Policy Frameworks and Municipal Effectiveness

By David Fellows [1]

Introduction

Local governments, referred to here as 'municipalities', tend to be smaller scale, face less complex challenges, and have less diversity amongst stakeholders when compared to national governments. This relative simplicity should be regarded as their defining strength. It eases the path to identifying their core mission and prioritising service developments within resource constraints and national mandates.

A common problem with capitalising on this strength is that municipal strategic policy agendas are often asserted without sufficient regard to their consistent articulation, internal coherence or supporting administrative sub-structure. It is the author's contention that without these attributes municipal leadership will always lack clarity of direction; delivery competence; and full hearted community support. In addition, the media will have grounds for scepticism and its criticisms will probably intensify over time.

This piece outlines the elements of an effective municipal policy framework and the need for its periodic review and realignment.

The Policy Framework

The fundamental elements and principles of the policy framework are outlined below:

1. Policy objectives should be set at a long-term level with more detailed expression at shorter timescales. This policy cascade must be consistent. The policy cascade must be achievable in a practical sense and there must be sound and clearly expressed reasons to expect the necessary resources (finance, skills and materials) to be available in the timescale envisaged by the policy objective.
2. Operational changes must be supported by realistic development plans and external expert support should be sought to help develop internal capacity where necessary.
3. There should be a medium term budget reflecting the

stated policy system over a minimum 3 year policy timescale. All budgets should contain both revenue and capital provision that should be consistent between the two, realistically achievable. Where policies are changed the budget must change accordingly.

4. No spending commitment must be made until budget provision has been allocated as a priority above all competing demands that would otherwise make funding untenable.

5. Service delivery arrangements and underpinning administrative processes must be set out clearly and there must be adequate training plans to achieve the intended outcomes.

6. The budgetary control must be exercised to ensure that expenditure and revenues are consistent with the budget and where this is not achievable then modifications to policy, practice and budget must be made appropriately. The overall responsibility for containing spending within budget must be imposed on departmental heads without the option of delegation to a lower level.

7. Benefits realisation strategies for new developments must be used to guide successful outcomes and risk management strategies used to anticipate and mitigate possible challenges.

8. Civil servants must have performance contracts for achieving service outputs and outcomes within budget.

9. There must be public engagement in the development process and transparency about its outcomes.

10. The logical chain of policy, delivery practice, supporting administrative processes, development plans and budgetary provision must be understood by politicians and administrators at all levels.

This type of policy framework could be said to be applicable to anywhere within to anywhere within the public service but in municipalities it is more tangible in terms of proximity

between the administration and the community as a whole, more easily comprehended as a working system that encompasses the entire municipality and more capable of being used by the political leadership as an envisioning and executive tool. This sentiment was echoed by Mr Armand Beouinde, Mayor of Ouagadougou, Burkina Faso at the [UN-Habitat Conference in Marrakesh](#) last November.

Review

Periodic reviews of the policy framework offer an opportunity to improve coherence and effectiveness. They can also lead to a better understanding of municipal capacity and critical areas of weakness that must be addressed if ambitions are to be fully realised. It may be useful for such reviews to be undertaken independently and shared with the community for comment prior to finalisation.

Conclusion

Municipalities are well placed to make crucial contributions to community well-being and development. Better governance based on coherent policy frameworks and sound development plans can help them deliver on their potential. In the author's view development partners can be too keen to rush developing countries into adopting practices that are unsustainable before the necessary organisational capacity has been achieved.

End note

We should be pleased to discuss the ideas in this piece with those who believe that they may have relevance to their situation.

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[1] *David Fellows began his career in UK local government where he became President of the Society of Municipal Treasurers and a pioneer of digital government, he followed this with stints in the UK Cabinet Office and the National Treasury of South Africa. He is a director of PFMConnect.*

Digital Government in Developing Countries

Posted by David Fellows and Glyn Evans[1]

With the aid of development partners, developing countries are making commitments to maximise the use of digital technology. The ICT industry is right behind them. In these reforms, digital technology is being represented as the principal transformative medium of government. But to think of "Digital Government" as necessarily transformative, almost an end in itself, is misguided. Governments should be primarily concerned to provide their services and engage with electorates in the most cost-effective way. Digital technology may or may not have a role in that process.

Here are some of the fields in which digital technology has demonstrated that it has a potential role to play in developing countries:

- Transparency and public engagement
- Basic public service delivery in the fields of health and education
- Public safety and security
- The collection of tax and non-tax revenues
- The management of population growth in urban areas
- The sustainability and development of rural communities
- Skill shortages throughout the economy
- Economic diversification
- Measures to combat corruption
- Resilience to natural disasters

We do not accept, however, that the answer to any of these challenges is necessarily a massive investment in digital technology, say a 'digital city' or a fully integrated expenditure, revenues and payments system.

Many developing countries are not well positioned to make sustainable progress with digital technology in huge multi-faceted programmes requiring vast initial expenditure. This form of development may do little more than provide substantial fee income for international consultancies and software developers. Once the consultants are gone and system design faults surface, client needs change or in-house staff are poached by others, then the facilities that promised so much may become more of a hindrance than an advantage.

Things may not even get that far. Without governments having sufficient staff with the necessary technical skills, digital systems may never be properly configured and the client may be left with a partially implemented system. Nevertheless, it is surprising how many such projects are specified and funded. Problematic factors are sometimes acknowledged without being fully taken into account.

We suggest that an evolutionary approach to digitally-enabled reform offers a more realistic way forward. The process should start with an analysis of the operational imperatives for improvement. This requires the following ten-point strategy:

1. A clear vision for future service delivery and the developing relationship between citizens and the government
2. A thorough assessment of internal resources (skills, knowledge, staffing commitments and budgets) required to support the implementation of reform and new ways of working
3. An overhaul of management philosophy and governance arrangements
4. The identification of mechanisms to address relevant gaps in capacity including improvements in the

recruitment and training of in-house staff and encouragement of local firms to upgrade their ICT capacity incrementally to support public service digital applications (multinational collaboration for the [professional development of public servants](#) and the [improvement of governance and working practices](#) are addressed in previous blogs)

5. An examination of the various options by which change can be achieved
6. A robust approach to investment appraisal
7. An assertion of priorities based on sound information and analysis
8. A clear strategy to deliver project sustainability (including security)
9. The identification of the benefits sought and how such benefits are to be achieved, and
10. A relentless focus on benefits realization accompanied by the modification of working methods to rectify performance shortfalls.

This approach is based on our past work, which we can illustrate with examples of two completed major projects, as well as our experience in developing countries.

The first example in Knowsley, one of the UK's most deprived areas, was one of the world's first "smart city" projects, started in 1997. It featured public information systems, electronic application forms, payment facilities, public feedback on quality of service, schoolwork support, an interactive liveability learning application for mentally challenged young adults, digital enablement schemes and public availability of PCs in libraries and community centres.

The second project in Birmingham, the UK's largest

metropolitan municipality was probably the largest digitally-enabled change programme ever undertaken in a European city. It included the digitisation of procurement, HR (including performance management) and accounting practices, providing managers with accurate, real-time information, and digitising customer contact and the fulfilment management of customer requests, resulting in customer satisfaction improving by 20 percentage points. The entire change programme realised revenue savings of £100 million a year.

These examples suggest that it is possible to make significant reductions in the risk to both funders and recipients of digital-enabled developments by:

- Preparing an organisational readiness analysis and development strategy as set out above
- Establishing the necessary roles and finding the right people to fill those roles
- Monitoring and evaluating progress, and
- Responding with operational modifications as necessary to achieve the desired outcomes, and as technological advances offer fresh opportunities.

Some developments will not necessarily require state financial or operational support. Private sector encouragement may be sufficient. For example, physical planning that offers confidence to developers or infrastructure standards that support the public use of digital technology.

In our view, a challenging reform agenda demands a flexible approach, cool judgement and realistic timescales. Those in positions of responsibility should take steps to avoid being found friendless and trapped by the expectations and largesse

heaped upon them.

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The case for an international online public service academy

by [David Fellows](#) [1]

Introduction

The purpose of this post is to consider how digital communication could be developed for the provision of structured professional education for public servants in

developing countries using an academy model. This proposal is based on the proposition that there is a widespread need for professional training to improve administrative effectiveness through a general grounding in the nature of public administration and its place in society; the study of key aspects of public sector management, relevant techniques and organisational values; and the examination of reform objectives and the means of achieving them.

Why open learning for developing countries? Well, a campus format bears a heavy cost-base and brings the practical difficulties of assembling the teaching staff necessary to deliver the standard of professional education required. It also incurs the loss of students from the workplace for substantial periods of time, together with the costs of student travel and accommodation. The positive advantages of an open learning format include the flexibility of study time demands on student availability and, potentially, the benefits of an international experience for participating students given their interaction with students and teachers from around the world. This kind of initiative is not irrelevant to developed countries but I suggest that the priority and funding model should address the needs of developing nations first and foremost.

Geographical reach

The use of digital communication provides for flexibility of student and teacher location. Seminars and staff meetings could be held online, academic material developed collaboratively over document handling systems, and student work could be dealt with by email or in-house systems. This would not be far removed from how most higher educational institutions are developing staff/student communication even where they are campus-based.

There may be merit in some courses being directed to regional

groupings of students in order to provide greater focus on regional issues and it would make sense to do this using tutors who are immersed in the regional context. There may even be merit in some courses being run on a purely national basis. It would certainly be important to ensure that student study programs are aligned to the needs of the employing governments, possibly reflected in the nature of assignments or course options.

There could be a single worldwide institution with regional coordination to foster government relationships and accommodate periodic student workshops, although this is not essential in order to gain advantages from this format. There could be regionally based institutions or some states could operate primarily on a national basis.

Student body

The students would be permanent officials of the public service in developing countries. There could be extensive flexibility about study arrangements including varying amounts of office time allowed for study purposes. This would be part of the arrangements to be agreed with the institution, and individual student study programs would take this into account.

Students could be encouraged to come together regularly online on a national or international basis to discuss their needs and course provision. Academic staff could join such meetings on request. Regular physical meetings of students could be possible on a national or departmental basis as well as at occasional regional workshops.

Prospectus

Initially the prospectus should be developed around core governance-related topics: policy development; management and leadership (including roles and responsibilities of

politicians and officials); human resources (including capacity development, appointment processes, records); public financial management; law; ethics; and economics (as a more contextual subject). Student programs could identify specific elements to be taken at a more advanced level (e.g. taxation or international trade). Some elements could be country specific.

The student program-based approach should allow flexibility in syllabus scheduling to reflect the time commitment made by each student. This does not mean that study would be unscheduled but that work schedules would be agreed with employers and students with the intention of building student cohorts around particular schedules. Tutors would be assigned to support each student cohort in making the necessary progress.

Courses would have action-oriented elements so that demonstrable benefits are gained for client governments from each program of study. Relevant benefits would be stated at the outset and evaluated in student assessments and satisfactory course completion would be formally certified.

In addition, short courses on service specialisations could be developed or a mentoring service could be provided for newly promoted administrators.

The foundations

There is no need to create a completely new institution. There are a variety of bases on which the proposals could be founded. Various universities, civil service colleges and development agencies (e.g. the [new online Public Financial Management Course](#) just launched by the International Monetary Fund) around the world could establish the kind of institution proposed as an adjunct to their existing courses and program. Doing so would also provide the governance and administrative arrangements on which to base the new institution.

There is also no need to make extravagant claims about the possible size and scope of the institution. It could perhaps take a modest group of nations and development partners as a starting point. It is interesting to note that three conventional universities in the UK offer online Masters of Business Administration (MBA), one of which offers a two year course, and the others are more flexible with UK citizens forming a minority of each student body (ranging from 11% to 48%). In addition, the [UK Open University Business School](#) offers two and three year MBAs worldwide.

Nor is there any necessity to suppose that the starting point would be located in the northern hemisphere amongst the traditional developed nations. There would simply need to be familiarity with the concept of an open online college. Is the [Singapore Civil Service College](#) a prospective starting point? Could India launch an online Civil Service College to satisfy its own needs, while also attracting students from further afield?

Client state engagement in governance arrangements would also offer the opportunity of using the institution to further South–South collaboration and the greater ownership of development philosophy by the developing nations.

Funding the academy

The academy model is capable of being funded jointly by client governments and development partners. Cost-sharing could be flexible. Costs could be contained through collaboration agreements with appropriate institutions and the variety of expertise achieved in this way would add to the benefits of the model. The cost-benefits of online education have been demonstrated by existing institutions and must be exploited for this purpose.

The set-up cost would depend to some extent on the institutional foundations. Digital infrastructure costs would be scalable through agreement with application service

providers with concessionary pricing being sought particularly at the outset.

Conclusions

The purpose of this brief note is to suggest that it is now possible to provide extensive and high quality professional training for the public servants of developing countries with courses delivered predominantly via digital technology. It is further suggested that such an initiative would be cost-effective and possibly developed incrementally out of an existing institution(s).

At the current time capacity development has fallen out of favour with development partners due to the lack of clear linkage to measurable reform. I suggest, however, that without increased professional development for government officials the very ambition of improving state institutions is fundamentally flawed. It is for those engaged in the formation of new institutions to demonstrate the effectiveness of such initiatives through the delivery and assessment mechanisms that are embedded within them.

[1] The author is a Co-principal of PFMConnect. A slightly abbreviated version of this blog is available at the Devpolicy Blog of the Development Policy Centre based at the Australian National University's Crawford School of Public Policy.

International Development and

the Challenge of Public Sector Corruption

By David Fellows, John Leonardo and Cornelia Körtl[1]

Revelations in the Panama Papers released earlier this month have focused international attention on the hidden financial structures that facilitate the transfer of assets obtained through both legal and criminal means to offshore tax havens. In a recent report, the research organization Global Financial Integrity suggests that illicit financial flows from developing countries have reached the staggering sum of $1 trillion a year.

Is corruption in developing countries of any legitimate concern to the West? The U.N. Economic Commission for Africa in its recent African Governance Report IV implicates the West when it suggests that "the role of private sector actors in fuelling corruption … should not be ignored." Yet Western nations are increasingly expected to act as trading partners to developing countries. They must also be accountable to their electorates for obtaining value from their aid expenditure.

Corruption concerns the use of public position to gain private advantage, such as wealth, power, or status. In the public sector, corruption can take on many forms, ranging from the misappropriation of funds to extortion and the abuse of

patronage. We provide further examples [here](). It can reduce state revenues, increase state expenditures, diminish economic development, and impair the capacity of public services. It can also hamper the transition from aid as project-funding to aid as direct budget support. Corruption can undermine nationhood by destroying confidence in public administration and the political process, impoverishing communities and denying opportunity.

At the most recent OECD's Anti-Bribery Ministerial Meeting, the president of the International Federation of Accountants stressed the importance of strengthening public financial management (PFM) systems to combat corruption in the public sector. PFM includes budget preparation, internal control, internal audit, procurement, monitoring and reporting

arrangements, and external audit[2].

In this short piece we offer evidence that corruption hampers government effectiveness, including the quality of public services, and economic prosperity. While serious corruption exists in both developed and developing countries, it is developing countries that can least afford the very significant cost and the collateral damage. We suggest that good PFM can help control corruption and we set out our thoughts on how this beneficial effect can be achieved.

Two sides to corruption

Worryingly, networks of corruption can normalize corrupt behaviour and offer mutual protection to those involved. In an insightful report on Indonesia in 2003[3] the World Bank stresses the importance of organisational environment over salary level and suggests that political corruption usually requires the active complicity of civil servants. The international Anti-Corruption Resource Centre, U4, [has developed a useful account of the personal and social considerations in play](). For instance, the risk of detection

and consequent penalties can be equally relevant considerations: when the risk of detection is low, corruption may thrive even in situations with significant penalties. Contrarily, corruption may be high with high risk of detection but low penalties. Similarly, Khan[4] argues that the underlying distribution of power between actors is essential to understand corruption in a particular context. Clearly, anti-corruption reforms must address the specific drivers of corruption in the national context.

Various international agencies have sought to discourage the provision of bribes by foreign nationals. The UN Convention against Corruption attempts to discourage corruption by making the payment of bribes abroad a criminal offense prosecutable in the home countries of foreign nationals. The OECD Anti-Bribery Convention takes a similar approach.

The empirical connection

We have examined the consequences of corruption and the impact on PFM performance from a statistical perspective in several ways. We summarise our conclusions in this section (all correlations are significant at a 99% confidence level except where otherwise stated). We also illustrate here the chain of events implicit in the data.

Firstly, we have correlated control of corruption (capturing perceptions of the extent to which public power is exercised for private gain) and government effectiveness (including the quality of public services) for 184 countries using data from the World Bank's 2013 Worldwide Governance Indicators, together with World Bank 2013 per capita income data and Rand Corporation's Trace (bribery) Matrix risk scores for these countries (see Table 1).

| Table 1: Corruption Correlations |

Corruption measure	WGI Government Effectiveness	GDP/head
WGI Control of Corruption	Significant correlation	Significant correlation
Trace (bribery) Matrix[5]	Significant inverse correlation	Significant inverse correlation

Indicators of corruption are highly subjective and therefore of questionable validity. Nevertheless we note the similarity of the significant relationships achieved from the two different indicators of corruption and hence believe in the validity of the relationships.

We also correlated some recent measures of PFM performance with measures of corruption and government effectiveness for 39 developing countries for which Public Expenditure and Financial Accountability (PEFA) assessments[6] were made available during the past three years from 2013 to 2015 (see Table 2).

This second set of correlations is more problematic. PEFA indicators are not designed to isolate activities that are most indicative of corruption and recent PEFA results together with government effectiveness, control of corruption and Trace risk scores were only available for thirty-nine countries. Despite this hindrance and the inherent weakness in the corruption data mentioned above we find some significant statistical relationships amongst the indicators that cover activities most vulnerable to corruption or concerned with its detection. This seems to suggest that PFM, or at least some aspects of PFM, is relevant to combatting corruption and securing government effectiveness.

Table 2: PFM Correlations to Corruption and Government Effectiveness			
PFM quality assessed using PEFA Performance Indicators	**Control of Corruption**	**Trace Risk Index**	**Government Effectiveness**
Degree of integration & reconciliation between personal records and payroll data	Significant Correlation	No significant correlation	Significant Correlation
Effectiveness of internal controls for non-salaried expenditure	No significant correlation	Significant Correlation	Significant Correlation
Frequency and distribution of internal audit reports	Significant correlation*	Significant Correlation	Significant Correlation

This correlation is significant at a 95% confidence interval.

The general inference we take from this exercise is that good PFM practice is likely to be beneficial to the advancement of good public service delivery and economic performance in developing countries.

Effective PFM reforms to combat corruption

Endemic corruption should be confronted through location-specific action prioritized on three factors: national detriment, effectiveness of the measures proposed, and capacity of the administration to effect the proposals.

Reform proposals should be designed to cover key weaknesses but avoid technical complexity that cannot be sustained. For instance, does the state have a sufficiently robust communications network and the necessary information and communications technology skills available to enable public sector organisations to undertake their purchasing from

private sector suppliers using internet-based systems; or, are manual system improvements coupled with greater transparency in awarding contracts preferable, at least in the short term? Next, financial regulations need to be coherent and simplified where necessary. They should be more exacting in areas of high risk and high value.

Internal audit often requires improved capacity and must have reporting access to the most senior government official. External audit reports should have full public disclosure and external auditors should have access to public accounts committees that are informed by independent expert support.

The public must be made aware of the service standards they can expect and have access to effective complaints mechanisms in order to ensure value for money. Also, business and professional associations must be encouraged to voice concerns about corruption and poor financial practices.

Transparency of policy decisions and of financial performance is imperative through government information systems, among which government websites are increasingly important. But free media reporting and comment are essential to securing all such reforms.

Wider supportive activities

Perhaps some of the most important PFM reform activities are not of a strictly financial nature. Senior officials and politicians must demonstrate exemplary leadership, civil service watchdogs should underpin standards of conduct and should be invested with investigatory powers, codes of conduct should be adopted as a condition of employment, recruitment must be made on merit, appraisal and disciplinary processes must be robust, and there must be adequate standards of induction and in-service training.

Judicial systems must be freed from corruption and political interference, and consideration should be given to

establishing special courts for corruption.

Opportunities for corruption can be reduced by avoiding personal contact through the use of online service delivery (where feasible) and by eliminating unnecessary bureaucracy. Transferring services of a commercial nature from public to private sector providers should be considered, although this requires careful implementation and continuing regulation in some cases.

The role of development partners

International development partners, particularly the large aid organizations, are well positioned to establish appropriate incentive frameworks, identify opportunities, and adopt the necessary long-term perspective required for PFM reforms. These situations are not suitable for pre-packaged solutions. Rather, the frameworks should include actively managed, locally focused programs requiring collaboration between governments and development partners to track progress and drive change, with ownership of the programs vested in client states.

Development partner funding for reform activities should be linked to the attainment of specific milestones previously agreed with governments and released in tranches as agreed reforms are realized. Such improvements are beginning to gain ground and must be complemented by effective advocacy for transparency in financial matters and press freedom.

Conclusion

The level of corruption in developing countries, including the use of tax havens for sheltering the proceeds of top tier corruption, has become a current issue. In addition, corrupt environments threaten trade relations with developing countries and the criminalization of bribery in the home countries of foreign nationals, although an essential development, adds to the deterrent effect for foreign-based

businesses.

Economist Gabriel Zucman [estimates](#) that over 30 percent of all Africa's financial wealth is stored in tax havens, of which it may be assumed that a substantial proportion goes untaxed. The conclusion drawn from this is that even if the poor pay their fair share in taxes, the world's wealthiest often do not. Reforms of tax law and administration are clearly required as part of the PFM reform agenda.

The eradication of endemic corruption is an enormous challenge for developing countries. PFM reform has much to offer, but international development partners need to do more to support collaborative change processes and plan for the long haul.

[1] David Fellows and John Leonardo are Principals and Cornelia Körtl is an Associate of PFMConnect. Their work covers development projects in Africa, Asia, and the Pacific Islands.

[2] A wide-ranging discussion **of** PFM practice is well beyond the confines of this article. We refer only to practices that are particularly relevant to the control of corruption. *See* Stephen Peterson 'Public Finance and Economic Growth in Developing Countries: Lessons from Ethiopia's reforms' for a thought-provoking and very readable commentary on the challenges facing those who would design financial systems for developing countries.

[3] World Bank: Combating Corruption in Indonesia *Enhancing Accountability for Development* 2003

[4] Mushtaq Khan understands corruption as a 'type of illegal rent seeking' (*[Khan, 2006. State weakness in developing countries and strategies of institutional reform – Operational Implications for Anti-Corruption Policy and A case-study of Tanzania, p.9](#)*). For a complete understanding of his theory on rent-seeking see Khan, M. and Jomo, K.S. (eds) (2000). *Rents, Rent-Seeking and Economic Development: Theory and Evidence in*

Asia. Cambridge: Cambridge University Press.

[5] The Trace Matrix assesses the risk of encountering business bribery in a particular country; higher scores imply higher risk of encountering bribery expectations (for more information see here). A discussion of the methodology employed to determine the correlations presented in Tables 1 (and 2) is available here.

[6] For the PEFA system and its findings see www.pefa.org