspects of the government. However, as long as the central focal agency delivers services of direct value to IT use and information systems development, there should be no problem in justifying its existence. But, if this is not the case, this agency runs the risk of being dismantled quite rapidly. During that time, the government will look only at the cost of supporting the central agency for functioning against the benefits generated in return.

### *Formulation of government information systems architecture*

Computer and communications systems today are different from traditional computing packages. Microprocessor-based systems, open networks, and industry-standard software now offer a compelling economic alternative to conventional architectures, but there is a need for a new computing strategy that will combine these products to transform traditional computing environments and allow customers to keep pace with future changes while accommodating their current information systems environment. Just as a builder would not break ground on a large housing project without an architect's plan, it would not make sense for a government to add information system on top of information system without an architecture in mind. Therefore, formulating a reasonable government information systems architecture is a critical success factor in optimizing the use of information technology.

An information systems architecture employs design principles, defines relationships between components, and ensures proper interaction between attached devices: hardware, software, and applications programs. It defines formats that are compatible among dissimilar government-wide systems, and it is also a prerequisite for system integration. Given the complex computer and communication aggregates we are dealing with, system architecture and system integration cannot be applied effectively without heuristic approaches.

The beauty of an information systems architecture is that it provides a relatively stable framework within which information systems development, procurement and implementation activities can occur. An information systems architecture also ensures agreement and understanding within government organizations on which applications, data, and interface are the target for implementation within a special time. This controlled growth minimizes duplication of effort and promotes systems compatibility, inter-connectivity and integration. An architecture also provides enough information to begin project definition and systems planning. An architecture makes dealing with certain business forces and problems easier. It helps government organizations deal with the increased complexity of business, the increased integration required across applications, the need to ensure the integrity of distributed development, and the need to implement systems. An information systems architecture makes economic sense as well. By having a blueprint in place for systems, development, and so on, an organization avoids the costs of launching the wrong projects, or of building applications systems that will not integrate.

There are five essentials in an "open, cooperative" information systems architecture, as described in the following paragraphs.

*Open, multi-vendor environment.* One goal of a modern information systems architecture is to enable an open, multi-vendor environment that integrates these islands into a single government-wide network through the use of communications standards such as Open Systems Interconnect (OSI) and Systems Network Architecture (SNA). This is accomplished by providing open interfaces for hardware, software and networking, helping customers to achieve vendor independence through greater connectivity and application portability across systems from many different sources. This

unprecedented freedom of choice allows customers to integrate new, standard technologies into their computing strategy as they become available, without abandoning their current information systems investment.

*Flexible, distributed environment.* Coupled with the emergence of low-cost, high-speed local area networks, open standards in wide-area networking and communications, and common application programming interfaces, the microprocessor revolution provides a basis for the creation of a truly open, cooperative computing environment. In it, processing power and services can be placed where they are needed within the organization. The economic and scalable nature of the microprocessor means that incremental slices of power can be added easily as they are needed, with minimal cost and disruption. So a line of scalable processors allows processing power to be added easily in smaller, more cost-effective slices. The open, cooperative computing environment is based on a client-server architecture, which provides superior flexibility and configurability by placing common services at the server level where they can be accessed simultaneously by multiple clients.

*Transparent access to organization-wide resources.* The combination of new technology with the modern information systems architecture results in an environment in which information and system resources can be shared by all users everywhere in the network. In the past, applications software contained embedded communications protocols and services. That approach acted to limit the portability of applications. It also meant that changes in communication needs often required expensive, time-consuming modifications of the applications themselves. In a modern information systems architecture, applications are separated from the protocols, so new users can easily access remote and local system services without any modification to the application software. For example, databases can be distributed at multiple levels, putting critical information into the hands of those who need it on a timely basis. Providing a standard basis for operation between the application and its system services also permits new applications to be implemented far more quickly than is possible with conventional systems.

*Application software availability.* Speeding the implementation of new applications is also facilitated by adherence to industry-standard application programming interfaces. A modern information systems architecture offers an open application framework that enhances application portability. Support for open interfaces for hardware and software, including DOS, Windows, UNIX, and OS/2, gives customers access to a huge library of off-the-shelf software. The emergence of independent software vendors in the 1980s and the spectacular success of mass-market software continues to shape the environment of applications development in the 1990s. The correct strategy is to leverage the success by providing an environment for open applications development to support customer, third-party, and vendors software development. This will free the customer from dependence on any one source for applications, eliminating a major bottleneck in the implementation of new applications.

*Intuitive user environment.* The need to place greater computing power at all levels of the organization requires that computers be made easier to operate, in order to increase the productivity of less experienced personnel. A modern information systems architecture will address this need through the development of an intuitive graphic interface that will be consistent across all applications and platforms in the user's environment. The user interface will go beyond current icon-base interfaces through the use of powerful object-oriented metaphors that can automatically execute a series of predetermined tasks. It will eventually integrate the use of image, sound, and full-motion video, allowing the implementation of the multimedia applications of the future. Since it will work in a way that is natural and intuitive, rather than forcing the user to learn the computer's language, the interface will reduce development and training time and their associated costs.

## CHAPTER SEVENTEEN

### INFORMATION RESOURCE MANAGEMENT

Information, which in essence is the product of the analysis and synthesis of data, is unquestionably an organization's most vital resource. It can be structured into models for planning and decision-making. It can be incorporated into measurements of performance and productivity. It can be integrated into products design and marketing methods. Information, in other words, is recognized and treated as an important asset that an organization owns. With proper utilization, it becomes a potent competitive force, particularly for enterprises. In today's global and competitive economy, information might, in fact, be the deciding factor in determining the winners or losers in business activities.

Information is vital to good management as well, particularly for governance and public administration. The sharply reduced cost of computer and communications technologies has created a very real opportunity to improve effectiveness of governance and public administration through improved use of information by management. However, this opportunity has not been easy to exploit in the past two decades, in particular for developing countries.

In every organization, there is a need to assist key users to ascertain data/information requirements, to plan for the development and exploitation and utilization of data/information resources, to plan for information systems development, and to monitor the status of both the development and the ongoing operation and maintenance of information systems in order to ensure the optimal use of the resources. In short, there is a need for someone to act as the architect of the organization's information capabilities. This is called information resources management .

The emphasis on hardware and software is shifting towards a focus on information resources and information management. This focus is significant because it emphasizes the quality and value of the output of computers rather than the quantity of computing power itself. This is understandable because what the users really want is not only the computing power but the distilled, summarized information that can be accessed, assimilated, and used more effectively, particularly by management.

Due to the development of distributed processing and network computing, the attendant physical control of computer resources is moving into the hands of users. This new development creates the need for an entirely new way of thinking about and managing distributed information resources in the organization.

The importance of information resources management also increases with the evolution of computer applications from transaction processing to information processing. At the early stage of computer applications, data processing (DP) systems are developed for clerks. The DP systems process the transactions of operating a business, which are of course important in the operational or lower level control of business activities, and computers have allowed important improvements in the productivity of these clerical workers. However, the applications, no matter how effective, rarely reach into the office of the management. Thus the role of information resources management beyond simple transaction processing is not even considered by management in many organizations.

While basic transaction processing systems still exist, computer applications have been evolving toward supporting management decision-making at tactical and strategic levels. These applications require information managers to direct more of their resources to management assistance rather than operations and clerical support. These higher-level applications tend to require not only more advanced technologies but also more user-management involvement than those record-keeping and transaction-based systems. Accordingly, information resources management becomes increasingly important.

Information resources management is a significant aspect which enables information systems development to succeed. Without rationally organized data gathering, information utilization, and information management systems, the development of information systems in government agencies could possibly cause confusion. In addition, the security and confidentiality of government information will be ensured through an effective policy for information resources management.

Information resources management involves the integration of diverse disciplines, technologies, databases, and other information-handling resources. There is no doubt, however, that the core of information resources management is the management of data and information.

### **Data availability and collection**

Data is the core of any information system. Data availability and collection are essential to any government information system, either developed or to be developed. Data availability must be studied before any information system project is to be launched.

#### *Data availability*

Generally speaking, data availability should not be a problem with information systems at operation and management levels. Operational information systems usually deal with either batch (in a centralized mainframe architecture) or on-line (in a networking environment) data processing, and data in various forms and formats are regularly sent to computer centres or network nodes and imported into the systems. Management information systems acquire data by means of the authority of an administration or management organization which the system supports. The data source institutions are required to provide data and information by the administration and/or the management, otherwise they may get into trouble. Taking project management information systems as an example, project executing and implementing agencies are under obligation to provide any data/information regarding the project to the department responsible for the project management. Otherwise, the project management may consider interrupting funding for the project. In some cases, administration and management power has to be used to guarantee the data availability.

Data availability becomes, in many cases, a problem for decision-making support systems. What a decision-making support system usually provides is comprehensive and highlighted data and information that reflect the macro situation monitored by the government agency, including the information on the agency, the government, the country, and/or even the world. The data and

information may come from internal and external sources, such as the management information systems of the agency, information systems of other government agencies, internationally available databases, and so on. In general, these data and information must be edited and analysed so as to meet the information needs of the decision makers in the agency. Therefore, data availability of a decision-making support system depends, to some extent, on the information utilization capacities of the organization. Under a circumstance of inadequate information utilization capacity, data availability, consistency, and timeliness usually become a question mark.

It happens sometimes that relevant government agencies hesitate or even decline to provide data/information to authorized users of the government on a timely basis. There are several reasons for this. But it is mainly because in some cases data and information mean power or property.

The fundamental approach to resolving the data availability problem is through laws and government regulations, which clarify the responsibilities and accountability in data/information collection among government agencies and other institutions. Using an overall plan of data collection, data or information should be collected only once and at the first available or most convenient source, and be provided to the user agencies, even though the collecting agency itself may not need the data or information they collected. Data or information collection within one agency must take into consideration the needs of other government agencies and/or the public. Data and information collected within one government agency should be accessible or retrievable by all legal users.

Given the fact that information is a strategic asset of a government, it is better, from a long-term viewpoint, to have a government agency which is in charge of the administration and management of government data/information resources. Whether the collection of information by a government agency is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility for the agency, the agency in charge of information resources management of the government must:

1. Prepare an inventory of all information collection activities;
2. Assign agencies as the primary collectors for other agencies;
3. Determine the goals for the reduction of information collection;
4. Monitor compliance with recommendations of the government;
5. Design and operate a government-wide information locator system;
6. Report on a regular basis to the government, the problems to be resolved and coordinated.

### *Data pollution*

Data pollution is a serious problem frequently existing in many information systems, especially in developing countries. There is no doubt that corrupted, inaccurate or incomplete data will negatively

affect management business and decision-making. The causes of data pollution problems are multidimensional.

Dirty original data and data entry errors are the main pollution sources. Sometimes complete and accurate data and information are not available, or errors take place during delivery, or faulty data are collected from other agencies. Hardware failure and software bugs also result in data pollution. The best way to obviate the data pollution problem is to control the quality of the data at the very beginning, i.e. the entrance of information systems. However, the first step is for top management to simply acknowledge that this is a critical issue and that a problem does exist. The top management of government agencies must realize that data quality is of the highest priority and must be in a strong position to tackle the complex and odious task of cleaning up dirty data. Following up, some steps may be taken, such as forming a task force/committee to investigate problems, working out guidelines for quality control of data, data backup and disaster recovery, monitoring and controlling data entry, installing/upgrading database software, using specialized software to sample and analyse data, strengthening training, and replacing problem equipment, etc.

### **Management of data quality**

Operation and maintenance of government information systems involve a series of data actions. Complete understanding of data actions, and not just the processing itself, can reduce the complexity of data management and clarify the data required for processing and the effect of that processing on the files of the government agency.

#### *Data actions*

Data actions involved in the operation of government information systems, in general, are as follows:

1. Receive: the receive action describes the data carrier or trigger that was received, how it was received, and how it could be received;

2. Retrieve: the retrieve action describes the actions needed to obtain prerecorded items of data that are required to perform the verification and validation activities or to provide data from the reference files of the government agency needed to complete new entity occurrence records;
3. Archive: the recording of a previous entry for historical purposes, usually by recording the data element or set of related data elements along with the dates or other indications of the time-frames. When data are archived, it is usually because only one set of values is true at a time, but previous values are needed for research or other management needs.
4. Add: add a new entry, data element, characteristic, or attribute to the files of the government agency. Unless this adds a whole new entity member, the addition must be preceded by an archive action.
5. Update: the update action describes the changes or modifications which must be made to previous values of an attribute of an entity when the previous entry is of no historical value. Update is also referred to as change, modify, or replace.
6. Verify: the verify action should follow both the update and retrieve actions. Depending upon what action it follows, it is a verification that the incoming data are correct and being applied to the correct records, usually by comparison with existing data that were previously retrieved, or that the change or update action is completed and has not produced a conflict with other data in the files of the government agency. Verification may be manual or automated.
7. Delete: a previous (archived) or current entry is no longer of interest and may be removed from the files of the government agency.

Of course, different government agencies or government information systems may stress different types of data actions.

The management of information resources should identify all data actions caused by information systems, the sequence and time-frame of data actions, and any date or time dependencies which may exist within the systems. Standardization and normalization of all data actions will greatly benefit the management of data/information resources. For each data action, a clear description of the government agency's rules which govern how this action must be performed should be documented for operational purposes. The government agency's rules also dictate how the agency must react to each data event. There are two types of data events in practice: those that add, change, or remove data from the files (active events); and those that retrieve data from the files in response to some query (passive events). Of the two, the active data event is the more inclusive. The passive event contains only receipt (of the query), retrieval, verification, and validation actions. Thus, more attention should be concentrated on active events while working out the standards and norms of data actions.

The standards and norms for data actions should be reviewed by all operational and other affected areas to ensure that the data that must be recorded from each data event are in fact recorded, that all history is archived, and that data are not prematurely deleted. It is also important to ensure that the operational areas responsible for the handling of each data action are clearly defined.

### *Database management*

Database management merges the user's need for easy, but sophisticated, data manipulation with the technical capabilities of computer and communication systems. There are many database management systems (DBMSs) available on the market now. The following actions are suggested for government agencies to develop a database strategy:

1. Start with a data dictionary. Install one before attempting any database application. Government data must first be put in order. The tool to do so is the data dictionary. The dictionary puts the data in order by defining data definitions and data relationships for all data elements in the database;
2. Appoint a database administrator (DBA). A really competent, full-time person will be needed to control the data dictionary. The DBA's job is to develop the organization's standards, or the government's standards if they exist, for data definitions and data relationships, to review application database designs for consistency in a shared environment, and to assure design integrity through control of the dictionary's contents. He or she should also guide the conversion effort, preferably in a phased approach, which is easier to control and more likely to succeed;
3. Plan for the long range. Whatever DBMS is selected, it is not likely to be the final answer. Plan in advance to convert from one database system to another. Because the government may have hundreds of application programs and a sizable investment in them, this investment must be preserved. Thus, conversion to the DBMS is often done over several years, as systems are rewritten, rather than all at once. The goal is a single database structure that can interlink many individual databases, not a single massive database;
4. Involve top management. A high level of management understanding, acceptance, and support is necessary for an undertaking of this magnitude. Management needs to understand both the costs and the benefits of the DBMS. This is important because when dealing with the organization's data resources, one is dealing with the heart of management.

In summary, database systems are generally big and complex. Database establishment is the kernel work of information systems development. Build small database systems in short time frames to build credibility and user confidence and to increase the chances of success.

### *Zero-defect data approach*

The following is a five-step, zero-defect data approach that can be used to improve data quality of government organizations:

Step 1. *Identify the data to be improved.* Start with a high-level assessment of where data quality has the greatest impact on the bottom line. Once areas where data quality improvement will affect the bottom line are identified, ask database users which data give them the most trouble. Select a manageable portion of the database for data improvement;

Step 2. *Measure the quality of the data in the database.* Ascertaining current quality is the key to making improvements. Get users to specify business rules about the data. Then use those rules to find records that are inaccurate, incomplete, inconsistent or outdated;

The levels of technical integrity in the database should also be measured, such as uniqueness of primary keys, referential integrity and incomplete or missing data. Such constraints are not usually enforced as well as they should be, particularly in older databases or flat-file systems;

Step 3. *Identify causes of poor data quality.* Armed with these measurements, identify the data quality problems in the top 20 per cent, look at some of the defective records and identify their causes. Causes to look for include data entry errors, data intentionally entered incorrectly because complete and accurate information was unavailable at the point of entry, faulty data obtained from outside institutions, data that were mismatched during a merging process and poorly synchronized transaction processing;

Step 4. *Improve systems to prevent data quality errors.* For each of the causes of errors identified above, develop an action plan to prevent errors from recurring. In the long run, it is better to invest more energy in fixing the causes of the data quality problems than to try to scrub data after the fact. Whenever possible, enforce data quality constraints at the database, using triggers or stored procedures. Constraints that cannot be enforced at the database can sometimes be enforced using edits embedded within the application code, but be careful with such edits. Look for opportunities to re-engineer systems to improve quality. Minimize the number of processing steps between data entry and the database because each step represents an opportunity for error. In a networked environment, ensure that all applications users who have access to the database are included in the quality control program;

Step 5. *Measure the improvements.* Once the improvements are implemented, continue to measure the database to ensure that quality is improving. It is necessary to start again from step 1 after completing the above cycle. Data quality requires a continuous improvement approach.

There are several data quality software packages commercially available that can help information systems managers sample and correct data. Some data quality management tools let organizations monitor and certify the accuracy, completeness and integrity of information stored in databases. Some rules-based systems run in Microsoft's Windows environment while others run in mainframe environments. These products verify file use, balance summary-level information, reconcile data items at multiple levels of detail, and automatically generate detailed reports describing exceptions in

databases. There are also OS/2-based data quality software packages which use an expert system to help database administrators create, manage, and enhance optimized DB2 systems.

## **Management of hardware and software**

### *Management of hardware*

The management of hardware is to ensure that the necessary technical resources will be on hand when needed to provide these services. That is, resources must be matched against expected needs well in advance. Because of the long lead times in technical evolution, in equipment delivery, and in system development, hardware/software migration planning must necessarily be fairly longrange. Hardware migration planning involves matching resources against needs. There are at least four major steps in this process:

1. *Keeping abreast of technology.* As described in previous sections, the evolution of information technology is almost a revolution, with cost/performance gains accelerating by geometric proportions. Not planning well in advance could mean having bought a multimillion-dollar machine which is made obsolete in a short time. It is crucial that government officers responsible for information systems and information management have the best information available to meet the government agency ' s hardware needs over the next five to seven years. Information should pertain not only to equipment selection but also to acquisition options;
2. *Forecasting government needs.* This goes back to integrated information systems planning. New computer applications must be projected, and projected volumes must be forecast for existing applications. It might be helpful to plot applications and volume growth over the past two years and then project it for two future years. This procedure will indicate whether the trend line will accelerate or decline and will serve as an information source to management on computer centre growth;
3. *Knowing resource utilization levels.* A knowledge of current use is necessary to project the impact of added business. Vendors' systems measurement facility provides raw data such as this, but considerable analysis is necessary to convert such raw data into meaningful planning information. This conversion can be done through a formal process of capacity planning. In addition, computer performance evaluation is the new tool and technique used to effect management control over computer performance;
4. *Keeping management involved.* The knowledge gained from technology research, information system planning, and capacity planning can be distilled, encapsulated and presented to management in a way that is conducive to involvement in the hardware planning decision-making process. This requires summary non-technical explanations which show what resources are needed to do what, and at what cost. Emphasis should be placed on demonstrating increased productivity and efficiency as the reason for computer upgrades, not just having the latest new technology.

In addition, reliability of computer hardware is another issue to be addressed in hardware management. Reliability of computer hardware has been increasing with technical progress. As information systems grow more complex, however, small failures can have greater impact on service levels.

### *Management of software*

The shortage of skilled programmers coupled with an ever increasing demand for applications programs is creating a widening gap between what is needed and what can be delivered in developing countries. Narrowing the gap has become a big issue in the development of government information systems in those countries. One of the strategies dealing with the problems of software management is the use of commercially available and third-party-developed software packages. The reasons to consider buying commercial software or using third-party software packages are obvious: decreasing development costs, making full use of scarce resources, time deadlines, increased package availability, and growing demand for computerization. Some systems, of course, probably should continue to be built: for example, very specialized business service and management systems, unique operational systems which cannot be satisfied with packaged software; systems that give a competitive advantage; and systems that change rapidly. Naturally, when using commercially available software or third-party-developed software packages, some customizing work and user-interface design are still needed.

Packaged programs are available from a variety of sources, including software vendors, computer manufacturers, international organizations, and individual governments. When procuring a package program some steps are indispensable, such as: determining user requirements; studying available packages; developing evaluation criteria; studying the candidates; visiting other users; and checking the vendor's credit.

There are more than 60,000 different software packages available on the market now. For a similar function, there may be tens or hundreds of packages for customers to choose from. This situation makes selecting software packages difficult and confusing. The following questions might be used in the development of selection criteria when investigating the acquisition of an application package.

*Hardware/software/networking characteristics.* On which type of hardware and operating systems does the package run? Is the software transportable across hardware? Is the package available in source language form? In which programming language was the package developed? Is the package compatible with the current networking facilities? Is the database design structure of the package compatible with the organization's data administration standards?. What are the computer configuration requirements run the package? Can the application package embrace new technologies?

1. *Installation support.* Are there special installation requirements in terms of hardware, software, and communication? What kind of technical support does the vendor offer when the package is installed at the user's site? How long does it take to install the package? Does

the vendor provide basic recommendations on the new business policies, working patterns, roles and responsibilities that should be enforced to take full advantage of the package?

2. *Functional characteristics.* What type of functions does the package provide? Are they available on line, in batch, or in real-time modes? What are the reporting facilities offered? What are the inquiry capabilities? Can the package interface with other systems? what are the interfacing characteristics of the package? Does the package support special features, such as graphical facilities or statistical facilities? Does the package provide security facilities? If so, at which level? What are the performance limitations or constraints of the package? Does the package support word-processing or spreadsheet facilities?
3. *Vendor profile and stability.* How long has the vendor been in business? Will the vendor still be in business five to ten years from now? What is the vendor's financial status? How many copies of the package have been sold so far? Does the vendor provide a wide range of application packages? Are the packages supported by an integrated data architecture?
4. *Vendor support.* What is the frequency for the delivery of a new release? Can one get an evaluation copy for a month or so to try out the software? What kind of support does the vendor provide? Does the vendor provide a hot-line service? Where is the nearest vendor located? How knowledgeable are the people providing technical support? Is the vendor responsive to the demands of a user group?
5. *Vendor references.* Is the vendor willing to provide reference on current users? Can these users be contacted? If so, what are their comments and experiences on this package?
6. *Vendor training services.* What type of training does the vendor provide, at which level and for which audience? Which courses are offered, at what costs, how often, where? Does the package provide a test environment for training purposes? What type of training material is provided to the student?
7. *Vendor documentation.* What type of document is available, under which format? Is the documentation complete, up to date, well organized, and in a standardized manner? What are the costs for new user manuals, new technical manuals?
8. *Contractual requirements.* What is the total price of the package, including direct and indirect costs? What is the expected delivery date? Are there constraints on modifications that are made to the package by the organization? What is the vendor's maintenance policy and warranty? Is there an additional cost to install the package on more than one user site? What type of training is supplied by the vendor and at what cost? What type of documentation is provided initially by the vendor, in how many copies and at what cost? What type of services and support will be provided by the vendor during the installation of the package, and afterwards?

Another important software strategy is the use of various tools and techniques to raise the productivity in system development. One well-known technology is computer-aided software engineering (CASE).

*Documentation* is a very important tool for software and database management, and for the management of information systems development. The effective development and implementation of a documentation system is contingent, to a great extent, on the establishment of sound documentation standards. Documentation standards should be established that specify the document items that should result from each task, identify the phase-end-documents to be produced, and define the content of each document. The objectives of such standards are:

1. To provide project managers with documents to review at significant development milestones so that they can determine if the functional requirements are being met and whether the project warrants the continued expenditure of financial resources;
2. To record the results of tasks performed during a particular phase of development in a manner that allows coordination of later development and use/modification of the system;
3. To ensure that documentation managers and technical writers have a guide to follow in preparing information systems documentation;
4. To provide for uniformity of the format and content of presentation.

Controlling the dissemination of software and systems documentation is another prime consideration in document management. Each type of document produced during the system life cycle should provide information that explains any security requirements that may exist. The procedures for gaining access to controlled documentation that is not included in a specific document should be detailed.

## *Virus control*

Viruses have become a serious issue of concern in software management. A virus is a program that has the ability to reproduce by modifying other programs to include a copy of itself. It may contain destructive codes that move into multiple programs, data files, or devices on a system and spread through multiple systems in a network. Viral codes may execute immediately or wait for a specific set of circumstances. Viruses are usually not distinct programs; they need a host program executed to activate a third code. By most accounts, in October 1988, only three DOS computer viruses were known. By October 1991, some 900 computer virus strains had been identified. It was estimated that 1.6 new viruses were discovered daily during 1992.

The most frequent sources of contamination include: physical or communication contact with an infected computer; copying an unknown disk containing a carrier program; downloading a file from a bulletin board system; running an infected local area network program; booting with an infected disk; infected software from a vendor; and overt action by individuals. A number of clues can indicate that a virus has infected or attempted to infect a system, even before any damage is done. Unexplained system crashes, programs that suddenly do not seem to work properly, data files or programs mysteriously erased, disks becoming unreadable—all could be caused by a virus.

Preventing a virus infection is the best way to protect government organizations against damage. The following steps can help keep a clean system from becoming infected with a virus:

1. *Awareness training.* All employees having access to computer systems should be required to attend a training session on the virus threat. It is crucial that they realize how much damage a virus can infect;
2. *Policies and procedures.* The organization should prepare a policy on virus control to address the following issues: tight control of freeware and shareware; a control process that includes running anti-virus software regularly by each department; a virus response team and methods for contacting the team; control of the infection once it is detected; and recovery from the virus, including backup and dump policies.

It should be noted that the primary cause of the spread of virus infection is through the uncontrolled use of diskettes being introduced into computer systems. Therefore, sharing software is a great risk and users should not accept software in an illegal way. In addition, the most prudent precaution is to carefully make, store, and routinely check backup copies of files and programs—all on an established schedule. Controlled access to backups guarantees integrity.

The ability to rapidly detect the presence of such viruses and exterminate them depends to a large extent on the anti-virus software an organization decides to implement. There are three types of virus fighters, often in one package: scanners, integrity checkers, and monitors; each uses a different method of examining potential virus hideouts. Those hideouts include data, system and application

files; hard-disk boot sectors; the hard-disk partition tables; and memory. However, if such programs are to be used, the user should be careful that they do not cause more problems than they solve.

### *Vendor policy*

Vendor policy is an important issue for many developing countries to address. For control and efficiency purpose, it can be a sound strategy to have a government policy of centralized control over major hardware and software acquisitions, as well as certain vendor contacts and contracts. In this regard a few points need to be made as follows:

1. *More effective vendor management.* A single contact point between vendors and a government agency (or the government as a whole) is highly desirable to prevent wasting many people's time. From a customer's standpoint, a single contact point gives the user organization more "clout" with a vendor than contact through diverse users throughout the organization. Where vendor contact is left to individual government agencies, a list of approved vendors could be provided based on previous experiences, research, or standards for equipment selection;
2. *Control over major spending.* Government policy can have all purchase orders go through a central purchasing department, which would ensure control over spending for equipment, software and services;
3. *Better equipment research.* To avoid biased presentation from vendors and be aware of alternative competitive products, equipment evaluation is a hit-or-miss proposition. A centralized equipment research group can be in constant touch with the technology, the leading vendors, and new product announcements. They can do comparative product evaluations, serving as an internal research consulting group for all potential users within the government. The research could also cover the vendor;
4. *Expertise in contract work.* Some centralized expertise is essential when it comes to vendor contracts. Contract work is a highly specialized and important part of dealing with vendors. A central group can develop contract standards; assist users in negotiating contracts; review contract forms for needed provisions, protective clauses, etc.; and assist in the preparation of requests for proposals (RFP) to vendors for software development. These are all areas where experience and expertise can avoid many pitfalls, and where a highly specialized central group performs the best;
5. *Improved vendor service and support.* A central group monitoring and recording the general level of service and vendors' response to requests for service can provide a total corporate picture not otherwise possible.

It is necessary to design a strategy to get the most from the vendors who serve the government agencies. Considering the amount of money spent on equipment, software, contract consulting, etc., a policy of vendor control in the government can pay off handsomely.

## **Data information security**

There is an emerging recognition by developing countries that information resources are the most valuable category of governmental physical assets. In some countries, of course, assets which are not valued tend to be poorly managed.

Governments spend a lot of money on the development of computerization and information systems. Government information produced through this investment in computer programs and information systems is usually stored and maintained in electronic form in government agencies' computers. In such form, it can easily be lost, stolen, damaged, or destroyed if not properly controlled. It can be read onto a diskette or tape, and carried out of the government agency in an employee's briefcase. Or it can be transferred from one organization to another, computer to computer, in a matter of minutes. Thus, government confidential documents, strategic plans, and all sorts of sensitive information stored electronically can be easily stolen.

However, as governments have become more and more dependent on their computer systems to provide their daily information, process their transactions, and maintain government documents and other records, more attention has been paid to the physical security of information management, such as computer hardware, which is actually only one of the aspects with respect to information resources security. It is very important for a government to make a full study of the security of their information resources. The overall security strategy for information resources should be based on a careful analysis of the government agency and the particular hardware, software and communication facilities used at the installation.

### *Government policy*

A government policy can be set out to establish and assign responsibility for security within the government. This will help pave the way for its subsequent issuance of security standards.

Data/information security is the number one security issue and the first concern of any government. Control over data security includes risk assessment study, access control, and security standards. The five basic security problems identified are as follows:

- Data compromised by legal users;
- Denying access to unauthorized users;
- Virus prevention;
- Communications security (encryption);
- Physical security.

Establishing an effective data-security system takes considerable effort because it must be done without sacrificing good service for security. Both are important, but good security and good devices are usually conflicting objectives. The ultimate in security would be to lock up the data processing operation so that no one could get into it; the ultimate in service would be to allow everyone easy and quick access to all data in the government databases. Obviously, these aims are in conflict. The key to an effective data-security strategy is to achieve an optimum balance between good service and effective security.

### *Risk assessment*

A risk assessment study clarifies what the government wants to protect and from whom. A good way to begin is to determine who are the owners of the information resources that the government agency seeks to protect. Once they have been identified, the next step is to review with each owner the sensitivity of the files, the controls already in place, and the additional controls needed. The internal system controls should be built into the system during system design while external system controls are added to strengthen security control. Highly sensitive files may require additional controls; less sensitive data may require fewer. Where to focus attention on security control can also be learned as a result of this study.

### *Access control*

The first problem mentioned above is the one to which there is no technical solution. Data integrity is most often compromised by people with legal access to the system. In other words, employees are the source of most data disasters. In some cases, the problems are caused by simple human error.

There are some technical steps that can be taken to prevent mistakes. A simple one is to deny users the ability to delete files in critical directories, so as to save a business. Protecting against purposefully destructive behaviour, or the theft of critical data, is much harder, and is more properly the domain of employee relations, not computer security.

The second security problem is keeping unauthorized users out of the system: access control. Access control provides base-level access security over the government agency's production programs and production data files, regardless of the sensitivity of the various files. Program security controls are designed to ensure that unauthorized changes cannot be made in production programs. To this end, basic controls include access to production programs, changes in production program libraries, separation of responsibilities so that no one person has complete control, dual-control procedures, and protection of backup copies. Data-file security controls are designed to ensure that unauthorized changes cannot be made in data in production files. These controls include access to on-line data files, authorization of data files usage, physical security over production data files, separation of duties, dual-control procedures, and the use of job control language and utility programs against these files.

Access control starts with a system password, on top of which can be layered a user's name and password. A user's name and password generally allow the assignment of different privilege levels

to directories and even individual files, including such limitations as read-only, write-only (for batch data entry, for instance), and executive only (useful for virus protection and preventing the illegal copying of software). Many systems also allow additional security to be imposed on dial-in users, a prime entry point for system attack.

Once the base-level data-security control program has been devised, the next step is to establish it formally, beginning with interviews to acquaint users and owners of data files with the base level security provided. The risk assessment study initially set the groundwork for what was sensitive and needed protection. The access control system establishes the what and how of the basic protection afforded. The user interviews determine what further protection, if any, is needed to complete the security program. Once it has been put in place, the final step is to document the data security program in the form of government agency security standards. These standards can specify security issues and problems, the ownership of government information resources, and the protection afforded (over those resources), including the responsibility of users/owners for the care of the information resources entrusted to them. This responsibility would also include physical security over the physical resources, e.g. microcomputers, minicomputers, and LANs etc. under their care.

### *Physical security*

Physical security of information resources management includes various aspects. Computer room access can be controlled by guards, coded badges to open doors, and the like. Access to the LAN server must be controlled if a LAN is established within the organization. Simply locking the door to the room in which the server is installed is a good first step. Turning off the keyboard sometimes help as well, but this leaves the mouse active. Software which prevents someone from re-booting the server from a floppy, thus bypassing all security precautions is another step to consider.

For LAN security, other measures might be helpful: for example, add expiration dates to accounts; limit concurrent-user connection; establish password protection accounts; enforce periodic password changes; activate intruder detection/lockout; ensure that file servers, routers and gateways are maintained in a secure location; train users on their security responsibilities; do not overlook built-in LAN operating-system security facilities; implement virus protection on file servers and workstations; establish security controls for dial-in/out capabilities; perform and test backups; implement an audit strategy to detect unauthorized activity and ensure copyright compliance.

Protection from fire is usually provided by smoke detectors, water sprinklers, carbon dioxide extinguishers, and halogen gas. Power protection takes the form of uninterrupted power supply, internal generators, or automatic power supply in many organizations. Computer room environments are, in general, closely controlled by temperature and humidity control devices. Backup is taken through various approaches. Remote storage of production programs and master files has been a widely accepted practice for years. All these measures can be taken as necessary.

## CHAPTER EIGHTEEN

### CONCLUSION

#### **Rhetoric and reality in developing countries**

Over the past forty years, public administration has frequently been the victim of rhetoric. For example, when governance and development topics are discussed, public administration is often promoted as a synonym for government in action. Because administrative capacity is usually discussed in terms of the structures and processes of public organizations, and the attitudes and behaviours of bureaucrats, remedial measures to strengthen public administration are typically formulated with a technical emphasis. As a result, the landscapes of developing countries are littered with officially-sanctioned reports on ways to restructure and re-energize public entities, inspire senior administrators to manage more effectively and motivate civil servants to work more productively.

Too often what is lost in the rhetoric is the fact that public administration is an instrument of the State, and that civil servants are not better or worse than other individuals in society. The responsiveness and responsibility of public administration become a sterile debate when only its technical aspects are examined, and administrative action is isolated from the larger environment. Administrative reform becomes a realistic exercise only when influenced and guided by the socio-political values and forces operating in a given society.

The larger socio-political framework of developing countries reveals the existence of weak political systems, low levels of citizen participation, and much ambivalence about public authority and faith in government to act in the public interest. The nature and scope of administrative performance is limited and constrained by these factors. For example, in the absence of genuine efforts to increase citizens involvement in the political process and in policy-making decisions, many administrative reforms will have little effect. Similarly, efforts to improve the overall performance and accountability of public administration must match efforts to make political leadership more responsible and accountable to individuals and their elected representatives. When political leaders subvert political and administrative processes to enhance their image and stay in power, the role and influence of public administration in society are also corrupted.

Rhetoric about the role of public administration has been influenced by both historical legacies and development concepts. In most developing countries, the historical function of public administration was oriented to the maintenance of law and order, the provision of some basic services and revenue collection. With independence and the commitment to modernize, public administration came to be viewed as development administration a force for promoting and sustaining dynamic change throughout society.

This thinking had many unintended consequences. For example, great attention was given to the transfer of skills and technologies from the developed countries to the newly independent countries. But little effort was made to appreciate or understand how they could be applied in a developing

country's context of scarce resources and underdeveloped institutions. Similarly, law and order, as well as revenue administration were neglected subjects for several decades, generally excluded from national movements to reform public administration and from international technical cooperation programmes. In shifting from a law-and-order administration to development administration many developing countries neglected to pay adequate attention to the more traditional and basic tasks of government.

### *Security, stability and the rule of law*

Broadly speaking, the term "law and order" proceeds from the concept of rule of law, and includes the objective and indiscriminate administration of justice. In its broader application for social, economic and political relations, the rule of law emphasizes respect for fundamental human rights, an open system of justice and equality before the law. In many developing countries the trend has been to apply the concept of law and order in narrow terms, focusing on policing functions such as public safety and crime control. This is largely due to the consequences of attempting rapid and dramatic social transformation. The unintended results of sweeping modernization efforts have been rising crime rates, risks to life and property, mob violence, economic crimes, violations of human rights, abuse of administrative power and failures of the rule of law. Thus, law-and-order issues have evolved into an area of priority action in many countries.

As one of the more important law-and-order agencies, police forces have generally remained unchanged for a long time. For many of them in developing countries, modernization has generally meant a larger workforce, more firepower and greater mobility, rather than more training in law and modern methods of crime prevention and detection. Police and other law and-order agencies require effective and responsible organizational structures, better-trained personnel, and respect for human rights. In their race to modernity many Governments have chosen to ignore the broader application of law-and-order principles.

Reforms that address law-and-order issues must be placed in this broader context. Reform efforts must begin with respect for the rule of law and the necessity of its uniform application. Justice should not only be done, but be seen to have been done, so that there are no questions about its legitimacy. In narrower terms, reforms need to address modernizing the administration of law and order agencies. For example, many countries are decentralizing police functions to bring them closer to the community level.

### *Revenue collection*

Another unintended consequence of the focus on development administration was the neglect of the revenue collection function. The capacity of administrative systems to manage revenues effectively has not kept pace with requirements. The tremendous increase in economic transactions and wealth has not always led to one in public revenues. Informal and undocumented economies have become a major part of many national economic systems. Tax avoidance and evasion are familiar and well-known problems. Economic crimes and revenue leakages have deprived most developing countries' governments of badly needed resources. The incidence of taxation has also become

unfairly onerous for some groups in society when compared to the tax advantages and tax forgiveness given to more privileged ones.

Governments need to pay more attention to the traditional functions of maintaining peace and security and the collection of revenues. Moreover, these functions should be carried out within the wider framework of respect for the rule of law. Development goals are difficult if not impossible to achieve in conditions of ongoing uncertainty and basic inequities. When the police and military are feared, courts do not uphold the law, and legislatures do not represent their constituents, development gains will not benefit everyone in society.

### *Economic development, the State and public administration*

Over the past decade, the economic development debate has experienced a radical shift in thinking. The focus on the State as provider and at the centre of economic development activity has fallen into disrepute. During the 1950s, 1960s and 1970s, many developing countries believed that central planning, command economies and public production were the best means for promoting national development. Today these modalities are considered inefficient. It is also contended that the bureaucratic allocation of resources, administered prices and public enterprises entail not only economic inefficiencies, but also political interference and corruption.

Since the 1980s, the debate has centred on the role of the State in national economic development as one of facilitator and enabler. No longer the dominant actor, the State is now viewed as one of many actors participating in development. Decentralization of power and authority away from the centre, and the liberalization and privatization of the national economy are important concepts in the new thinking.

In addition to their basic functions, States have always been concerned with managing different levels and dimensions of their national economies, and will continue to do so. For example, the size of the gross domestic product, economic growth rates and income and employment levels are considered legitimate state concerns in all countries. States also engage in international trade for national advantage and are concerned about the production of critical commodities, goods and services. They can also engage directly and indirectly in the building of basic physical infrastructure considered essential for the national interest, and in developing social programmes and infrastructure to meet health, education and general public welfare needs.

The new way of thinking approaches the traditional functions of the State with a view to introducing market principles into the way the State produces, manages and delivers basic goods and services. Market principles are based on the dynamics of supply and demand. For example, it is contended that the invisible hand of the market can bring about a better allocation of resources and coordinate competing demands much more efficiently than the visible hand of bureaucracy.

Market-based systems use development and growth indicators such as the return on investment, profitability and economic efficiency criteria. While adherence to market principles does not preclude public ownership and management of enterprises, market principles do reorient the ways

they operate. For example, operating with a market orientation, public enterprises are required to buy inputs on the open market, and sell their products or deliver their services at a competitive price. When for various reasons they find it impossible to correct their inefficiencies, governments are now encouraged to sell them off, in effect privatizing the operation.

Private enterprise is at the heart of market-based systems. Accordingly, developing countries are under great pressure to allow wider scope to the development of a truly private sector of economic activity. As 'enablers and facilitators', governments are encouraged to free up credit, ease restrictions and offer tax incentives to develop the private sector. Small-enterprise development, in particular, is encouraged as a way to bring small-scale entrepreneurs into the economic mainstream in both urban and rural settings.

At the macroeconomic level, the remedies suggested include the application of macroeconomic tools to manage national economies. The tools comprise a number of monetary and fiscal policies that focus on issues such as the money supply, the allocation of credit, interest and exchange rates, and the use of national budgets to create a dynamic environment for national growth.

Much of the new thinking originated in the developed countries, and has filtered down to developing countries as many experienced rising debt levels and an inability to meet their international obligations. Appeals to the International Monetary Fund for both debt restructuring and debt relief brought a host of policies and programmes of this nature to the developing countries. Collectively, these programmes fall under the broader category of "structural adjustment" measures. The fall of the former Soviet Union and the democratizing trends that followed for many of its former dependents and allies also reinforced the move towards more market-based economic systems.

While theoretically markets are considered an efficient mechanism for economic management, they are not perfectly efficient in the real world. For example, market structures themselves may be highly monopolistic, cartelized and bureaucratic, all of which departs from pure competition, and is commonly found in developing countries. Likewise, private enterprise, whether owned by individual entrepreneurs, families or corporations, can be exploitative in the absence of a strong legal and regulatory framework. Exploitation has many forms and can result in environmental damage, pricing irregularities and unfair labour practices, to name just a few. In these instances, private enterprise does little to promote national development or modernization.

Many developing countries have weak financial systems. For example, many do not have well-developed financial markets. They also suffer from resource scarcities. To promote private enterprise, a country needs strong financial systems and an intensive network of institutions, especially financial ones such as money markets and capital markets. All are needed to provide essential services in a modern economy.

Financial systems and institutions have proved extremely difficult to establish and regulate in developing countries. Financial management capacity in both the private and public sectors is also seriously underdeveloped. In many instances the enactment of laws to establish the necessary legal and regulatory frameworks for financial systems is far behind the growth of these institutions.

Similarly, accounting systems and training programmes for accountants and banking and finance personnel have been slow in developing. There are implications for performance in both the public and private sectors. The private sector cannot efficiently and effectively provide goods and services in the absence of basic institutions and systems. Likewise, public administration cannot protect consumers and be accountable when civil servants are unsure of the laws, lack technical expertise or are afraid of political interference.

All of this points to the continuing need for state involvement in the national economy. If anything the responsibilities of public administration intensifies, with dramatic changes required in its capacity to manage the new systems. Most economic systems, being mixed in nature, will continue to require a wide array of administrative capabilities for national governance and management. While experimenting with the privatization of public enterprises, countries also need to reform and improve the management of those enterprises that remain in the public sector.

Changes are also necessary below the national level. For example, local and state governments are increasingly becoming points of action and coordination to give more discretion to smaller units of government, and to increase community participation in the provision of social welfare programmes. All levels of government are being encouraged to think about new kinds of partnerships between the centre and the periphery to share costs and responsibilities.

The partnership concept is also being extended to include public-private partnerships and the inclusion of community-based actors such as community development organizations while some developing countries have readily accepted many of these notions, others remain distrustful of community-based organizations or fearful of decentralizing power where pockets of potential opposition may reside. These are very real problems for some governments, and there may have to be changes and improvements in the wider environment before these models can be applied. The successful application of many market-based systems and principles requires comparable changes in political and social systems which some countries cannot or will not agree to. In the last analysis, each State must decide for itself the appropriate mix of economic tools and methodologies best suited to local conditions.

For public administration the challenge is great. Capacity-building efforts will need to include strategies for both organizations and personnel. Further, more focus will need to be directed to improving inter-agency and interdepartmental coordination, and increasing individual participation. Many senior administrators need to focus more on strengthening their technical expertise and gaining a better understanding of new management techniques and technologies. Specialists and professionals need to strengthen their management skills. Critical to the ongoing administrative reform process is continuing political support for reforms. The history of administrative reform efforts has been plagued by varying levels of political commitment and changing government priorities.

*Meeting social needs*

Many governments have declared their intention to provide adequate health, education, housing and other social services to their citizens. The gap between promises and actual delivery, however, can become too deep a chasm for many countries to bridge. Both financial and managerial constraints have contributed to the problem. After meeting defence and security costs, debt repayment obligations, charged expenditures and civil service costs, many governments have little money left to allocate to social action programmes. Setting priorities through the allocation of resources, particularly if they represent major departures from existing patterns, can be brought about only through political processes.

Administrative variables can make a difference only within political and financial parameters. In many cases, bureaucratic organizations have consumed in overhead costs significant amounts of resources designated for social programmes. In particular, education and health programmes have suffered from excessive centralization and overhead. Housing problems are almost universal among developing countries. For example, many are infamous for their politics of plots, permits and licences. Housing is often a highly politicized subject and the beneficiaries may be groups other than the formally stated target groups. Other areas such as population planning and environmental protection may have weak government commitment. As a result, official organizations responsible for these tasks may be more symbolic than operational.

Many social action programmes may depend partially or entirely upon the vagaries of foreign assistance. In the long run, the programmes will only succeed with genuine political commitment. Given adequate resources, delivery systems can be designed to cut costs and benefit target groups. In many cases, priority can be given not only to decentralization and de-bureaucratization, but also to greater community and professional involvement in the design and use of delivery systems. The housing sector, for example, can benefit from the application of market principles, especially where transparency and openness about how various programmes are implemented have become a political issue.

It is also not uncommon for various groups to have their own social programmes. The armed services and large public enterprises and authorities may have their own health, education and housing programmes. The use of multiple social programmes has tended to bring about a two-track system of social welfare where segments of the public sector are given preferential treatment. Ordinary citizens and the very poor are typically neglected in such a system, or are relegated to generic, under-funded and less attractive safety net programmes. The situation can be ameliorated only minimally through administrative measures. The primary decision is political and involves both a commitment to protect society's most vulnerable members, and the will to challenge the status of privileged groups, many of which serve government

Social action programmes can also involve issues about the legal and social responsibility of business. This is a comparatively new notion for most developing countries. For example, many countries have formulated social security laws. Leaving aside a few large enterprises, especially in the public sector, many organizations do little more than pay lip-service to such laws. The concept of social responsibility is even more fragile. Few private enterprises think of themselves as "citizens" of the community, and recognize few, if any, obligations to the community. Many large corporate

entities (both foreign and domestic), for example, have received government incentives and subsidies based on reciprocal agreements to assist in local development programmes. Rarely have these agreements been enforced. More needs to be done to make corporate enterprises more responsible to the community at large.

### *Effective use of information technology*

The use of information technology (IT) in public administration is not simply an issue of buying computers, communications facilities and software, and delivering them to the users. This is evidenced by the numerous governmental computerization and information systems projects which have failed worldwide. Developing countries seeking to emulate the success of information systems development in many industrial countries also have to examine some three decades of experience for the numerous pitfalls in public administration computerization.

An effective approach to information technology use in government must be based on the overall objectives of civil service management, such as great effectiveness, efficiency and productivity, which require some basic principles to be observed. Result-orientation of IT use must be ensured by integrating it with general government policies for the modernization and improvement of efficiency, including adequate measuring of performance and results. Demand-driven instead of technology-driven incentives should prevail. The best technology is the one which can best meet the needs of users rather than the most advanced ones. Management awareness and appreciation of IT and attention to IT efforts must be substantially raised. Without the understanding and support of top management in government agencies, any computerization and information systems development projects can hardly succeed there. Human resources development, in terms of both technical professionals of IT and end-users, is the key for any information systems projects to succeed and must be strengthened.

Political leadership is especially important for cross-ministerial or cross-departmental IT projects. It is a common experience that most computer systems acquired by the civil service are intended to serve the objectives of individual government departments or public agencies. Incentives for successful implementation of these systems are usually driven by the ambitions of these departments or agencies. Cases where cross-ministerial systems have been successfully acquired and implemented when government has given them priority at the expense of individual departmental systems are very rare. The civil service has usually given low priority to interministerial IT projects, except in cases of very strong political leadership or of consensus about the necessity of the project among departments involved. Illustrative of such difficulties are failed attempts in most countries to establish a unified land registration system. The general lesson to be learned from this apparent reluctance of the civil service to accept and support new systems without specific departmental "ownership" is that IT projects are feasible only when clear objectives and proper incentives for their application are given.

Human resources constraints are a major consideration in designing IT projects for the public sector when developing IT use in developing countries. Since demand for both technical and managerial resources is substantial, IT projects must be scaled and timed accordingly. Scarcity of human

resources can occur both in terms of the availability of expertise to design and implement new procedures systems and in terms of the speed at which organizations can efficiently absorb such new procedures and systems. The absorptive capacity of an organization depends on the willingness and ability of its top management to support the organizational changes necessary to effectively implement IT and of the rank-and-file employees to work effectively in the new environment. Without planning and accounting for this absorptive capacity, even the best technically designed IT solutions are prone to failure during implementation.

Effective use of available human resources in civil service IT projects requires careful choices in terms of priorities and sequencing of projects. Although consultancy services have been widely used in every public-sector computerization programme, they are not a perfect substitute for the lack of human resources within the public agency concerned. Safeguards are needed in designing consultancy contracts to ensure that there is a sufficient level of transfer of technical and managerial know-how to sustain and further develop a project.

Another fundamental lesson is needed to evaluate infrastructure shortcomings, notably in telecommunications services. Where inadequacies exist there, careful choices need to be made between postponing certain projects until better services are available, such as wide area networks (WANs), or redesigning these projects which might in some cases perform well even without relying on telecommunications by wire. Simple solution such as exchange diskettes might suffice in many cases where high-speed data telecommunications are not available. Some public-sector IT projects, especially those which cut across many agencies or departments, might require high-quality telecommunications services to help generate the returns needed to justify the investments incurred.

Success in IT projects in the public administration of other countries cannot be readily replicated, particularly given the circumstances of most developing countries. These are therefore important considerations in terms of necessary political commitment, proper institutional planning and implementation set-up, and adequate assessment of human and infrastructural constraints to avoid serious cost overruns and project failures.

### *Non-governmental organizations*

Non-governmental organizations (NGOs) are increasingly partnering public administration. Since the 1980s developing countries have experienced a rapid growth in both the number and activities of NGOs. NGOs vary widely in their missions and objectives, ranging from human rights groups to activists in the different social sectors. For example, NGOs are active in supporting the development of women and children and other disadvantaged groups, community development, charities, the environment and wildlife preservation, and health and education.

Most NGOs emerged in the hope that they would be able to participate in public policy-making and social affairs more generally. They were expected not only to dilute administrative preponderance in public affairs, but also to become autonomous centres for alternative development strategies, new service delivery systems and perhaps even new development models. In some cases, expectations

have included a critical role for NGOs in decentralization efforts and experimentation with social action programmes.

In general the initiative to promote NGOs has come from outside sources, usually aid-giving agencies and NGOs based in developed countries. Many national-level NGOs have remained linked to and dependent upon these outside sources. It is also not uncommon for NGO activity to be inhibited by governments who fear and distrust community-based organizations as potential power bases of opposition to government programmes. For example, there are only a few NGO "think tanks" working in public administration, local government or good governance. Advocacy work, in particular, has been difficult for NGOs. The objective of advocacy organizations is to raise the level of consciousness among citizens with regard to public policy issues and individual rights. This is normally done through seminars, discussions and radio talks. Advocacy NGOs are a more recent phenomenon in most developing countries and are effective only where there is political tolerance for criticism.

The more common experience is that NGOs operate as an informal extension of the public organizations upon which they depend for patronage. Often this means that they will be engaged in pilot projects of topical popularity for which funds are available from a public organization or external donors. While NGOs have a significant role to play in many developing countries, they share many of the same weaknesses that affect society more generally. These can include poor organization and management, and weak links with other groups and institutions in society.

#### *Some final thoughts*

In their diversity, developing countries present a richness of experience in grappling with the challenge of both governance and modernization. Public administration has been an integral part of this experience. Some have viewed it as the agent of modernization and governance. Others have chosen to either vilify or victimize public administration for its efforts.

It is possible to find commonalities and similarities in the various interpretations and experiences of developing societies. In conclusion, this monograph offers some generalizations that can help to focus one's thinking about the future challenges to be met:

- The varied and complex tasks to be performed by public administration are an ongoing process which is influenced by changing ideologies, governing styles and societal values. This makes the study and practice of public administration dynamic with regard to both its structures and processes;
- A greater role for the private sector in national development has shifted the responsibilities of public administration away from directing the economy to managing it. This has heightened the need to increase public administration's capacity in coordination and conflict resolution through the effective management of legal and regulatory frameworks;
- The commitment to market principles also applies to greater efficiency and responsiveness in the internal management practices of the public sector at all levels of government. Efforts to decentralize and privatize, and a new reliance on public-private partnerships highlight the need to develop creative and innovative approaches in the performance of public administration;
- Many important issues in public policy are political in nature. While administrative capabilities can and should be strengthened in many areas, major breakthroughs and efforts for sustainable change require political will to reorient the way resources are allocated in society.