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Public Sector Reform and Poverty Reduction

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Abbreviations and Acronyms

ADAB	Association of Development Agencies in Bangladesh
ADB	Asian Development Bank
APO	Asian Productivity Organization
BRAC	Bangladesh Rural Advancement Committee
CSR	Civil Service Reform
CODE-NGO	Caucus of Development NGOs
DAP	Development Academy of the Philippines
DMC	Developing Member Country
EROPA	Eastern Regional Organization for Public Administration
GIO	Government Information Office
HDC	Mahbub ul Haq Human Development Center
HRD	Human Resources Development
IDN	International Development Network
IPRSP	Interim Poverty Reduction Strategy Paper
LGA	Local Government Academy
LOGODEF	Local Government Development Foundation
MoHA	Ministry of Home Affairs
NAB	National Accountability Bureau
NAPC	National Anti-Poverty Commission
NAAA	National Anti-Poverty Action Agenda
NESDB	National Economic and Social Development Board
NRB	National Reconstruction Bureau
NGO	Non -Governmental Organization
PPA	Participatory Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
PSR	Public Sector Reform
RD	Rural Development
TDRI	Thailand Development Research Institute
UN	United Nations
UNDP	United Nations Development Program
WB	World Bank
WDR	World Development Report
WTDP	Well-To-Do-Program

Executive Summary

The reduction of poverty continues to occupy highest priority in the agenda of many developing member countries (DMCs). Strategies have been designed at various levels - local, national regional and international - with the ultimate objective of contributing towards the reduction of poverty in the society. Many such strategies have been formulated with the general objective of attaining good governance. Good governance is a *sine qua non* in the efforts to conquer poverty.

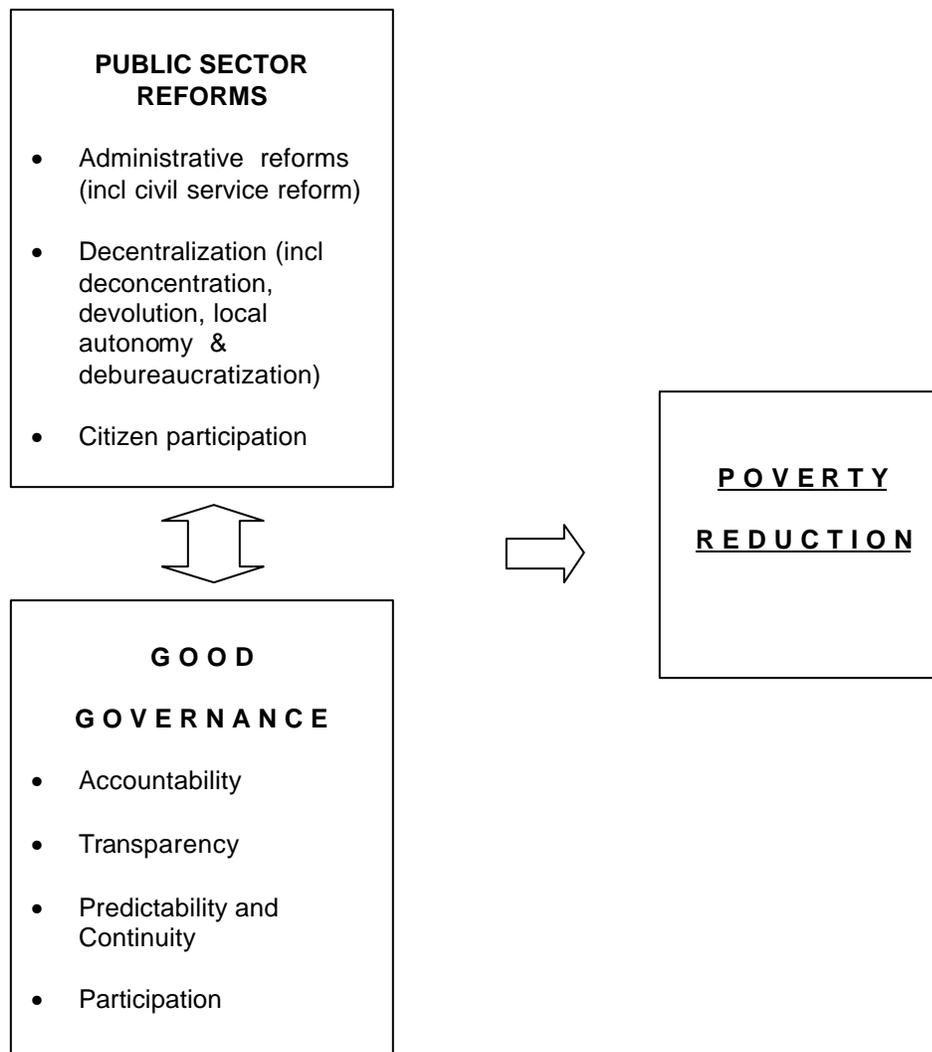
Among the major strategies to bring about good governance is to reform the public sector. Reforms can be operationalized in three major areas: administrative reform including the reorganization of the bureaucracy, its institutions and its processes; decentralization, including the transfer of powers, authorities, responsibilities and accountabilities to lower level institutions; and citizen participation, including opening up more avenues to enable access of citizens to participate and influence the processes of decision-making, and enable ownership of the reform processes.

Administrative reforms, that include reforms in the civil service, will foster economic growth and sustained poverty reduction by reducing obstacles to private sector development that the poorly performing public sector now creates. Such reforms increase the resources for priority spending by containing personnel expenditures. These will also contribute to good governance through increased accountability by addressing the serious problems of governance and corruption.

Decentralization must be seen as a process that may contribute to the reduction of poverty in DMCs. Depending on design and implementation, it may or may not improve the poverty situation in a country. The process of decentralization may transfer powers, resources and accountabilities to lower level institutions. As such, the implementation of poverty reduction programs, projects and activities will be more responsive to the actual and real needs of the local populace, considering that they are, substantially and figuratively, closer to the people. On the other hand, depending on the distribution and concentration of power both at the local and national level, decentralization may contribute to the exacerbation of the problem by further concentrating powers at the level of local economic and political elite. This is where the dimension of accountabilities and answerabilities should be underscored in the process of decentralization,

Participatory governance is a key factor that can spell the success or failure of poverty reduction programs and projects. Participation can be operationalized through various mechanisms. This could include consultations (direct or indirect) and partnerships with the citizens in various phases of the project cycle - from project identification, to design, to implementation, and evaluation and assessment. Experience has shown, though, that participation can be most effectively operationalized in the project identification, implementation and evaluation and assessment stages.

The following is a schematic framework adopted by this paper suggesting the relationships (but not necessarily causal) between and among public sector reforms, good governance and poverty reduction.



Among DMCs studied, reforms in the public sector have been among the priorities of most governments. Reorganizing the bureaucracy and decentralizing powers to local authorities continue to be among the reform priorities articulated by various governments as they assumed power. The experience of the selected DMCs has shown that such reforms take time, cannot be fast-tracked and may take decades before they actually bear fruit and improve governance. Public sector reforms should be seen and appreciated as a long-term effort. Frequent political changes in governments and regimes, brought about by normal changes in administration or political and military upheavals, or transition governments from centrally planned economies to market economies have disrupted and discontinued the implementation of such reforms, and in the process, hampered general poverty reduction initiatives. Others early on have carried out public sector reform and have been relatively successful in their efforts to reduce poverty. Stability, continuity and sustainability in the implementation of public sector reform are key factors for their success.

Among the countries examined for this study, those relatively successful in their poverty reduction programs (such as Korea and Taipei,China) have been among those

that have carried out public sector reform through administrative reform early on in the process. The linkage between such (administrative reform and poverty reduction) may therefore be the subject for further investigation.

Failure in implementation is a major stumbling block in poverty reduction efforts. Many of the countries surveyed have poverty reduction frameworks; some more sophisticated than others, some in the form of broad and well-crafted poverty reduction strategy papers. But their experience has shown that partisan politics, lack of political will and graft and corruption have become serious obstacles in implementation. Related to this is the lack of continuity in the implementation of poverty reduction programs in DMCs. Changes in leadership at the national and local levels usually threaten the continuity of implementation of poverty reduction programs.

Lack of administrative capacities of institutions - both at the national and local levels - has also proven to be a constraint to implementation of poverty reduction programs. More specifically, these include the lack of appropriate skills (especially at the local level) and also relatively low salaries of government employees in contrast to those in the private sector. This has become a disincentive for qualified people to work in the bureaucracy, hence depriving it of more qualified personnel. It will be recalled that increasing the salaries of government workers has become a "standard" recommendation of most administrative reform measures.

Local governments play a key role in the implementation of poverty reduction efforts. Being in the frontline, they are logically positioned to deliver basic services to the people. It is important to continue developing the capacities of local governments to enable them to meet their responsibilities as front line institutions in poverty reduction. Several areas have been identified as areas for capacity enhancement of local governments that would enable them to better confront the challenges of poverty reduction at the local level.

Decentralization and devolution strategies for poverty reduction must be accompanied by serious capacity building efforts. This is especially true for governments that have undergone serious political upheavals and changes (such as Bangladesh and Pakistan) and also for those that are undergoing radical transition from centrally planned economies to market economies (such as Laos and Vietnam). Others like the Philippine and Thailand continue to need capacity building interventions if only to sustain and strengthen the devolution processes.

Our survey has shown that the concerned DMCs in this study are not wanting in the presence of capacity building and training institutions for both local and national government agency officials. What may be necessary would be to develop a comprehensive capacity building program for the various countries, with specific modules aimed at developing specific skills of the participants. Such a comprehensive framework, however, should take cognizance of the challenges of poverty in the country, and in their implementation, locate the capacity building interventions to the overall poverty reduction framework of the country. Capacity building programs should be located within the poverty reduction framework of the government wherein the roles of the various sectors (government, private, civil society, business, donor institutions, etc.) are properly defined at the local, national, and international levels.

The various DMCs surveyed have different and country-specific ways of operationalizing public sector reforms. For instance, decentralization may be seen by some as devolution of powers to the local governments, while others see it simply as deconcentrating powers to lower level institutions. In like manner, participation is operationalized by others as encouraging active civil society involvement in the processes of governance and the delivery of basic services, while in others simply as participating within the framework defined by the national government. Again, the notion of formalistic participation has to be recognized. More importantly, though, the *context* - social, political, and cultural - within which the public sector reforms must be recognized in trying to understand and explain the nature and implementation of said reforms. Eventually, this can also help explain the non-implementation, and even failure, of the reform interventions for poverty reduction.

Indeed, there can be no such thing as a "universal model" of public sector reform for poverty reduction, where a one-size fits all formula can be applied to similar situations around the world. What can be done is to facilitate the sharing of experiences among the various countries, and where appropriate, approaches to public sector reform and poverty reduction adapted, and adopted, by others within the context of an enriched learning environment. It is likewise important to recognize that the experiences of the different countries are unique and have to be placed and appreciated within the proper historical, social, cultural, political and administrative contexts.

I. Introduction

What role do public sector reforms play in the efforts to reduce poverty in a country? This is the general question addressed by this paper. Public sector reforms are among the major drivers for good governance. It has been widely recognized and accepted that good governance is a sine qua non for successful poverty reduction efforts (UNDP 1997; 1998a; 1998b; WB 1996; 20001; ADB 2001; Eid 2000; Pernia 2001). Reforms in the public sector may be implemented in three areas: at the national level, specifically in the bureaucracy; at the local level, specifically among local institutions and local governments; and at the level of civil society, specifically in terms of encouraging people participation in the processes of governance. Among the DMCs studied, reforms in the public sector have been among the priorities of most governments. Reorganizing the bureaucracy and decentralizing powers to local authorities have been among the reform priorities articulated by various governments as they assumed power. The experience of the selected DMCs, such reforms take time and cannot be fast-tracked and may take decades before they actually bear fruit and actually contribute to general efforts to bring about good or better governance. Public sector reforms should be seen and appreciated as a long-term effort. Frequent political changes in governments and regimes, brought about by normal changes in administration (Philippines, Thailand) or political and military upheavals (Pakistan, Bangladesh), or transition governments from centrally planned economies to market economies (Laos, Vietnam) have disrupted and discontinued the implementation of such reforms, and in the process, hampered general poverty reduction initiatives. Others early on (such as Korea and Taipei, China) have carried out public sector reform and have been relatively successful in their efforts to reduce poverty. Stability, continuity and sustainability in the implementation of public sector reform are key factors for their success. This is one dimension in the implementation of public sector reforms that has tremendous implications upon poverty reduction efforts.

Indeed, the reduction - and eventual elimination - of poverty has become one of the most pressing challenges confronting the countries of the third world today. In spite of the rapid economic growth experienced by the developed countries of the world, in spite of the innovations and advances in communications and information technologies, poverty continues to hound majority of the world's population.¹

For decades, one conventional approach to the reduction of poverty was to emphasize economic growth and development with the belief that benefits would eventually "trickle down" to the poor. While such an assumption was not altogether mistaken, the so-called trickle down approach to development brought with it some unanticipated consequences, including uneven development, and inequitable distribution of wealth, resources and benefits to various sectors of the society, especially the poor. (Wescott 2001; World Bank 2000; Government of Pakistan 2001a; TDR 2000; Gaiha 1998;). Where growth trickled down, there were instances where poverty was reduced. It is indeed true that strategies to attack poverty should go beyond the economic sphere (World Bank 2000). Economic growth by itself will prove to be insufficient and insignificant since it *must* be accompanied by measures that would encourage participation of the poor. Appropriate social indicators (Gaiha, et al., 1998; Government of Pakistan (2001a) should therefore accompany economic indicators.

¹ The World Development Report (World Bank 2001) notes that of the world's 6 billion people, 2.8 billion live on less than \$2 a day, and 1.2 billion on less than \$1 a day.

Reviews and assessments of previous poverty reduction efforts conducted by international institutions such as the World Bank, the United Nations Development Program and the Asian Development Bank, among others, have shown that issues and concerns pertaining to governance² have been critical to the success of poverty reduction efforts. The UNDP (2000) points out that governance has been the *missing link* between anti-poverty efforts and poverty reduction. It adds that *faulty governance* can nullify the impact of pro-poor national policies and targeted interventions. Indeed, good governance is *the* single most important factor in the war against poverty and in the struggle to promote development (UN 2000).³ The OECD (1998) recognizes the complexity of the issue noting that good governance may be difficult to ensure because of its various dimensions and political implications. Equally significant is the role of corruption as an obstacle to good governance and thereby poverty reduction. The chances of economic growth - a vital prerequisite to poverty reduction - are very low where corruption predominates and where neither citizens nor private investors can be certain that the law will be obeyed (Eid 2000; WB 2000; ADB 2000; UNDP 2000).

Thus, to succeed in poverty-reduction programs, reforms in governance must be given high priority. Strategies to attack poverty should go beyond economic growth. Institutional reform (i.e., reforming the "rules of the game") should be an integral component of any poverty reduction strategy if it is to be effective, meaningful and sustainable.

Among the major institutional reform approaches needed for poverty reduction is *public sector reform*. *Public sector reform has great potential in reducing poverty* (World Bank 2000). The ultimate objective of public sector reform is to bring about good governance. It is therefore critical to look into the relationship between poverty reduction and good governance and public sector reform.

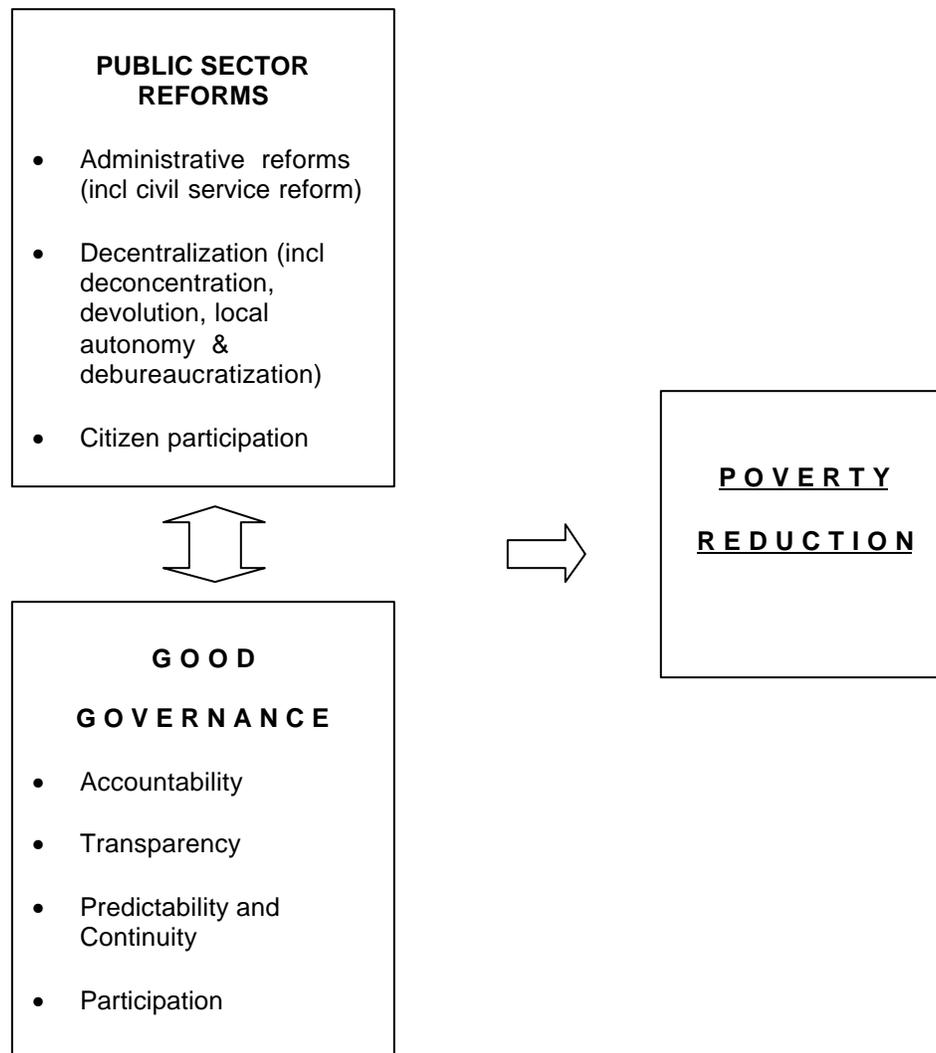
*In most documents reviewed in connection with this study, not much was mentioned about the direct linkage between public sector reform and poverty reduction. However, such a relationship **does** exist, mainly within the context of good governance. Good governance is a key to poverty reduction. And, a major mechanism to bring about good governance is through public sector reform.*

Figure one is a schematic framework adopted by this paper suggesting the relationships between and among public sector reforms, good governance and poverty reduction.⁴

² The standard and widely accepted definition of "governance" is offered by the UNDP (1997) as "the exercise of political, economic and administrative authority to manage a nation's affairs. It is the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences." Four types of governance are identified: economic governance, political governance, administrative governance and systemic governance. The concern of public sector reform as discussed in this paper is on political governance ("refers to decision-making and policy implementation of a legitimate and authoritative state") and mostly on administrative governance ("a system of policy implementation carried out through an efficient, independent and accountable public sector.")

³ UN Secretary General Koffi "Governance," in *United Nations University Annual Report 2000*, p. 12

⁴ Parenthetically, it might be pointed out that the suggested relationships between and among good governance, public sector reform and good governance are more correlational rather than causal. This insight is derived from the comments of Dr Clay Wescott during the Conference on Poverty, Growth and the Role of Institutions held at the Asian Development Bank, 10-12 October 2001.

Figure 1. Public Sector Reforms, Good Governance and Poverty Reduction

Mechanisms for Public Sector Reforms

Reforms in the public sector have to be implemented by certain mechanisms. Among the major *mechanisms* that promote public sector efficiency and good governance are the following: (World Bank 2000)

- Internal rules and restraints, e.g., internal accounting and auditing systems, independence of the judiciary and the central bank, civil service and budgeting rules, and rules governing ombudsmen and other internal watchdog bodies (that often report to parliaments)

-
- "Voice" and partnership, e.g., decentralization to empower communities, service delivery surveys to solicit client feedback, and "notice and comment" regulatory rule making
 - Competition, e.g., competitive social service delivery, private participation in infrastructure, alternative dispute resolution mechanism, and privatization of certain market-driven activities. These may involve fundamental rethinking of the role of the state, often a key component of reform.

Taking off from the above and for purposes of this paper, three major areas for public sector reform for poverty reduction are in the following:

- The implementation of *administrative reforms*, including, bureaucratic and civil service reforms that would somehow improve the "internal rules and restraints." These essentially are the internal rules and restraints mechanisms that promote public sector efficiency.
- The implementation of *decentralization* that will empower local communities through their local governments (or sub-national governments) and provide them opportunities to be heard - and participate - in public decision making institutions and processes. These are the mechanisms that provide voice and partnership that would lead to public sector efficiency.
- Encouraging wider *citizen participation* through the opening of public sector institutions to the communities by providing them access to policymaking and service delivery, and enabling their participation in oversight and accountability mechanisms. Apart from providing voice for public sector efficiency, citizen participation is also a mechanism that would enable partnerships for public sector efficiency.

More specifically, the efforts of the DMCs to bring about reforms in the following areas will be identified:

- **Administrative Reforms**

- streamlining and reorganizing the bureaucracy and implement civil service reform through downsizing, rightsizing, reinventing, upgrading / updating salaries and wages
- addressing graft and corruption and introducing accountability in the bureaucracy

- **Decentralization**

- implementing decentralization and devolution strategies by transferring functions, powers and authorities to local governments, especially in the area of financial decentralization
- developing and strengthening local capacities in the areas of organization and management, personnel, and most especially fiscal administration

• Citizen Participation

- encouraging citizen participation in the design, formulation, implementation and monitoring of the delivery of basic services
- developing partnerships and engaging the private sector in the process of governance
- encouraging civil society to participate in monitoring of government programs and projects thereby promoting accountabilities

Public sector reforms are usually associated with comprehensive changes in the institutions, organization and processes in the bureaucratic machinery of the state. These changes may be brought about through comprehensive reorganization plans (such as "reinventing"⁵ and reengineering government, new managerialism, new institutional economics) that may include streamlining the bureaucracy, improving coordination among agencies with overlapping functions, downsizing, rightsizing, redeployment of personnel, improving the salary structures of those working in the civil service, performance management and appraisal, deregulation, privatization and decentralization.

Over the recent years, there have been general shifts in focus in administrative reform moving away from the traditional concerns of public administration and public management, to emphasis on decentralized forms of governance, extensive participation of the citizens (now viewed as clients and partners), accountability, and transparency in public management concerns (Ellison 1998; Farazmand 1998; APO 1998). Over and above this are the demands brought about by a rapidly changing environment responding to the imperatives of globalization and the information technology revolution (Box One). *This has provided the context for a bureaucracy that would be more socially oriented and hospitable to the implementation of poverty reduction programs.*

The following table illustrates some of these fundamental shifts in public sector reform and global governance.

⁵ The notion of "reinventing" government gained worldwide prominence with the publication of the book of the same title (*Reinventing Government* by Osborne and Gaebler 1993). This book became the basis of many an attempt to reorient and reorganize many bureaucracies in the Third World, including the Philippines. "Reinventing the Government" is one of the chapters in Siddiqui (2001) that examines various aspects of governance in Pakistan. He also has a chapter on "Retooling the Bureaucracy." Seoul Metropolitan Government has called its massive administrative reform procedure as "Reinventing Seoul City Government" (2000). The Seoul Reform Paradigm highlighted four major areas: small and efficient government; management that emphasized performance; an open administration that reaches out to citizens; and clear and transparent administration that includes an integrity pact and anti-corruption index. In Thailand, Thamrongthanyavong (1998) refers to efforts to reform the Thai Bureaucracy as "reinventing the Thai Bureaucracy."

Table 1. Trends and Shifts in Governance and Public Sector Reform

FROM	TO
Centralized, Uniform, "Top-down" Service Delivery	Decentralized, diverse, localized service delivery
Citizen as client and beneficiary	Citizen as customer and partner
Self-sufficiency	Interlinked sectors
Hierarchical control	Empowerment
"Upward" accountability	"Outward" accountability
Standardized procedures	Performance orientation
Apolitical civil service	Advocacy-oriented civil service
Individual skill building	Organizational competence
Law and order, institutions and institution-building, and general functional areas of government	Modified orientations of development, general systems modeling, middle-range theory formulation

Source: Adapted from Ellison (1998) and Farazmand (1998)

This paper surveys the experiences of selected DMCs⁶ in these three particular areas of public sector reform, i.e., administrative reforms, decentralization and citizen participation and tries to locate these within the context of poverty reduction efforts. The main methods used in the study include an extensive review of literature, field visits, and interviews with stakeholders and participants in the design, formulation and implementation of the poverty reduction strategies in the selected DMCs. It argues that poverty reduction efforts may be influenced - positively or negatively - by the extent to which public sector reforms are implemented, or not implemented, in the countries covered.

Box 1. New Trends in the Public Services

Today, public administrations and public managers must face a variety of challenges, some of which are likely to remain as challenges for generations to come. They include:

1. the challenge of speedy administrative action;
2. the need to follow a due administrative process that protects important rights of citizens and provides for accountability;

⁶ These developing member countries of the Asian Development Bank are Pakistan, Bangladesh, Vietnam, Laos, Philippines, Thailand, Korea and Taipei, China. I was part of a two-person team that made a field visit to Pakistan. The other members of our team went to Bangladesh and Vietnam. Country reports for Korea and Taipei, China were commissioned specifically for this study.

3. rapid and profound change in the economic and institutional environment, increasing complex problems linked in particular to globalization, and diversification of needs of society;
4. the spread of new information technologies with their revolutionary potential;
5. intense pressure from citizens, transmitted or provoked by the media, and demanding rapid response from government;
6. increased demand by users and pressure groups to participate in the decision-making processes; and
7. an insistence on transparency and provision of information in all areas of government action.

Source: Asian Productivity Organization, *Productivity and Quality Improvement in the Civil Service, 1998*

II. Administrative Reforms for Poverty Reduction

One of the major approaches to institutional development and reform, especially in terms of "changing the rules of the game" is in the area of administrative reform. The implementation of administrative reforms is central in improving the processes of governance. More specifically, based on their experience over the years, international development agencies and institutions - such as the WB, UNDP and ADB among others - have concluded that improving governance should be central in developing poverty reduction strategies of countries in the third world. Administrative reforms are usually broad and encompass wide-ranging concerns. These include changes in structures and systems, inculcating values of excellence, changing the mindsets of civil servants, and increasing use of information technology to increase transparency, accountability and effectiveness of government (APO 1998). Indeed, administrative reforms - central of which are reforms in the civil service - will foster economic growth and sustained poverty reduction by reducing obstacles to private sector development that the poorly performing public sector now creates. Such reforms will increase the resources for priority spending by containing personnel expenditures. And finally, these will contribute to good governance through increased accountability by addressing the serious problems of governance and corruption.

The notion of administrative reform is a broad yet complex one. It provides the broad framework for civil service reform and bureaucratic reform. Wescott (c.1997) refers to civil service reform as an art and not a science. Chau (1997) describes administrative reform as a "broad process which defies a single explanation." In his study of administrative reform in Vietnam, Chau makes some kind of an inventory of the many definitions of administrative reform:

- A political process designed to adjust the relationship between a bureaucracy and other elements in a society, or within a bureaucracy itself (Montgomery).
- A process of building the administrative machinery of government, which focuses on the assimilation or import of an administrative model from developed western countries. (Heady).
- Technical assistance in public administration to developing countries from the developed countries may be regarded as key factors in administrative reforms in developing countries.
- The induced systemic improvement of public sector operational performance (Caiden). Administrative reform is more a "continuous ongoing activity than merely a periodic or

episodic event with a clear purpose - the improvement of public sector performance. Among the objectives of administrative reform are administrative efficiency and effectiveness, reduction of perceived weaknesses such as corruption, favoritism, increase in accountability of public servants, and increase in social justice of providing public goods.

Minh argues that administrative reform can be viewed as a process consisting of three stages:

- Analysis of the current situation of the administrative system
- Formulating a reform strategy
- Reform implementation

Indeed, the continued growth in size of the bureaucracy has been a common concern among many countries, be they in the first world (such as in the US or UK) or the third world, (such as the DMCs selected for this study) (Niskanen 1973; Mahbub ul Haq Human Development Center 1999). In his study *Bureaucracy: Servant or Master* (1973) Niskanen concludes that bureaucracies generally tend to be bloated be too large. This was also true for the selected DMCs for this study and in fact was used as a reason for the urgency of administrative reform and reorganization. Most of the problems addressed by civil service reform in these countries pertained to overcentralization, poor coordination, functional overlap, lack of transparency, and in many cases, overstaffing. Apart from inefficiencies brought about by wasteful use of resources, demoralization and politicization have become problems of many bureaucracies in the Third World. Three main methods in correcting the excessive size of bureaucracies (Niskanen 1973):

- Reconstruction of their internal working by competition or by quasi-profit incentives to bureaucrats to maximize the surplus of budgets over costs
- Development of market alternatives to government agencies
- Political reorganization to make bureaucracies more sensitive to the ultimate consumer or "public opinion."

Caiden (1991) observed the trend to implement massive administrative reforms in many bureaucracies in the third world. In trying to be more responsive to the demands to bring about development poverty reduction, and the pressures of increased globalization, governments have pinpointed the "dead hand of the bureaucracy," plagued by problems such as poor performance of public bureaucracies, cumbersome procedures and red tape, and corruption. Government itself has become too big and therefore had to be downsized through administrative reform.

Administrative Reform and Poverty Reduction: Exploring a Possible Linkage

The implementation of administrative reform within the context of public sector reform has been a concern of many of the countries in this study. It is interesting to note the countries that have been relatively successful in their poverty reduction efforts - Korea and Taipei,China - have been among those that have early on launched massive administrative reform programs. In 1934, Korea recognized the need for to increase improve its administrative capacity by setting up the Committee for Studying Administrative Efficiency. In 1947, Taipei,China enacted the National Civil Service Act to improve its bureaucracy and make it more responsive to the needs of the public. This was followed by several reorganization interventions in 1937, 1940, 1956 and 2001. The Philippines adopted a comprehensive reorganization plan in the mid-fifties. Thailand enacted its Civil Service Acts in 1928, 1975 and 1992. Bangladesh launched a series of comprehensive reorganization interventions beginning with the Administrative Services Reform Committee and the National Pay Commission in 1972. This was followed by several reorganization strategies in 1975, 1981, 1982, 1989, 1993, 1996 and 1997. Laos set up a Committee for Organization and Personnel in the early nineties. Pakistan studied the reorganization of its public sector through the Hafeez Pasha report in 1997 and the Committee for Government Organization Improvement in 2000. Vietnam conducted a comprehensive Public Administration Review in 2000. *Indeed, the above **may** suggest some kind of a possible correlation between the relative success in poverty reduction efforts and the implementation of reforms in public administration.* The following table provides some detail in the administrative reform interventions in the countries covered by this study.

Related to the design and implementation of reforms in the public sector is the presence of institutions and think tanks - academic, government, and non-government - that would provide research and training support to carrying out public sector reform. The countries covered in this study are not wanting in terms of the presence of such institutes. The following table provides a listing of such institutions that can provide support to the government for the conceptualization - including the conduct of consultations with appropriate stakeholders - design, implementation, monitoring and evaluation of such public sector reforms.

Table 2. Administrative Reform in the Selected DMCs

Bangladesh	Administrative Services Reform Committee and the National Pay Commission (1972-1975) Committee on Administrative Reform and the National Pay Commission II (1975-1981) Martial Law Committee for Examining Organizational Set-Up 1982 Committee for Administrative/Reorganization/Reform 1982 Public Administration Efficiency Study, November 1989 Public Administration Sector Study in Bangladesh, July 1993 Towards Better Government in Bangladesh, September 1993 Administrative Reorganizing (Nurun Nabi) Committee 1993-1996 Public Administration Reform Commission 1997
Korea	National Civil Service Act of 1947 Supreme Council for National Reconstruction 1961
Laos	Committee for Organization and Personnel 1991 Department of Public Administration 1991 Committee for Government Organization Improvement 2000
Pakistan	Hafeez Pasha Report 1997 Commission on Administrative Restructuring 1999
Philippines	Government Survey and Reorganization Commission 1954-56 Integrated Reorganization Plan of 1972 Presidential Commission of Government Reorganization 1986 Reengineering the Bureaucracy 1992 Presidential Commission on Effective Governance 1999
Taipei, China	Committee for Studying Administrative Efficiency 1934 Committee for Improvement of Administrative Efficiency 1937 Three Connected States of Administration 1940 Regulation for the Structure of Position Classification Planning Committee 1956 Pushing Forth Administrative Reform and Establishing Clean and Efficient Government 2001
Thailand	Civil Service Act of 1928 Civil Service Act of 1975 Civil Service Act of 1992
Vietnam	<i>Doi Moi</i> 1986 (that included governance reforms) Public Administration Review 2000

Source: Constructed from data obtained from Shelley, 2000; Ahmed and Khan 1990; Aminuzzaman 1992; Thamrongthanyavong, 1998; Joong-Yand and Kyung-Bae, 1994; Carino, 1992; Sun and Gargan 1996; ADB 1999; WB, ADB, UNDP 2000; UNDP/UNICEF 1996)

Table 3. Capacity Building and Training Institutions in Selected DMCs for Local and / or National Officials

Bangladesh	Bangladesh Public Administration Training Center (PATC) Bangladesh Rural Development Academy (BARD) Rural Development Academy (RDA) National Institute of Local Government (NILG) Ministry of Local Government, Rural Development and Cooperatives
Korea	Graduate School of Public Administration, Seoul National University Central Officials Training Institute (COTI) Local Autonomy Training Institute (LATI) Korean Institute of Public Administration
Laos	Committee for Human Resource Development National School for Administration and Management (1991)
Pakistan	Civil Service Academy Pakistan Administrative Staff College National Institute of Public Administration Pakistan Academy for Rural Development Central Superior Services Academy
Philippines	Development Academy of the Philippines Civil Service Commission Local Government Academy National College of Public Administration and Governance
Thailand	King Prajathiphok Institute National Institute of Development Administration
Vietnam	National Institute of Public Administration

Source: Table constructed from data from the various sources, including Islam 1990; Tiep 1998; Aminuzzaman 1992; Brillantes 1998; Kamal Siddiqi 1994; Pakistan Government 2001; Wescott 2001)

Reforms in the civil service are integral to the implementation of broad administrative reforms. It is within this context that these have been linked to the reduction of poverty in several DMCs specifically in terms of ensuring good governance. In most general terms, Wescott (c.1996) notes that "the purpose of CSR is to improve the effectiveness and performance of the civil service and to ensure its affordability and sustainability over time. The ultimate goal is to raise the quality of public services delivered to the population and to enhance the capacity to carry out core governmental functions." Effective CSR is part of sound governance. Among the elements in CSR identified by Wescott, are decentralization,⁷

⁷ Indeed, the implementation of decentralization has always been included as a major component of civil service reform. For purposes of this study, though, we have decided to devote a special chapter focussing particularly on decentralization considering that decentralization has been a major mechanism for public sector reform. In many cases, decentralization has rearranged power configurations,

downsizing (including retrenchment), performance management (including improvement in pay and incentives), performance management and capacity building.

Civil service reforms will foster economic growth and sustained poverty reduction by reducing obstacles to private sector development that the poorly performing public sector now creates. It expands the poor's access to good quality services. It also increases resources for priority spending by containing personnel expenditures. And finally, it addresses the serious problems of governance and corruption.

A review of various selected countries in the region reveals that administrative reform has been identified as a key strategy to "change the rules of the game" and thereby bring about institutional reform in the society.

Administrative Reform in Bangladesh: Formalisms and Fuzzy Governance?

Administrative reform has been a concern in Bangladesh ever since it became an independent nation in 1971. (Ahmed and Khan 1990; Siddiqi 1995; Shelley 2000). For instance, from 1971 to 1985, the various governments of Bangladesh constituted six major reforms and committees. Centralism was - and continues to be - a major feature of the Bangladesh bureaucracy. Considering that the administrative system was dominated by the military and civilian bureaucrats, the approach of government was akin to that of a "stern headmaster" and was more paternalistic, autocratic, and "tutorial rather than participatory." (Shelley 2000;). Among the major recommendations that were repeatedly made by the various administrative reform bodies were improvement in the pay scale of the civil servants and the decentralization of administration⁸ within the context of restructuring and rationalizing public administration and civil service. The reforms recommended were wide-ranging but, in most cases, the key recommendations of the various bodies were either rejected or implemented in radically modified forms, and the implementation of which were mostly "patchy, disjointed and non-integrated." (Shelley 2000; also Barenstein 1994)

The experience of administrative reform in Bangladesh has been mostly at the level of formalisms, absence of commitment that goes beyond rhetoric, with a record wanting in implementation (Sobhan 1998; Shelley 2000). Such policy dissonance has led Barenstein (1994) to coin a label for Bangladesh's type of governance: "fuzzy governance." As pointed out by Ahmed and Khan (1990), the system of public administration in Bangladesh retains several characteristic features including centralization, passion for rank, caste differentiation of officials and lack of subsystem autonomy. Its historical experience of military-bureaucratic dominance, coupled with pervasive graft and corruption, have somehow nullified the gains of most administrative reform efforts and thus hardly contributed to overall poverty reduction in the country.

reassigned power and financial functions and responsibilities, and redeployed thousands of personnel in the name of reforming the public sector, consequently shaking the bureaucracies to the core.

⁸ The issue of decentralization of administration in Bangladesh is further discussed in the section of Decentralization for Poverty Reduction.

Implementing Massive Reforms in Pakistan: The National Reconstruction Bureau

In October 1999, a military led coup headed by General Parvez Musharaff ousted the civilian regime of Nawaz Sharif. Among the major moves of the Sharif government was the creation of the National Reconstruction Bureau based at the Office of the Prime Minister. The NRB would play a key role in designing and implementing massive reforms for Pakistan. Institutional reforms and changing and improving the "rules of the game" was high in the agenda of the NRB. General Musharaff (who proclaimed himself President in June 2001) early on enhanced the powers of the National Accountability Bureau and the Federal Public Service Commission to restore accountability in the government and ensure merit-based recruitment in the civil service. Finally, the regime announced plans to implement a massive decentralization and devolution plan to local bodies.

The Musharaff government comes at a time when Pakistan is trying to recover from what has been referred to as the "lost decade." (Stern 2001; Finance Minister of Pakistan 2001) Indeed, the political administrative history of Pakistan has seen many attempts by both civilian and military governments to address many fundamental issues that have always recurred upon the assumption of each new regime (ADB 2001): What type of political system should Pakistan have? What should be the role of the military in that system? What should be the role of religion (Islam) in Pakistani polity? *What should be the balance between provincial autonomy and the federal system?*⁹

Good governance has always been a major challenge. The continuing expansion of the bureaucracy, political patronage, excessive centralization, unclear delineation of responsibilities between the central and sub-national institutions, including local governments, has led to what has been called the "total lack of effective governance." This was characterized by the continuing lack of accountabilities, lack of participation, weak political institutions, pervasive corruption, and poverty, have always been among the challenges confronting the various governments of Pakistan (Siddiqui 2001; ADB 2001).

It was within the context of the above that the government of Musharaff has embarked on a massive effort to reform and re-shape the civil service. It has enhanced the powers of the Federal Public Service Commission. Among the major thrusts of the reforms for the civil service are the following (ADB 2001):

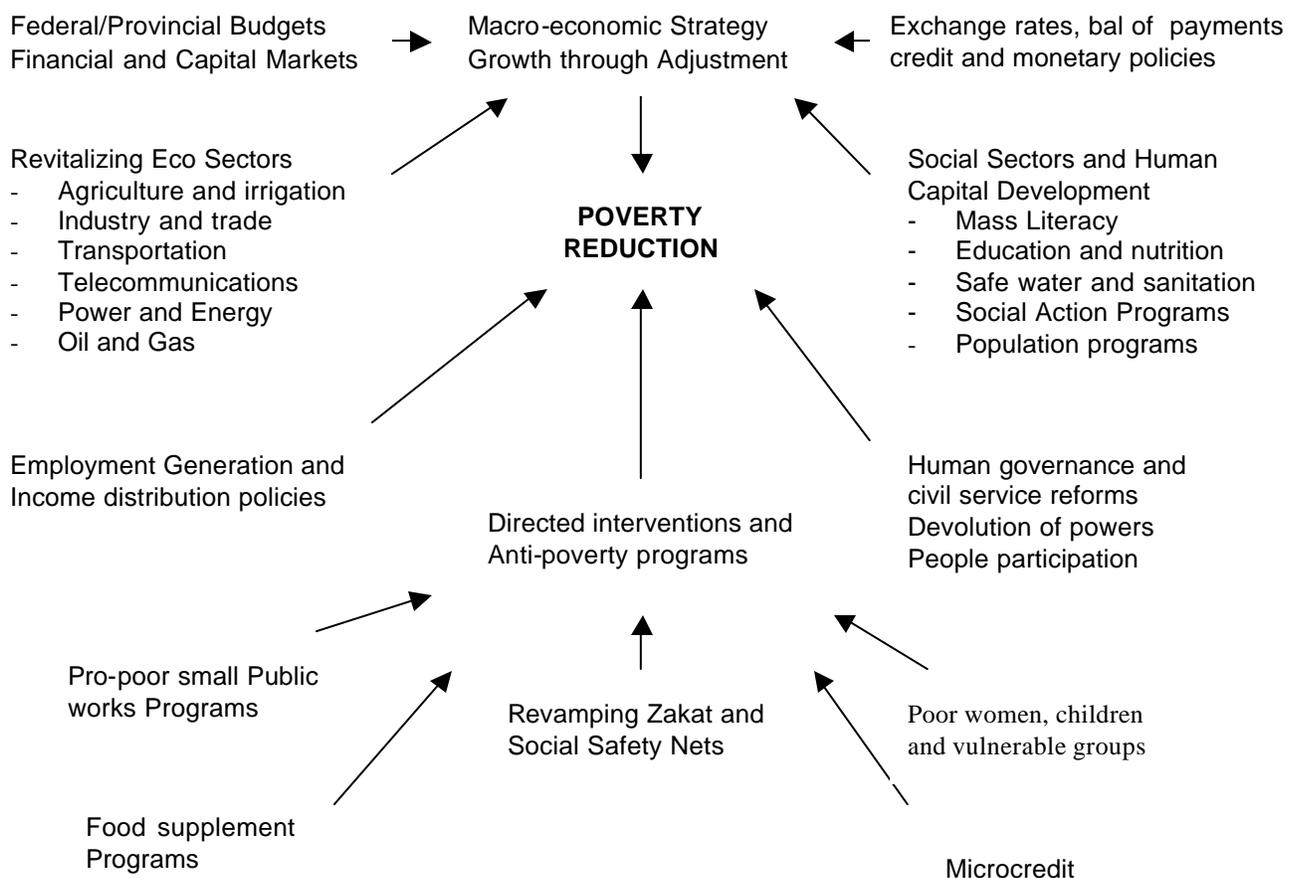
- (i) Launching of a frontal attack on corruption that has led to the dismissal of more than 1000 civil servants
- (ii) Initiating a comprehensive scheme of inter-provincial transfer of civil servants especially among the District Management Group and the Police
- (iii) Encouraging a process of downsizing the bureaucracy including consolidation and merging of ministries, divisions and departments. This also includes reviewing the salary structure of the civil service
- (iv) Training and career planning of civil servants including the administration of exams for civil servants, training, and performance based promotions
- (v) Demonstrating efforts to encourage transparent and merit-based decision-making

⁹ The issue of national-local relations in Pakistan, including the need to define the relationships between the federal and the provincial governments through the process of decentralization is discussed in the section on Decentralization for Poverty Reduction.

The government of President Musharaff has declared that it will adopt a holistic approach in revamping the civil service at the federal, provincial and local levels and thus, hopefully, lead to more responsive governance and consequently contribute to the reduction of poverty in the country.

As part of its overall comprehensive administrative reform program, the new government of Pakistan crafted a comprehensive poverty reduction strategy paper. A *Three Year Poverty Reduction Programme* was formulated covering the years 2001 to 2004. Leadership in the implementation of the Programme is to be provided by the Planning Commission. The framework for the Poverty Reduction Strategy is reflected in the following figure:

Figure 2. Framework of Pakistan's Growth and Poverty Reduction Strategy



From the above framework for poverty reduction,¹⁰ one can see that civil service reforms, devolution of powers to sub-national institutions and people participation in governance

¹⁰ This framework was developed by Dr Fateh Chaudhri a senior consultant of the Government of Pakistan. Dr Chaudhri is a member of the advisory board of the Mahbub ul Haq Human Development

have been identified among the major factors that can contribute to the reduction of poverty in the country. As noted by Chaudri (2000), devolution will hasten the process of bringing the government closer to the people within the context of subsidiarity. The process includes the following (Chaudri 2000):

- Changing the role of civil service from central to public service
- Enhancing professionalism, transparency and a service orientation in the departments involved in the delivery of social and development services.
- Setting in place a merit-based system of incentives to enable the civil service to make the shift from control-minded bureaucracy to service-oriented public servants.

It is therefore within this context that institutional strengthening efforts and reforms have to be targeted for this sectors if there is to be a positive impact to the poverty reduction efforts in Pakistan.

Good Governance: a Pillar of Vietnam's *Doi Moi*

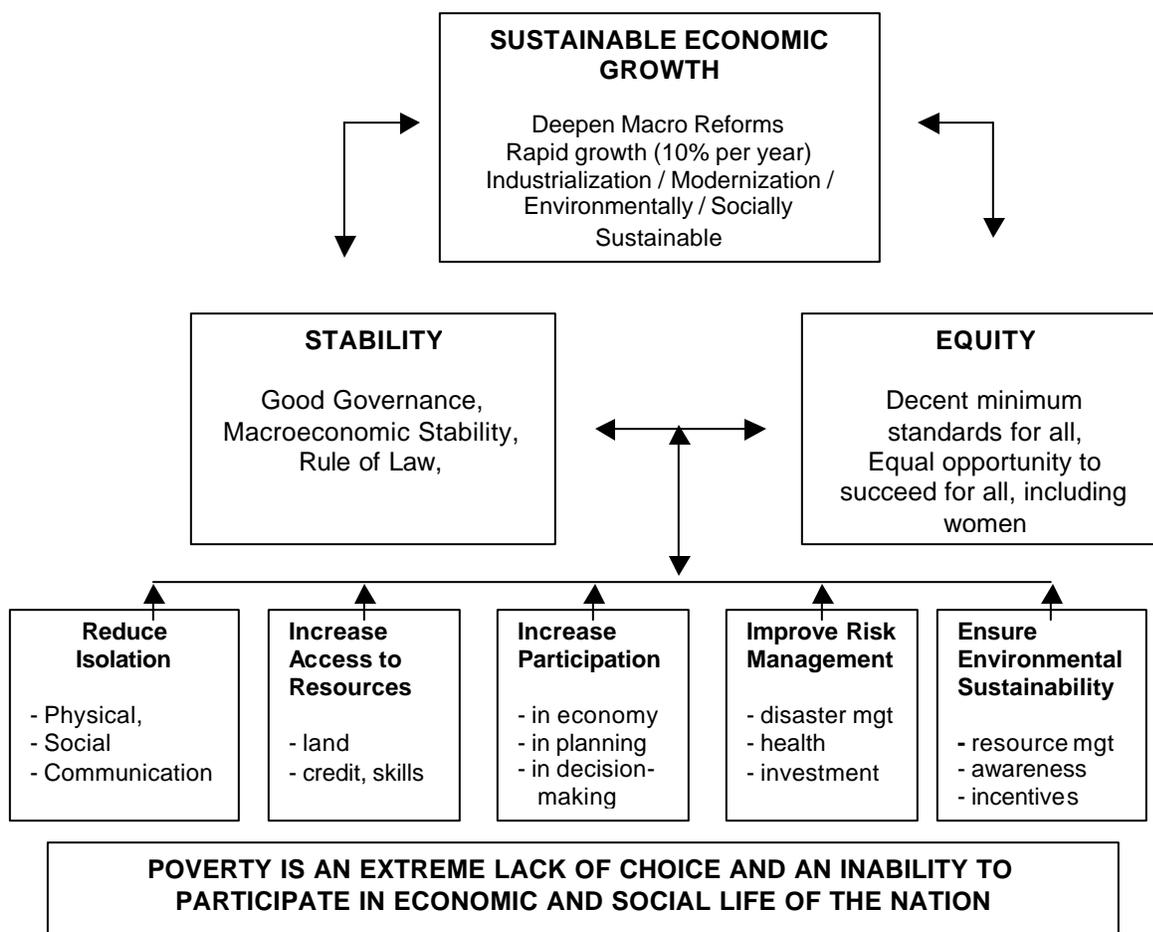
Since 1986, the centerpiece of the socio-economic development strategy of Vietnam has been *doi moi*. According to the UNDP/UNICEF study (1996), *all available evidence indicates that poverty has been reduced by more than an estimated 35% since the launching of the doi moi in December 1986*. Years later, estimates further show that from 1993 to 1998, poverty has significantly reduced from 58% to 37%.¹¹ Wescott points out that indeed the case of Vietnam is "a very successful case of poverty reduction."¹²

Doi moi is the overall reform process that aims at transforming the Vietnamese economy from a centrally planned system to one that is dynamic and market based (UNDP/UNICEF 1996). The government declared in its country report to the World Summit for Social Development held in Copenhagen in 1995 that high and sustainable economic growth is critical if it is to be successful in its poverty reduction efforts. Its *doi moi* strategy is anchored on three major aspects, likened to three major legs of a three-legged stool: (1) high and sustainable economic growth; (2) stability and (3) equity. It should be noted that the strategy points out that good governance and its features, including transparency and accountability, are imperative in the attainment of stability and equity. The following is the conceptual framework for poverty elimination in Vietnam. The aspects related to good governance and administrative reforms are highlighted.

Center. He has also served in several senior positions in the World Bank and the Asian Development Bank.

¹¹ Comments on the floor of the World Bank participant during the Conference on Poverty, Growth, and the Role of Institutions held at the ADB, 10-12 October 2001.

¹² Comments of Clay Wescott during the session on "Public Sector Reform and Poverty Reduction" during the Conference on Poverty, Growth and the Role of Institutions, 10-12 October 2001.

Figure 3. Conceptual Framework for Poverty Elimination in Vietnam¹³

Imbedded into the above poverty elimination¹⁴ framework of Vietnam are those pertaining to improving governance in general, and bringing about public sector reforms in particular.¹⁵ More specifically, these are those that aim to develop and strengthen the capacities of the various institutions involved in the massive task of poverty elimination. Among the major strategies for capacity development is restructuring public administration and legal reform. These obviously fall squarely under the general effort to bring about reforms in the public sector. These reforms range from professionalizing the civil service to rationalizing salary structures of the civil servants to review of regulatory measures and codification of laws. **Box Two** enumerates the range of recommendations for public sector reforms in Vietnam.

¹³ Source: UNDP/UNICEF, "Catching Up. Capacity Development for Poverty Elimination in Vietnam", October 1996, p. 127

¹⁴ Note that Vietnam is quite bold in proclaiming that its ultimate objective is "poverty elimination" in contradistinction to those that target only "poverty reduction," or even more conservatively for others, "poverty alleviation."

¹⁵ The concern of decentralization as a major component of *doi moi* is discussed in Chapter III of this paper.

Box 2. Public Administration Reform in Vietnam Recommendations of the Review

- New provisions requiring public comments on draft laws and regulations before promulgation
- New provisions that laws and other official instruments will take affect only after being published in the Official Gazette
- Replacing discretionary licensing with registration and making information on registrations public (following the pattern of the decree on registration of secured transactions)
- Improving legislative drafting
- Providing for codification and indexing of all laws and other official instruments
- Requiring compulsory publication of court judgements
- Streamlining aspects of the corporate regulatory framework
- Forming a clear distinction between roles, responsibilities and finances of agencies under the Prime Minister; other ministries; agencies under sector ministries; People's Councils; People's Committees; and non-state organizations
- Professionalizing the civil service, including rationalizing salaries, training, with recruitment and promotion grounded on merit
- Wide ranging financial management reforms at both national and sub-national levels of government

Source: WB, ADB and UNDP Joint Report, 2000.

Administrative Reform and Poverty Reduction Strategies

Most of the DMCs surveyed had some kind of a broad framework at various levels for development and poverty reduction. An example would be the existence of a Poverty Reduction Strategy Paper adopted by the government adopted with the support international agencies, specifically the World Bank and the IMF as conditionalities for continuing support. PRSPs are seen as comprehensive development strategies aimed at poverty reduction (Whaites 2000). They provide the framework for the implementation of the poverty reduction strategy of a country.¹⁶ They likewise provide a more systematic approach to poverty reduction and address uncoordinated and sometimes contradictory poverty interventions implemented by previous governments and donors. A fundamental feature of the PRSP is that it is prepared and *owned* by the government. Additionally, and equally important, is the fact that the preparation of the PRSP is highly participatory.¹⁷

¹⁶ Asian Development Bank, *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*, November 1999

¹⁷ Alan Whaites (2000) notes that, while the formulation of PRSPs are in the right direction, a potential weakness of the process of the preparation of the PRSPs lies in, among other things, in the "interim" phase wherein participation seemingly becomes a formalism for the government. Indeed, the problem of formalistic participation continues to dog certain institutions and processes whose very foundations and *raison d'etre* is participation and ultimate objective, empowerment. For instance, in a study of the Panchayat Raj in India, Raghav Gaiha et al.(March 1999) concluded that a number of policies, including the "73rd constitutional (amendment) Act designed to revive and strengthen the Panchayati Raj in India are limited to formal participation of the poor. *Little, if any, attention was given to their empowerment - or, in other words, to ensure that their participation would be effective.*" (itals supplied)

Table 4. Poverty Reduction Strategy Frameworks in Selected DMCs

Korea	Livelihood Protection Law 1961 Implementation Act of Livelihood Protection Law (Presidential Act 4218) 1969 National Basic Life Assurance Law 1999
Laos	Interim Poverty Reduction Strategy Paper Focal Site Strategy 2000
Pakistan	Three Year Poverty Reduction Programme 2001-2004
Philippines	Social Reform Agenda and Poverty Alleviation Act of 1997 National Anti-Poverty Action Agenda 2000
Taipei,China	Means Test Act Governing the Poverty Relief in the Taiwan Providence 1963; 1977 Current Stage Social Policy of the Principle of People's Livelihood 1965 Four Year Program to Enhance Social Welfare in the Taiwan Providence 1971 Outlines for Eliminating Poverty in the Taiwan Providence (Well-To-Do-Program (WTDP) Social Assistance Law 1980
Thailand	Fifth National Economic and Social Development Plan 1982-1986 Sixth to Eight Economic and Social Development Plans 1987-2001
Vietnam	Interim Poverty Reduction Strategy Paper (I-PRSP) 2000

Source: Constructed from data in Yoon 2001; Dennis 2000; Lao PDR 2000a; Lao PDR 2001; Pakistan Government 2001; Philippine Government 1998; TDRI 2000; Supachalasai and Patmasiriwat 1991; Tsai 2001; Vietnam Socialist Republic 2000;

Thailand: Sustaining the Gains for Poverty Reduction

The past 40 years of Thailand has seen the formulation of eight development plans that essentially provided the framework for the country's development strategy for the period. The plans had undergone many phases, from infrastructure to reduce income inequality to project and program approach to trade liberalization and finally the sufficiency economy approach (TDRI 2000; Suphachalasai and Patmasiriwat 1991).

However, it was only with the Fifth Plan that poverty alleviation was given emphasis. A comprehensive rural development plan for poverty alleviation was crafted. This was mostly in response to the problems of insurgency then besetting the country. Accompanying the Plan was a development Plan for the Rural Areas, which aimed at poverty eradication in the "backward areas."¹⁸ More specifically, the objectives of the Plan were as follows:

- To give priority to areas that have a high level of poverty
- To provide people with sufficient means of survival and to make the government services available to poverty areas
- To emphasize an increasing self-reliance among the people

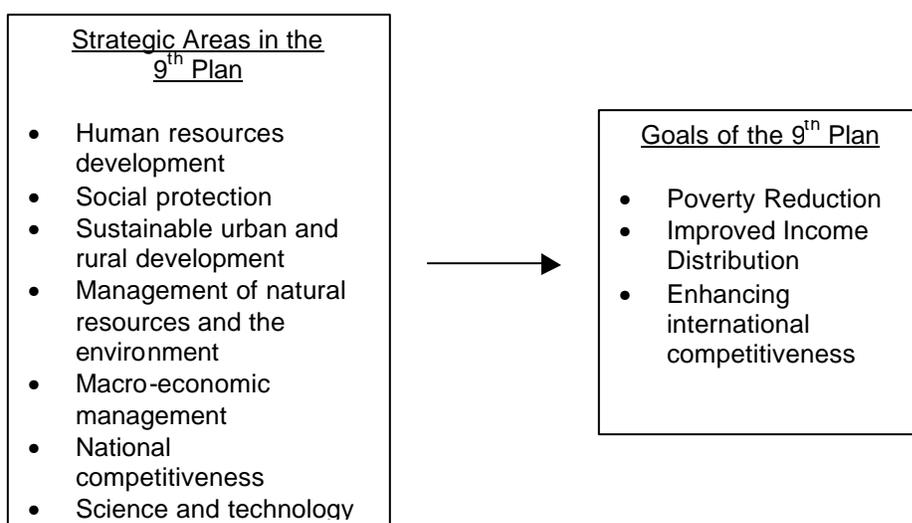
¹⁸ TDRI 2000

- To make use of basic, low cost technologies that people in poverty areas are capable of using
- To allow people in each area to participate in solving their own problems.

The National Committee of the Rural Poverty Program in which four ministries cooperate has implemented the program: Interior, Health, Agriculture and Education. The NESDB acts as the head of the Committee. It is interesting to note that the committee was set up "to bypass the usual bureaucratic impediments to program implementation" (Suphachalasai and Patmasiriwat 1991).

Subsequently, three other National Development Plans were crafted building upon the earlier ones. These were the Sixth Plan (1987-1991) that addressed education and manpower issues; the Seventh Plan (1992-1996) that embraced the concept of sustainable development; and the Eighth Plan (1997-2001), formulated before the Asian crisis, that focussed on people's participation and addressed specific problems such as urban poverty. Thailand's draft Ninth Plan under preparation by the NESDB once more underscores the urgency of poverty reduction. The following is the framework for poverty reduction.

Figure 4. Framework for Strategic Areas and Goals in the Ninth Plan of Thailand



Source: Framework derived from discussion in Clay Wescott, ed., *Key Governance Issues in Cambodia, Lao PDR, Thailand and Vietnam*, Manila: Asian Development Bank, Programs Dept (West) April 2001, p.46

Admittedly, the living standards of the Thai people - both the poor and the rich - have improved dramatically over the past 50 years of development. Basic needs of the majority of the people have been met. Poverty incidence has decreased dramatically. The "growth and stability" strategy that provided the overall framework for the various development plans have enabled the benefits to indeed "trickle down" to the majority of the population. (TDR 2000)

Over the past few years, especially after recovering from the effects of the Asian crisis in the late nineties, the approach to poverty reduction in Thailand has emphasized new

dimensions. These include emphasis on "people centered development," emphasis on the participatory approach (a key element emphasized by the Fifth Plan), and encouraging the active stakeholder participation through the NGOs (as highlighted in the preparation of the Eight Plan.) The challenge for poverty reduction in Thailand is how to sustain the gains of the past few decades that saw Thailand, before the Asian crisis, exhibit remarkable economic growth to a point of being identified as the emerging NIC in the region. During this time, it has also made advanced in its poverty reduction efforts. While extensive stakeholder participation may certainly be helpful, TDRi points out that this has to be complemented by sound rules, regulations and monitoring systems. In other words, traditional public administration and management concerns should continue to provide the foundation for citizen participation for poverty reduction.

Laos: Focal Site Strategy for Poverty Reduction

Laos's strategy for poverty reduction, referred to as the Focal Site Strategy, was crafted after the conduct of a Participatory Poverty Assessment. The purpose of the PPA is to record experiences and concerns of the poor in order to initiate and identify forms of public and private concerns to reduce poverty. (Lao PDR 2000). The State Planning Committee conducted the PPA in October 2000. As a general policy for poverty reduction, the PPA argued for the continued emphasis on economic growth and development but targeting specific socially defined groups in specific environments where the poor are located, hence "focal site strategy." Focal sites are essentially area-based approaches to integrated area development (Dennis 2000; Lao PDR 2000.) Focal site approaches to poverty reduction will enable the implementation of targeted and area specific poverty reduction programs. The PPA concludes this will "have the effect of lessening inequality and improving the living conditions of the poor." Among the programs, projects and activities to be implemented through the focal site approach are the following:

- Land allocation implementation process
- Improved coverage of community-based irrigation schemes and emphasis on upland agriculture and agro-forestry and / or non-timber forest products
- A nation-wide livestock program based on vaccinations and an increase in holdings
- Access to markets by the construction of all weather roads
- Provision of education services by focusing on alternative methods with immediate applications, including adult functional literacy
- In the health and agricultural sectors, the provision of technical information for the poor through direct interaction between the medical practitioners or agents and villagers)

Additionally, through its Focal Site Strategy, the Government of Laos has declared its strong commitment to reduction of poverty in the uplands. However, as in the case other DMCs (such as say, Vietnam) their continues to be a need to develop capacities considering that capacity to implement this program remains limited (Dennis 2000; UNDP/UNICEF 1996).

Parenthetically, even as we look into the implementation of the above-mentioned poverty reduction programs and projects, it is important to be cognizant of the fact that these will have to be implemented through the regular structures and institutions of the bureaucracy of the Lao PDR. It is within this context that the current government has underscored the importance of professionalizing the bureaucracy to enable implementation.

The structures and processes of the bureaucracy of Laos are the results of a highly centralized, feudalistic and personalistic traditions developed through the years. During the early years, civil servants largely played the role of personal servants of the ruling monarchy. The colonial period saw the civil service playing the same role as state and public servants to the French colonial masters. The political turbulence of the fifties to the seventies was marked largely by "ad hoc-ism" where the US presence largely dominated the administration of those parts of the country under royal control. These historical experience weighed heavily on the development (or underdevelopment) of the Lao civil service. Thus, the present government since 1986, as part of its efforts to transform the system from a central command system of economic management to one which relies more on the market mechanism and the private sector for economic decision making, has placed emphasis on building the capacities of institutions by professionalizing the civil service through training and various structured reform programs. (Klaus 1997; Reyes c. 1991)

Civil service reform has been considered high priority as far as the national development agenda in general, and poverty reduction efforts, in particular, in Laos. However, the problem is the continued politicization of the civil service, which may serve as an obstacle to meaningful reform. Klaus points out the difficulties for civil servants to be "professional" and non-politicized within the context of a politico-administrative system dominated by Party of the government of the Lao Peoples Democratic Republic. What we have here is an obvious dissonance between a "professional" bureaucracy and its "proper" as an instrument of the political party of the Lao PDR. The professional operations of the civil service are hampered by the politicization of the civil servants themselves considering the blurred division between politics and administration, between being a member of the communist party and being a member of the civil service. In other words, differing views on policy, politics, and government program priorities are to be worked out on a participatory process at the grassroots level through Party deliberations. Regardless of one's technical and professional perspectives, the civil servant is expected to buy into and support the policies and programs that grow out of the process (Klaus 1997).

Then there is the problem of corruption. According to a World Bank report (1999b), surveys of entrepreneurs and businesses as well as prospective foreign investors, reveal pervasive controls and red tape, creating opportunities for graft and corruption, bribe taking, thus increasing the cost of doing business in Laos.

Such fundamental issues and concerns have to be addressed first before even going further into discussions of implementing administrative reforms for poverty reduction. This is where the imperative for capacity building comes in. This means not only streamlining structures and processes, pinpointing accountabilities, strengthening the capacities of upland institutions, but also, equally important, shifting perspectives and developing mindsets. Parenthetically, Koreans refer to this process as a "mental revolution" when they launched the *Suhjongshoeshin* Movement on the part of national (and local) bureaucrats that would be supportive civil service reforms for poverty reduction amidst the professional and political dissonance.

Korea: Growth of Government as the Price of Growth?

Korea's achievements in the area of rapid economic development, and the consequent advances in poverty reduction has been widely recognized and hailed as a model for many countries of the world. (Yoon 2001) In fact, *the success of Korea's industrialization that led to*

massive advances in its poverty reduction efforts was attributed to the Korean Civil Service System that orchestrated the industrialization through a series of five-year economic development plans starting from 1961. This contributed to the successful shift from an agrarian society to a post-industrial one within a period of three decades (Young-Pyoung Kim 1997).

However, among the unintended (but unavoidable) consequences of the rapid economic development was the growth in size and in number of employees during the 1960s and the 1970s. Towards the end of the decade of the 70s, government was seen to be evolving into some kind of an "inefficient monolith," unresponsive and unable to provide quality services to the nation of many people (Pan Suk Kim 1999).

Like most modern bureaucracies, the Korean bureaucracy was seen to suffer from the common problems most bureaucracies are confronted with: excessive governmental regulation and intervention in the market economy that has stifled Korea's competitiveness at home and abroad; too much centralization; lack of transparency and flexibility, and low competitiveness. (Pan Suk Kim 1999; Young-Pyoung Kim, 1997).¹⁹ Excessive bureaucratization was likewise seen as a contributory factor to the crisis in the nineties. The ultimate objective of Korea's public sector reform was to establish a system governed by market principles and democratic values, one that has broken away from previous government-driven and government-dominated system, and toward a new system that relies instead on individual initiative as the main driving force.

It was towards addressing the above that the implementation of administrative reforms was included in the agenda for reform of the Kim Dae Jung Government in the late nineties, not only to cope with the effects of the crisis but also to open the economy and provide access to the private sector. The reforms had to make room for more individual initiatives - especially from the private sector - to enable market mechanisms and processes to work properly.

The public restructuring program of Kim Dae Jung had three major objectives:

1. To realize "a small but efficient government" by streamlining government functions and vastly reducing its size
2. To achieve a "highly competitive government" by incorporating the principal (sic) of competition among civil service organizations
3. To pursue a "customer oriented government" by fostering desirable actions and attitudes among government employees.

The third stage is the most crucial to the success of any administrative reform effort: implementation of many well meaning and beautifully crafted poverty reduction policies, programs and projects is a common problem among the DMCs. Grindle (1980) points out that the failure of implementation may be attributed to a number of factors, including the availability of resources, to the structure of intergovernmental relations, the commitment of lower level officials, reporting mechanisms within the bureaucracy, political leverage of opponents of the policy, accidents of timing, luck, and even seemingly unrelated events. These factors "can, and do frequently intervene between the statement of policy goals and their actual achievement in

¹⁹ As observed by Professor Young-Pyoung Kim (1997) "The Korean Civil Service System, once a leading force of industrialization and a guiding agent of social development in the country, has recently been criticized for becoming a barrier to development and a hindrance to competitiveness."

society. Such factors can often account for the *often imperfect correspondence between policies adopted and services actually delivered*" (Grindle 1980; Van Meter and Van Horn in Grindle 1980).

Taipei, China: Political Will in Administrative Reforms Supports Poverty Reduction

Like Korea, Taipei, China has demonstrated how rapid economic development can lead to the reduction of poverty in the country (Tsai 2001). Placed within the context of administrative reform, Taipei, China has, since the mid-thirties, launched a series of comprehensive administrative reform programs, beginning with the Committee for Studying Administrative Efficiency in 1934. This later evolved into the Committee on for the Improvement of Administrative Efficiency three years later. The major tasks of the Committee were the following:

1. Appraise the structures and jurisdictions of administrative agencies
2. Appraise, rationalize, and recommend economies in individual agency finances
3. Appraise and improve individual agency personnel management
4. Publish the Committee's studies about administrative efficiency so as to disseminate related knowledge and technologies

Subsequently, other administrative reform measures were implemented. These included the one initiated by Chiang Kai-Shek in the early forties called "Three Connected States of Administration" that demonstrated the administrative process into the planning, implementation and evaluation stages. Among the reforms that were also carried out pertained to those that improved the salary structures of those in the civil service.

Perhaps, the key to the success of the administrative reform initiatives is implementation, also referred to as political will (Sun and Gargan 1996; Tsai 2001). For instance, towards the late fifties, a report was made as to the number of recommendations implemented by the various administrative reform committees. A study showed that 85% (75 of 88) of the recommendations for administrative reform were implemented. The serious implementation of reforms in the bureaucracy of Taipei, China provided the positive context and reinforcement for the implementation of the various poverty reduction strategies such as the highly successful Well-To-Do-Program. Another demonstration of strong political will that led to the successful implementation of a poverty reduction program is in the area of land reform.

In 1990, a survey was conducted among public administration practitioners and scholars to find out what they believed were the administrative problems in Taipei, China. These included the following (Sun and Gargan 1996):

1. Problems in the Civil Service System
 - Quality
 - Motivation and Morality
 - Arrangement
 - Recruitment
 - Salary
2. General Administration Problems
3. Institutional Structure

4. Decision-Making Process
5. Political Interference into Administration
6. Leadership
7. Social Problems
8. Special Policy Problems

Sun and Gargan conclude that many of the above mentioned problems are brought about by a combination of conflicts between traditional culture, democratization, and industrialization.

Reducing or Eliminating Corruption through Administrative Reform

Among the major obstacles to good governance is graft and corruption. Corruption subverts poverty reduction efforts. Eliminating graft and corruption is a major objective of administrative reform. For instance, eliminating unnecessary regulations and licensing requirements - which breed bribery and corruption - can be done by changing internal rules and eliminating unnecessary restraints in the bureaucracy.

The World Bank and other multilateral institutions have offered a standard and universally accepted definition of corruption: it is the abuse of public office for private gain. (Ofusu-Amaah, Soopramanien and Uprety 1999). It "involves behavior on the part of officials in the public and private sectors, in which they improperly and unlawfully enrich themselves and / or those close to them, or induce others to do so, by misusing the position in which they are placed" (ADB 2000). Among the ways that can address the problem is through institutional reform, reducing the size of the state and mobilization of the population (Kpundeh and Hors 1997). These will bring about good governance and a sound public administrative system, which, at the end of the day, facilitates the delivery of goods and services, and contribute to the reduction of poverty in the society (Kpundeh 1997).

Among the major reasons of corruption are rigid and hierarchical structures and procedures with too many rules and regulations. Low salaries paid to civil servants has also been pointed out as a reason. These provide the context for corruption: the bureaucrat essentially has power and discretion to enforce such regulations, and may decide not to enforce the rigid rules in consideration for a fee or some other favor from the concerned public.

It is within this context that administrative reform, including reorganization, streamlining, simplifying systems and procedures, opening to citizen participation, etc. will be able to address one of the fundamental causes of corruption, help advance the development of the society and contribute to overall poverty reduction efforts (Kpundeh 1997; Ofusu-Amaah et. al. 1999; Mahbub ul Haq Human Development Center 1999).

Box 3. Some Causes of Corruption

State Policy

- Cumbersome
- Non-transparent
- Over-regulation
- Non-participatory
- (Low salaries of civil servant)*

Culture

- Self-centeredness
- Family-centeredness
- Hierarchical behavior

Positive Feedback Systems

- Corruption reduces public credibility of state institutions, which further creates corruption

Source: UNDP, *Integrity in Governance in Asia. Report of Workshop 29 June-1 July 1998, Bangkok, Thailand, p. 11*

* Not included in original table

The various DMCs examined in this study all have had their share of graft and corruption in varying degrees. Thus, they have formulated specific policies and laws, and established some institutions, that would provide the framework for addressing corruption in the society and thus help reduce poverty.

Table 5. Accountability and Anti-Corrupt Policy Frameworks and Measures In Selected DMCs

Korea	<i>Suhjonghoeshin</i> Movement (General Administrative Reform Mvt), 1975
Pakistan	Poverty Reduction Program ²⁰ 2001 National Accountability Bureau 2001
Philippines	Anti-Graft and Corrupt Practices Act 1967 Code of Ethics for Public Officials (RA 6713), 1989
Taipei, China	Pushing Forth Administrative Reform and Establishing Clean and Efficient Government 2001
Thailand	Discipline in Civil Service, Chapter 4, Civil Service Act of 1975

Source: Table constructed from various sources, including Raksasataya 1989; Rahman 1986;

²⁰ More specifically, "the Poverty Reduction Program of Pakistan recognizes that the reduction of corruption is necessary for integrity in the formulation and conduct of economic policy, and in discharging government functions and provision of services." Thus civil service reforms were identified as high in the priority for governance reforms in Pakistan from 2001-2004. (Government of Pakistan 2001b)

Taipei,China: Eliminating "Black Gold" for Poverty Reduction

The reforms in the administrative system in Taipei,China have played an important role in the country's development and consequently, in the significant reduction of poverty in the country (Hwa 1991). However, the system continues to be criticized for the presence of corruption and inefficiencies. It is therefore within this context that reforms continue to be pursued.

Taipei,China has adopted a comprehensive approach for its latest development strategy (Taipei,China GIO, 2001). It identified twenty areas for its comprehensive approach, ranging from "Implementing Social Welfare Programs and Building a Harmonious Society" to "Creating Technological Development and Boosting International Competitiveness." Also included among the areas for reform is "Pushing Forth Administrative Reform and Establishing Clean and Efficient Government." Among the accomplishments in the area of anti corruption were the following:

- Anti-corruption efforts have resulted in 102.18 percent more indictments. The conviction rate has risen to 63.59%
- Three organizations, 36 units, and 30 special task forces were going to be dissolved; 22,578 government employees have been dismissed. This has led too a 0.24% decrease in the number of government employees.

Taipei,China has indeed demonstrated a strong track record in implementation, which can help explain its advances in its poverty reduction efforts. In fact, Premier Chang, referring to the oft-repeated "Asian values" school as an explanation for developments in the region, said that the anti-corruption campaign is the "new Asian Value" in the new millenium. He added that "eliminating black gold" (perhaps referring to wealth acquired through corrupt means) was the highest expectation that people have for the new government. By the end of June 2000, the Executive Yuan (branch) of government set up the "Operational Center for Investigation and Seizure of Black Gold Criminals." More that 2,200 cases concerning "black gold" have been investigated and some 600 people have been prosecuted.²¹

Korea: Targeting Corruption in the Seventies into the Nineties

As early as 1975, a campaign to bring about economy, efficiency and honesty in public life was launched in Korea through the *Suhjongshoeshin* Movement, also referred to as the General Administrative Reform Movement. This marked the beginning of an era of drastic administrative environmental reform in Korea. Officially, the *Suhjongshoeshin* hopes to ultimately achieve National Restoration through the enhancement of administrative and political efficiency, elimination of corruption in officialdom, elimination of social waste and injustice, and values and mental revolution (Rahman 1986). The Movement had three major measures, namely (1) measures aimed at personnel, mostly in terms of personnel administration such as training, recognition, awards, compensation and benefits; (2) institutional reforms including revision of regulations, improvement of general administrative procedures and reporting practices, training in administrative knowledge and skills, effective compilation of budget; and (3) environmental cleansing, that included forcing officials to mold their lifestyles and standards of living, and to clean both their official and private lives.

²¹ <http://www.gio.gov.tw/taiwan-website/4-0a/chang/press1229.htm>

The *Suhjongshoeshin* Movement was evaluated to be quite effective. In 1975 alone, the year the program started, close to 22,000 civil servants were punished! However, several implementation concerns were raised that included politicization of the cases filed to the need for a central coordination agency to orchestrate the massive anti-corruption drive. However, though corruption was not totally eliminated, the massive anti-corruption drive initiated in the mid-seventies did have an impact in bringing about integrity and honesty in Korean public service. This may also have contributed to the relative success of its poverty reduction programs.

Towards the end of the nineties, after the 1998 elections, the new government targeted the elimination of corruption in the public sector. Among the elements of the anti-corruption package of Korea are the following:²²

- Implementation of administrative reforms in *corruption prone sectors*, e.g., the construction industry, tax administration, police force, environmental policy and administration, food and sanitation businesses, education, military conscription, government procurement, and customs
- Establish an anti-corruption infrastructure, e.g., an anti-corruption law, and an independent anti-corruption committee with representatives from the academia, business and civic organizations.
- Expand citizen participation in anti-corruption activities, e.g., providing support for NGOs to conduct awareness campaigns and voluntary monitoring
- Build up the social environment for anti-corruption, including an educational and public awareness program, review administrative procedures to improve transparency, and disclose more information to the public.
- Implement specific measures such as increasing salaries for public servants to match those in the private sector within five years, compensate those who report corruption with cash rewards, launch inspections of large local governments upon the request of 1000 or more citizens, and making it obligatory to disclose the contents and use of public funds.

Korea's goal is to become a *transparent state* by the year 2003, and rise from 43rd to 20th place in the ranking of Transparency International.

Addressing Corruption: The Experience of other DMCs

Pakistan's Poverty Reduction Program recognizes that the elimination of corruption is necessary for integrity in the formulation and conduct of economic policy and in the discharge of government functions and provision of basic services. Hence, with the end in view of reducing corruption and increasing accountability among government officials, the National Accountability

²² *World Bank Quarterly*, September 18, 2000.

Bureau was set up with investigatory and prosecutorial powers. As of May 2000, some 1000 corrupt officials have been charged by the new regime.²³

The emerging and continuing problem of corruption has been recognized as challenges to good governance in the Lao People's Democratic Republic. These have been seen as significant hindrances in managing the economy and fostering long-term sustainable growth and development. Thus steps have been taken to address some of corruption related issues: for instance, the Auditor General's Office has been set up, procurement legislation has been issued, the accounting and auditing profession has been liberalized and licenses issued, state owned enterprises are being audited and the Lao People's Revolutionary Party's (LPRP) inspection board has stepped up its oversight (Lao PDR 1999).

In Thailand, Phongpaichit (1998) identified four major patterns of corruption that must be addressed: syndicated corruption; procurement kickbacks; rent seeking, maintenance (or concessional privileges); and bid fixing. The low salaries of those in the public sector compared to those in the private sector have also been identified as a concern that must be addressed by administrative reform (Thamrongthanyavong 1998). Indeed, increasing the salaries of public officials may address continuing corruption in the bureaucracy. Wescott cites the example of Cambodia where the government has begun to raise the salaries of civil servants by ten percent in order to begin addressing the root cause of corruption.

Thus, within the context of bureaucratic reform, a major issue that must be addressed in Thailand is how to root out buying of positions, which is a very widespread practice. Additionally, in the area of corporate governance, three areas were identified that were to be targeted for reform: one, within the corporate sector itself, namely between the shareholders, directors, and managers, the selling of shares or loaning among themselves or among relatives must be stopped. Phongpaichit adds that the concept of "conflict of interest" must be established. Secondly, anti-trust legislation must be considered.

It will be recalled that as early as 1975, the Civil Service Act devoted a whole chapter (Chapter 4) to discipline and maintenance in the civil service to address the problem of corruption (Raksasataya 19989).

Thus the problem of corruption is one that the DMCs continue to address. Strategies range from broad administrative reform efforts (such as those launched by Taipei, China, Korea and the Philippines) to massive reorganization interventions after a political upheaval (such as those launched in Pakistan and Bangladesh). Increasing the salaries of the people in the bureaucracy has always been a component of the reform efforts. However, at the end of the day, what really counts is the success in reforming and changing the mindsets of the people in the bureaucracy, and more importantly, success in implementation of the reform efforts, sometimes translated as "political will," as demonstrated by the Korean model.

²³ Government of Pakistan Interim Poverty Reduction Strategy Paper (I-PRSP) jointly prepared by the Poverty Reduction Cell, Planning Commission, Policy Wing, Finance Division, March 2001, p. 33

III. Decentralization for Poverty Reduction

Decentralization must be seen as a process that may contribute to the reduction of poverty in DMCs. What this suggests is, depending on design and implementation, it may or may not have any dent on (or worse, may exacerbate) the poverty situation in a country.²⁴ For instance, the process of decentralization may transfer powers, resources and accountabilities to lower level institutions. As such, the implementation of poverty reduction programs, projects and activities will be more responsive to the actual and real needs of the local populace, considering that they are, substantially and figuratively, closer to the people. On the other hand, depending on the distribution and concentration of power both at the local and national level, decentralization may contribute to the exacerbation of the problem by further concentrating powers at the level of local economic and political elite. This is where the dimension of accountabilities and answerabilities should be underscored in the process of decentralization, which has been described as the decentralization's "Achilles heel" (Crook and Sverrisson 1999).

A standard definition of decentralization is offered by the United Nations: "The transfer of authority on a geographic basis whether by deconcentration (i.e., delegation) of administrative authority to field units of the same department or level of government, or by the political devolution of authority to local government units or special statutory bodies."²⁵ Offering a comprehensive definition of decentralization, Rashid (1993) points out both the inter-institutional dimension of decentralization. It includes the transfer of responsibility for planning, management, and resource raising and allocation from the central government and its agencies to the following:

- (1) field units of central government ministries or agencies
- (2) subordinate units or levels of government
- (3) semi-autonomous public authorities or corporations
- (4) area-wide regional or functional authorities
- (5) non-governmental private or voluntary organizations

It should be pointed out that decentralization does not include only the transfer of powers and responsibilities but also the transfer of accountabilities (Tiep 1998; Brillantes 1987). This in one dimension has not been given much attention by some critics of decentralization who argue, as mentioned earlier, that decentralization will simply lead to the strengthening of powers of local warlord, and hence lead to abuse of powers. Decentralization of powers includes decentralization of answerabilities as well. As will be discussed below, operationalizing accountabilities is more pronounced under other types of decentralization (devolution and debureaucratization where local institutions and local governments play *the* central role) as against others (deconcentration where central government agencies continue to play a dominant role in the decentralization process by providing guidelines, frameworks, etc.)

²⁴ Gaiha (2001) points out that the experience in decentralization in Asia tended to be patchy, slow and uneven, but at the same time demonstrated few successes where the poor benefited. He correctly emphasized the critical and central role of fiscal decentralization which is discussed extensively in his paper.

²⁵ Naison D. Mutizwa-Mangiza as cited by Walter Oyugi, "Decentralization for Good Governance and Development: Concepts and Issues," in *Regional Development Dialogue*, 21:1, Spring 2000, p.3

Modes of Decentralization

Decentralization is a major mode of administrative reform. It is a process of transferring functions, powers and authority to lower level institutions in order to enable them to become more responsive to the unique and special conditions at the lower levels. Decentralization may be operationalized in three ways.

- (1) *Deconcentration*, also referred to as administrative decentralization, which is the transfer of functions from central authorities to the periphery (including a "shifting of workload" according to Cheema and Rondillee 1983) but with the center still maintaining ultimate authority. The transfer of authority under a deconcentrated mode is mostly sectoral, e.g., health, agriculture, etc.
- (2) *Devolution* also referred to as political decentralization or local autonomy, which is the transfer of powers and authorities to lower level political units including local governments. The transfer of authority under a devolved mode is areola or territorial or spatial, with powers being transferred to certain political units - or local governments - with specifically defined territorial boundaries that are political subdivisions of the state.
- (3) *Debureaucratization*, which is the process of transferring public functions, powers and authorities to the private sector, voluntary, NGOs or civil society organizations (Cheema and Rondinelli 1983; Tabunda and Galang 1992) One basic reason for debureaucratization is the fact that some public functions and responsibilities may be more efficiently and effectively performed by the private sector.²⁶

It must be pointed out that for purposes of this paper, it is mostly through the processes of devolution and debureaucratization that empowerment through decentralization is operationalized. More specifically, these modes of decentralization empower local communities through their local governments (or sub-national governments or through civil society organizations) and provide them opportunities to be heard - and participate - in public decision making institutions and processes. In other words, accountabilities are more pronounced under devolved and debureaucratized regimes, as against those that are deconcentrated.²⁷

Indeed, as pointed out by Sen (2000) the "lack of participatory governance (voice)" is one area that must be considered in thinking strategically about poverty reduction. Sen adds that the lack of participatory governance may lead to the choice of inappropriate projects. Greater "voice" would lead to more transparency and help combat corruption. The process of

²⁶ In a study on corruption and the environment, Agarwal and Narain (1998) conclude that "debureaucratization is a critical element of reducing corruption (in the area of natural resources management). While there are several models for involving local communities in natural resources management, there is a need to develop effective models for involving the public in the formulation of environmental regulation. A considerable amount of experimentation can result in developing citizen participation in enforcing environmental inspection."

²⁷ Additionally, it may be pointed out that while devolution and deconcentration have the same informational advantage, relevant information is more likely to be collected under a devolved regime considering that there is greater accountability to the community under such a set-up.

decentralization of powers to local governments²⁸ could operationalize participatory governance and provide the necessary voice mechanism for poverty reduction.

Box 4. Assumed Advantages of Decentralization

- Decongests government at the center
- Frees national leaders from onerous details and unnecessary involvement in local issues
- Facilitates coordination and expedites action at the local level
- Increases the people's understanding and support of social and economic development activities
- Fosters social and economic betterment at the local level more realistic and lasting
- Strengthens national unity
- Promotes geographical equity
- Increases popular capacity to ensure responsibility and accountability
- Enables participation and easy access to decision points
- Improves delivery of services by allowing careful consideration of local needs
- Encourages invention and innovation
- Provides accurate description of problems by being close to data sources
- Trains people in the art of self government
- Supports programs of socio-economic development
- Improves targeting of poverty reduction programs

(Source: Sady, Landau and Eagle as cited in Oyugi 5:2000; UNDP 2000)

The strategy of decentralization has been adopted by a number of DMCs in this study as part of their poverty reduction strategies. The following table lists the various decentralization policy frameworks of selected DMCs in the region.

Decentralization in the Philippines: a Key Strategy for Poverty Reduction

The devolution of powers to the local government units is a key pillar of the poverty reduction strategy of the Philippines. The National Anti-Poverty Action Agenda which was based on the Social Reform Agenda crafted in the early nineties had, as one of its basic features, decentralization as a poverty reduction strategy. Another key feature of the approach to poverty reduction is the formation of partnerships between the government and civil society at various levels for poverty reduction. Hence, decentralization through devolution and debureaucratization will lay the foundation for providing a voice to the poor and enable not only their active participation and involvement in poverty reduction programs and projects, but also their ownership of the program. The Agenda takes cognizance of the historical experience that politico-administrative structures at the local level tend to be dominated by an entrenched elite. It is within this context that the decentralization and devolution of powers have the potential to provide traditionally excluded groups' greater access to decision-making institutions, resources and services. Decentralization will contribute to strengthening and deepening democratic

²⁸ The UNDP (2000) noted that in the past, donor-assisted anti poverty campaigns against poverty have often bypassed and ignored local government. It adds that "donors used to favour funnelling resources through central governments and now increasing rely upon civil society organizations xxx If poverty reduction programmes are to succeed, local governments must be strengthened - and held accountable both to central government for the funds allocated to it and to its constituents for how it uses them."

processes by providing more inclusiveness and exacting accountabilities at the local level. It is the top agenda item for the government.

Table 6. Local Government and Decentralization Reform Efforts Implemented in Selected DMCs

Korea	Local Autonomy Act 1949, and amended in 1949; 1956; 1958; 1960; 1961
Laos	Constitution of 1991
Pakistan	Basic Democracies Order 1959 Municipal Administration Ordinance 1960 Local Government Ordinance 1972 Local Government Acts passed in each Province in 1979 Local Government Plan 2000
Philippines	Local Autonomy Act (RA 2264) of 1959 Barrio Charter Act (RA 2370) of 1960 Revised Barrio Charter Act (RA 3590) of 1963 Decentralization Act (RA 5185) of 1967 Integrated Reorganization Plan of 1972 Batas Pambansa 337 (Local Government Code) 1983 Local Government Code of 1991
Thailand	Municipal Administration Act 1933 Government Organization Law 1991
Vietnam	Constitutions of Vietnam 1946, 1959, 1980 and 1992 Executive Order 1945 Law on Local Governments 1958 Law on Organization of the People's Council and the Administrative Committees at All Levels Laws on the Organization of the People's Council and the People's Committee of 1983, 1989 and 1994

Source: Table constructed from data in various reports, incl. Yoo 1991; Thamrongthanyavong 1998; Brillantes 1987; Siddiqi 1995; Ursal and Hoat 2000;

However, it must be recognized that, as in other countries in the region, the idea of decentralizing government has been a key feature of many of its various rural development and administrative reform efforts. As early as 1898, the first constitution of the Philippines (the Malolos Constitution) provided for the most ample decentralization and administrative autonomy (Brillantes 1987). Through the years, up to 1992, various laws and policy pronouncements were enacted providing for decentralization and local autonomy for the local governments. These included the Local Autonomy Act of 1959, the Barrio Charter Act and the Revised Barrio Charter Act in 1960 and 1963, and the Decentralization Act of 1967. The 1973 Philippine Constitution likewise provided for the administrative decentralization of the government. In 1983, the dictatorship enacted a Local Government Code. Interestingly, though, the years under the dictatorship were characterized by a combination of administrative decentralization and political decentralization. However, in spite of the rhetoric and policy pronouncements calling for

decentralization, the Philippine politico-administrative system continued to be characterized by centralism and dominance by the central government.

The process of decentralization in the Philippines took a great leap forward with the enactment of the Local Government Code in 1992. It transferred significant powers, authority and resources - including financial - to the thousands of local governments in the country. After a decade of implementation, most observers agree that the Code has indeed unleashed the potentials in the countryside long held hostage by a highly centralized government. It has empowered local communities and as shown by the experience of many communities, it has contributed to the reduction of poverty in the countryside. Local infrastructures - such as public housing - have been constructed, environmental concerns addressed, health services provided and made more accessible, livelihood opportunities provided, and people participation in governance enhanced.

Ten years since its implementation has seen various levels of success in reducing poverty in different parts of the country with local governments being empowered and given the capacity to implement various poverty reduction programs such as micro-credit and livelihood programs. Box 5 illustrates some examples of how the devolution of powers to the local governments has indeed brought about good governance at the local level and in many cases, contributed to the reduction of poverty in the countryside.

Box 5. Innovations in Local Governance for Poverty Reduction: Some Examples from the Philippines

The following are some examples of initiatives at the local level in the Philippines brought about by the devolution of powers to local governments in 1992. These have contributed to the improvement of the quality of life of local communities through better governance. These examples include those pertaining to local resource generation; environmental management; health services; government-civil society collaboration; people's participation; productivity improvement; and livelihood generation. These programs have won national recognition through the *Galing Pook Awards Program*.

Local Resource Generation

- Victorias, a small municipality in Negros Occidental, responded to the housing needs of its constituents by floating bonds. The mayor initiated this with the assistance of national government agencies such as the National Home Mortgage Fund.
- The City of Mandaluyong constructed its public market after it was burned down through a Build-Operate-Transfer and Joint Venture with the private sector. This was initiated by the Mayor, a former Judge therefore well versed in the law, who took advantage of the newly passed BOT law, coupled with the powers devolved to local governments under the Local Government Code.
- A small municipality in Dingras, Ilocos Norte built its public market stalls through a variation of the Build-Operate-Transfer approach.

Environmental management

- The Bais City Environmental Management Project: A Showcase in Ecological Preservation came about as a response to a disaster that occurred in nearby Ormoc City, and as a response to the concerns of soil erosion, flash floods, biodiversity loss and overall watershed degradation.

...cont. of Box 5

- The Save the Maasin Watershed, Iloilo was a program that mobilized more than 5000 participants from all sectors of Ilonggo society who actively participated in the massive tree planting programs every start of the rainy season by enlisting the full support and cooperation of all sectors (corporations, private companies, NGOs, POs, schools, etc.) and the tri-media network.
- In the early 60s, the Metro Iloilo Water District started its reforestation plan in response to the rapid deforestation due to unabated entry of farmers into the watershed. The program started in earnest in the mid 80s when the DENR started its watershed protection and rehabilitation programs. When Governor Defensor took over in the early 90s, he immediately expanded the program for the Maasin Watershed by appealing to all sectors of Iloilo to participate in the regeneration of the watershed because of the role it plays in the survival of the area.

Health Services

- Primary Health Care Program of Surigao City is a self-help program that promotes community awareness on health and allows community participation in health programs and activities using the PHC approach in line with the government's people empowerment program.
- The provincial government of Negros Oriental set up a Community Primary Hospital in the hinterlands of the province to provide basic health services to the people, meet their minimum basic needs, and in the process also became a counterinsurgency strategy.

Housing

- Low Cost Housing in Puerto Princesa provided opportunities for low cost housing to families in Puerto Princesa and to stop proliferation of squatters. The program emerged in response to the squatter problem of the city and the need to provide affordable low cost housing alternatives to the squatters to enable them to be relocated. Program also gained support from an external agency, the USAID.
- Legaspi City (like Victorias in Negros Oriental) floated bonds to meet the demands for housing among its people. The bonds have been redeemed, and both local governments have identified other projects that could be supported by the bond flotation scheme.

People's Participation

- The volunteerism program in Olongapo City, though quite controversial, has demonstrated how the people and the government can become partners in responding to crises (in this case the eruption of the Mount Pinatubo) and together work for the rehabilitation of the area, generate livelihood projects, etc.
- A "people's congress" is regularly held by the mayor of Dumarao, Capiz. It is an expanded municipal development council that brings together the various sectors of the municipality to address pressing local issues and concerns and to chart out common strategies to address them.

...cont. of Box 5

Livelihood Generation.

- The City of Marikina provided livelihood opportunities to its people particularly the youth, through the barangay talyer (shop in every village) program. Among other things, tools are made available to the people who can borrow them and use them for livelihood generation activities, ranging from manufacturing, repair and renovation, to sculpting.
- The municipal government of Guagua, Pampanga provided the framework for livelihood generation of its people to plant sampaguita flowers and supply various outlets in Metro Manila.

Source: Alex Brillantes, Jr., *Innovations and Excellence in Local Governance in the Philippines*, Manila: University of the Philippines National College of Public Administration and Governance, 2001, forthcoming.

Korea: Centralization Laying the Groundwork for Decentralization

Korean local administration has been characterized by dominance by the central authorities (Chang-Soo, 1993; Pan Suk Kim 1999; de Guzman and Reforma 1993; Yoo 1991). Development and poverty reduction efforts were concentrated in what was derisively referred to as the "Republic of Seoul." (Yoo 1991) However, as in the Philippines, the idea of autonomy for local governments has been imbedded in the politico-administrative history of Korea in spite of the "history of strong centralized control over the impoverished, submissive local governments, with practically no meaningful experience of real local authority and responsibility to control their own destinies." (Cho 1992 as quoted in de Guzman and Reforma 1993). For instance in 1948, the Constitution had a whole chapter on local autonomy. In 1949, a Local Autonomy Law was passed. The Law was amended in 1956 when the military government suspended local governments temporarily, and in 1960 with the restoration of the process for direct elections of local government officials. Through the years, the experience of local autonomy was tempered by the tension between the need for direction from the central government (owing to among other things, the continuing "crisis and siege mentality" brought about by the conflict with North Korea) and guaranteeing full autonomy to the local governments. It was also within the context of recognizing the imperative for autonomy for local governments that the Saemaul Undong²⁹ flourished. In 1990, the Law on Local Autonomy was revised leading to the establishment of local assemblies, counties and districts. In 1991, local councils were established in metropolises and provinces signaling that decentralization through local autonomy was now in full scale. (Chang-Soo 1993).

It is widely agreed that Korea has been one of the DMCs that has significantly (and successfully reduced, poverty altogether. Suk Bum Yoon (2001) identifies three major institutional measures that have contributed to its success: the implementation of a comprehensive land reform program; the promotion of savings of poor households; housing construction for the poor; rural and fishery community programs; welfare programs. These measures were implemented within the context of a highly centralized politico-administrative system, one that in one sense necessitated strong leadership, beginning with that of President Park Chung Hee, a military leader who dominated the Korean political scene in the seventies,

²⁹ The Korean experience of the Saemaul Undong approach to rural development and poverty reduction is discussed in this paper's section on Participation for Poverty Reduction considering that citizen mobilization and empowerment have been the key factors behind its success in contributing to rural development and poverty reduction in Korea.

the period widely acknowledged as the "take off" period of Korea. But even as strong rural development and poverty reduction steps were being taken (such as Saemaul Undong movement described in the following section), measures were also being taken to strengthen sub-national institutions and lay the foundation for a decentralized government. For instance, a significant development in decentralization was the privatization of the Saemaul Undong in the early eighties (de Guzman and Reforma 1993; Kee-Ok 1993). And of course, as mentioned above, through the years, there continued to be recognition, at the policy level, of the need to consciously lay the foundation for a decentralized government. Thus, when the time came for full decentralization and autonomy in the early nineties, local institutions were primed and ready for the functions and authorities that they were going to absorb. This is one critical dimension of capacity building that may partially explain Korea's success in poverty reduction.

Devolution: A Key Strategy for Poverty Reduction in Pakistan

As suggested in the previous section, one of the most significant policy thrusts of the new government as articulated in its Poverty Reduction Strategy Paper is the devolution of power from the federal and provincial level to the districts (Rimmer 2000). In May 2000, the Government of Pakistan through its National Reconstruction Bureau published a comprehensive proposed local government plan. The Plan was billed as follows: "Devolution of Power and Responsibility. Establishing the Foundation of Genuine Democracy." The Plan underscored the premise that "the reconstruction of Local government has taken center stage in the national reconstruction process because a large majority of issues of daily concern to the public are encountered at that level." Obviously, poverty continues to be a major issue confronted at the local level. The plan adds: "Without exception, all groups and organizations advocating for reform have agreed that decentralization is the fundamental pre-requisite to secure meaningful reform."

The implementation of decentralization has been seen as the principal way the government proposes to increase transparency and accountability. Under the new system, the district administration and the police were to be directly answerable to the elected chief executive of the district with financial resources being distributed to local governments through a formula based on provincial fiscal transfers and decentralization of specified taxation powers.

The Local Government Plan was essentially formulated by a group of consultants based at the National Reconstruction Bureau. The NRB is seen largely as a transitory institution assisting the administration in its overall efforts at "reconstruction" and rehabilitation after the widely acknowledged corrupt regime of the immediately preceding government that led to the take over by the Army in 1999. Being a transition body, the NRB's responsibility would be to design and set into motion the various reforms to be pursued by the new government. It is widely hoped that the reforms would be implemented and sustained by the regular institutions in the bureaucracy of Pakistan. In the case of devolution, this would be the responsibility of the Ministry of Environment, Local Government and Rural Development. A critical mechanism to assure sustainability of the reforms in local government in Pakistan would be to include it as a specific provision in the constitution, a move that the NRB intends to pursue. One of the major factors for success of any institutional reform would be in the area of ownership. In this case reform efforts would be successful only if the implementing institution "owns" the reforms, specifically in terms of its being involved not only in the implementation of decentralization reform, but more importantly, in the formulation and design of said reforms. Unfortunately, this cannot yet be said of the decentralization reform vis-à-vis the Ministry of Environment, Local

Government and Rural Development of the Government of Pakistan. There has been a general feeling that the regular bureaucracy is responsible for local government reform was somehow marginalized in the design of the decentralization reforms for the new government.

However, as in the decentralization experiences of other DMCs, key to successful decentralization is fiscal decentralization, which involves the transfer of fiscal resources - mostly in the form of block grants - from the central government to the local governments. This also includes providing taxing powers to local authorities. However, fiscal decentralization still has to be operationalized in Pakistan and in other DMCs as well (Gaiha 2001).

Thailand: Poverty Reduction Through the Tambon Administrative Organization

The Tambon Administrative Organization has played a crucial role in the operationalization of decentralization for poverty reduction in Thailand. As the lowest level of government, it is in charge for the delivery of basic services at the local level. It may be noted though, decentralization to the Tambon³⁰ has been a concern as early as 1983. Boonchu Rojanansathien, former Thai finance minister once said, "it is our intention to decentralize administrative and development authority to the Tambon level and this needs to be done urgently. Villagers should participate in daily democracy instead of merely exercising their rights to vote once every four years. Apart from rice-roots democracy, the scheme was also to give cash and jobs to the farmers during the lean summer months." (Fry 1983)

Many poor Thai people credit the Tambon Administrative Organizations with solving community problems and managing local development activities. These bodies are said to "belong to the community" and are also valued for serving as a link with a range of government agencies and for obtaining aid." (Narayan 2000; UNDP 1998). In a The researchers from Nakorn Patom for the WB study *Voices of the Poor* explain that the local community group is the most valued institution because "they feel that they have a say in the decision-making process ... The institutions that the villagers cannot participate in are the government organizations such as the post office, electricity, health station and police. The market is also another institution that the villagers cannot participate in."

Another dimension of participation for poverty reduction pertains to the process of "conscientization" of the community to directly participate in matters affecting them. The experience of the Khon Khaen Civic Assembly and the Tambon Administrative Organization Projects in Thailand has demonstrated how "town hall" type of meetings have brought the people together to discuss practical issues that confront them, including transportation and income generation and livelihood concerns (Lauder and Gonzales 1998). Obviously, participating in general "town hall" type of meetings would enable them to articulate their priorities and preferences, including the type of poverty reduction projects that may be implemented in their area, thus leading to the implementation of projects that would be more responsive to their needs.

³⁰ The literature has referred to the Tambon also as Tambol

Box 6. Thailand and Tambon Empowerment

Under the law, Tambon Administrative Organizations are empowered to perform the following:

- Provide water resources for household consumption and agriculture use
- Provide and maintain electricity
- Provide and maintain meeting halls, sports and recreation and public parks
- Promote cottage industry
- Promote occupational employment for local people
- Protect and maintain public properties
- Management property and assets of the TAO
- Establish markets
- Promote commercial business
- Provide primary health care
- Provide and maintain land transportation and waterways
- Promote human service programs to women, children, youth, elderly and disabled
- Promote compulsory education, religious and cultural amenities

Source: UNDP, Public Sector Management Reform in Asia and the Pacific. Selected Experiences From Seven Countries, New York, October 1998, p. 34

Vietnam: *Doi Moi* for Decentralization and Development

Like many other countries in the region, Vietnam comes from a history of a centralized politico-administrative system. Power and authority have been concentrated in central ministries and agencies to a point that even minor decisions have to be referred to, and decided upon, by the central authorities (Truong and Panganiban 2000) Vietnam has three local administrative system levels. These are the provincial level with 57 provinces and three cities under direct central government rule; the district level composed of 492 rural districts, 33 urban districts, 16 provincial component cities and 63 provincial capital cities; and the communal level composed of 8,878 communes, 973 rural wards and 536 towns. (Ursal and Hoat 2000)

Decentralization in Vietnam was operationalized through the Grassroots Democracy Decree through Government Decree 29 of May 1998. The *Doi Moi* (renovation) process included innovations in the way of thinking, democratization of society and reform of the economy and public administration including devolution of management authorities (Truong and Panganiban 2000; Vietnam 2000a; The Decree aims to legalize people's direct participation in local decision-making as well as to establish transparency and accountability mechanisms at the commune level and upwards for the supervision of public programs and locally finance projects. It aims to improve "governance" at the local levels. (Vietnam Socialist Republic 2000b). A World Bank report observed that over the past years, "despite the gains, poor people expressed a sense of voicelessness and powerlessness. " It was within this context that participatory poverty assessments conducted in the country concluded that the "people were hungry for a two way flow of information - from the government to them about the nature and timing of public policies and programs affecting their lives and from them to the government to influence those policies and programs." Thus, the Grassroots Democracy Decree aims to "empower local people by authorizing their direct participation on local decision-making and improving local governance." (WDR 2000) It brings democracy to the communes. "The decree is centered on four key categories of participation - "*People know, people discuss, people execute, and people supervise*" - and aims to bring democracy and economic development to

all (steering committees were created in the first year, although not a single one was headed by a woman). However, whether or not decentralization makes a difference in the poor people's lives depends on many factors, including the strength of poor people's organizations." (Narayan 2000)

District Local Administration in LaoPDR: Centralization cum Decentralization

In contrast to the experience of the other DMCs in this study, the government of Laos has decided in 1991 "to move away from a highly decentralized state organization towards a more centrally controlled machinery of government." However, this mode of centralization can paradoxically still be located within the broad framework of decentralization considering that it reflects the concept of a "unitary deconcentrated" state, in which the government has the authority to organize, direct and supervise the operations of state services in all sectors, including local administrative organizations (UNDP 2001). The plan is for central government to progressively transfer responsibilities to the local administrations as capacities are developed.

Lao PDR currently has 16 provinces, two equivalent organizations (Vientienne and Saysomboune Special Zone), 141 districts and 11,293 villages. Provinces may be created (or abolished) by law on recommendation of the Prime Minister. Up until 1991, the state administration was composed of 5 tiers: central government, provinces, districts, *tassengs*, and villages. However, the reforms brought about by the 1991 Constitution abolished the *tassengs*, with the district now constituting the only intermediary level between the provinces and the villages. Consequently, districts have increased responsibilities over wider geographical areas and oversee more villages (UNDP 2001). The Prime Minister on recommendation of the provincial Governor appoints district chiefs. It will be noted that the number of districts has increased from 115 to 141.

Strengthening the capacities of local governments in Laos as a poverty reduction intervention is still in its nascent stage. The country is divided into 16 provinces which are in turn subdivided into districts and villages. The abolition of the *tasseng* as an intermediate layer between the village and the province was a move to strengthen the district level, making them, together with the villages, the focal points for governance at the local level. The decision to abolish one layer of local government (the *tasseng*) was made to allow better clarification and distribution of government roles at the local level. Hence, decreasing the number of tiers of local government would essentially lead to quicker communications and exchanges between the central government and the local governments. Making the districts focal points of local governments would also enable more responsive poverty reduction programs at the local level.

Box 7. Main Factors that Influenced the Decision-Making Process Regarding the Size and Role of Local Governments in the Lao PDR

1. Coordination and control
2. Political guidance and local elections
3. Planning and management
4. Responsiveness to local needs
5. Responding to diversity
6. Resettlement and focal zones
7. Security
8. Increased participation of the local population

Source: UNDP, Governance and Public Administration Reform Project, "The District in the Local Administration in Lao PDR. Recent Developments, Challenges and Future Trends," February 2001.

The provinces have been targeted as strategic units, with the district as planning and budgeting units and the villages as implementing units. The decentralization policy represents a conscious effort on the part of the government to empower provincial and district authorities to achieve and defend a vision and to identify dynamic elements in order to optimize their development process.

Thus, the policy of decentralization should be appreciated, as a management tool to improve that would address the socio-economic plans of the local institutions and their accompanying budgets. After all, the local budgets are considered the most adequate tools to manage development in the Lao PDR. (Lao PDR 2000b; UNDP 2001) The decentralization of planning and budgeting responsibilities will ensure the discovery and ensuing exploitation of the vast national resource and development potential. Thus, the decentralization policy is closely linked to the production of goods and basic services, to market operations and is directly related to grassroots development, rural development and poverty alleviation, which are at the heart of the government's effort to eradicate poverty. (Lao PDR 2000b; UNDP 2001)

A notable feature of the decentralization program in the Lao PDR pertains to financial decentralization (Wescott 2001). By a decree, public finances including all revenues and expenditures, have been re-centralized and have to pass through the national budget with the Ministry of Finance supervising the entire process. Only 15% of the total expenditure are allocated directly to local governments. Provincial governments have an incentive to perform well in terms improving their efforts at tax collection because they can retain as much as 30% of the revenues collected at their level.

It might be mentioned that the World Bank has recently implemented a project that includes an institutional strengthening component that would develop the planning and operational capacities of local governments to which the preparation and execution of World Bank supported provincial investment projects will devolve. More specifically, these involve the construction of infrastructure projects in the northern provinces of Oudomaxy and Phongsaly (IDN 1998)

The process of decentralization provides the context for increased participation of people in the process of governance and poverty reduction. For instance, the Lao PDR Government Report to the Round Table Meeting in Vientianne in November 2000 highlighted people's participation as a cornerstone in its poverty reduction efforts. People Participation will be

enabled through an aggressive decentralization program that will actively involve provinces, districts and villages in the delivery of services to the people.

After all is said and done, though, the question of presence, and development of adequate capacities and capabilities at various levels - province, districts and villages - has to be closely examined if the poverty reduction interventions are to succeed.

A cross-country study was conducted by Crook and Sverisson (1999) that inquired to what extent can decentralized forms of government enhance the development of pro-poor policies and improve poverty alleviation outcomes? They concluded that no clear patterns could be established in linking decentralization and poverty alleviation. For instance, in Karnataka, Colombia and Brazil, decentralization brought about positive outcome in terms of participation and responsiveness to the poor, and impact on social and economic poverty. On the other hand, Ghana, Bangladesh, Kenya, Nigeria and Mexico were examples of the failure of decentralization in terms of these two dimensions. They said that more evidence was needed to determine the success or failure of decentralization in Chile and the Philippines.

The Paradox of Controlled Decentralization in Japan: An Illustrative Model for the DMCs?

One of the major issues in the implementation of decentralization is who will be driving the process. Should there be some kind of an "orchestrator" of the decentralization process from the center, or should powers and functions simply be transferred to local authorities with minimal intervention from the central government, and allowing the local authorities to essentially "muddle through" the situation? *The Japanese example of decentralization - if only because of its success in poverty reduction - might be illustrative.*

The Ministry of Home Affairs (MoHA) of Japan has played a key role in managing the decentralization process in Japan. The history of Post World War II Japan has shown that among the strategies for the successful implementation of decentralization in Japan was what has been referred to as some kind of "controlled decentralization" (Akizuki 2001). The MoHA administers the local allocation tax, which is a revenue sharing scheme that covers about 20% of all revenues of local governments. It therefore keeps an eye of local governments to detect excessive spending and mismanagement. The MoHA is empowered to monitor, direct and sanction local governments for that purpose, pressuring local governments to balance their budgets.

A very interesting strategy of decentralization in Japan - and this is one where the DMCs might draw some lessons - pertains to the intergovernmental personnel exchanges. Personnel exchanges between various levels of government provide a powerful means of communication and control, which has been utilized by MoHA to facilitate, controlled decentralization (Akizuki 2001; Inoki 2001; Inatsugo 2001). Bureaucrats in the MoHA are expected to go through quite unique career paths, with exposures in the MoHA central ministry and in the local prefectural governments. At the prefectural governments, they are expected to be exposed to all aspects of local government administration, and in this sense imbibing the paradigms and perspectives of local governments. Upon return to the MoHA, many of them have been transformed into advocates of the causes of local governments, having been a part of them and immersed in their concerns at some point in their careers. The shuttling back and forth between the MoHA

and the local governments continues through the years to a point that usually, half of the careers of MoHA officials are spent in local governments.

The Japanese model of controlled decentralization may well be illustrative of the lesson that while indeed, local governments must be given widest latitude as possible to enable them to respond to the unique situations at the local level, appropriate support must continue to be provided by central government. Such support may range from fiscal transfers to professional and technical assistance. The uniqueness of the Japanese decentralization model lies in the fact that central government officials themselves, at some time in their careers, are exposed to the realities of local governance, and in the process are transformed to be advocates local causes. *To a certain extent, this process may also be considered part of the overall capacity building not only for local officials, also for, and perhaps more importantly, for national government officials as well. This calibrated "controlled decentralization" may well be one of the major factors behind the success of the poverty reduction efforts in post-World War II Japan.* This has enabled political inclusiveness, enabled greater citizen participation and enabled citizens to shape and influence local public policy (MacDougall 2001).

Box 8. Lessons Learned for Devolution Implementation

The following "lessons learned" are drawn from the work of various authors in their continuing study and examination of the experiences of the implementation of devolution in various contexts.

Roy Bahl (Report prepared for the World Bank)

- Establish National Decentralization Committee to monitor status of decentralization and local fiscal condition
- Clearly assign expenditure functions among levels of government
- Allocate adequate local revenues and enhance local collections
- Improve equalization impact of inter-governmental grants
- Develop local accountability

Ammar Siamwalla (Rural development study for ADB)

- Prepare the process carefully
- Consult extensively
- Formulate the plans precisely
- Commit politically without reservation
- Implement quickly
- Finance adequately

Leonardo Dayao (Governance and Local Democracy - GOLD - Project supported by USAID in the Philippines)

- Stakeholder participation is a function of method not time.
- Decentralization is more constrained by centralized model than by local capability. The "local" is responsive and capable.
- Complex planning is overrated as a condition for success.

...cont. of Box 8

- Conventional needs assessment tend to skew planning and analysis towards conventional solutions.
- Expect that national government agencies operate mainly on the basis of anecdotal information about local governments
- Emphasize organizational development not individual skills
- Governance is being redefined at the local level

Terry MacDougall (Japanese decentralization experience)

- Meaningful decentralization cannot simply be legislated. Professional rule-based bureaucratic and fiscal systems are critical for effective governance at all levels.
- The character of local-central relations and balance of initiative change with new issue agendas.
- Where local administrative capacity is inadequate to handle a nation's policy needs, it can be nurtured.
- The LG system can be useful for reducing regional disparities, experimenting with policies to address new issues, and incorporating new participants into the political process.
- Shared growth, through redistributive measures and local responsiveness to diverse interests can help legitimate democracy.
- Local democracy can promote governmental effectiveness by creating feedback channels to policy makers.

Philippine Local Governance experience (Alex Brillantes Jr)

- Decentralization without financial decentralization is meaningless.
- Capacity building should be high in the priority of the agenda for local governance.
- Through the Leagues, local governments have become more assertive and effective in articulating LGU concerns over the past ten years.
- Local Governments have recognized the value of inter-local cooperation and collaboration.
- Local governments have begun to increasingly enter into partnerships and collaboration with civil society.
- Governance in general, and local governance in particular, has generated interest of international donor agencies.
- Awards Programs are instruments in disseminating and encouraging good and best practices, at the local level.
- Urbanization should be increasingly addressed at the local level.
- Globalization issues and concerns are concerns that are being increasingly addressed by local governments.
- It is critical to develop performance indicators and benchmarks for good governance.
- Experience at the local level has shown that decentralization has contributed to poverty reduction.

IV. Citizen Participation for Poverty Reduction

Participatory governance is a key factor that can spell the success or failure of poverty reduction programs and projects. Participation has been defined as "a process through which stakeholders influence and share control over development initiatives and the decisions and resources, which affect them." (WB 1996) Various referred to as "voice and freedom" (Sen 2001; Narayan et. al. 2000; WB 1996), the participation of citizens in the different phases of poverty reduction programs and projects, be it at the conceptualization, design, implementation, evaluation and/or assessment stages, may lead to the choice of appropriate and responsive projects, and make efforts at decentralization meaningful and effective. (Sen 2001; WB 1996)

Greater voice would lead to more transparency and accountability and help in the continuing struggle against corruption.

Participation can be operationalized through various mechanisms. This could include consultations (direct or indirect) and partnerships with the citizens in various phases of the project cycle,³¹ from project identification, to design, to implementation, and evaluation and assessment. Experience has shown, though, that participation can be most effectively operationalized in the project identification, implementation and evaluation and assessment stages.

Citizen Participation for Good Governance: The Bangalore Score Card

A classic example of citizen participation for good governance and poverty reduction is in the area of monitoring and evaluation as illustrated by the concept of governance scorecards pioneered by the Public Affairs Center in Bangalore, India. (Paul 1997; World Bank 2001a). The score cards were prepared by the City of Bangalore in partnership with committed local community based organizations with the general objective of assessing the efficiency and adequacy of governance *from the recipients point of view*. Score cards have been used to evaluate and obtain feedback on the quality of delivery of basic services including general urban services, health, and public distribution system. The score card approach for poverty reduction has been a successful initiative and has been replicated and adapted in other cities such as Ahmedabad, Calcutta, Chennai, Delhi, Mumbai and Pune. The World Bank has further proposed the adoption of governance score cards for the cities of Dhaka, Chittagong, Khulna and Rajshahi.

Box 9. Governance Score Cards for Poverty Reduction: Objectives

- (1) Obtain citizen feedback on the quality and adequacy of public services
- (2) Catalyze citizens to adopt a pro-active stance by demanding accountability, accessibility, and responsiveness from service providers
- (3) Compare service providers across various indices
- (4) Identify areas in which citizens experience high levels of stress in accessing the service
- (5) Estimate the hidden costs incurred by the citizens
- (6) Measure the efficiency and effectiveness of the grievance redressal mechanism

Source: Administrative and Civil Service Reform, World Bank 2001a

³¹ The *Participation Sourcebook* prepared by the World Bank (1996) identifies the following stages in the typical project cycle with the borrower and / or the Bank as the key actors in each stage: identification, preparation, appraisal, negotiations, board approval, signing and loan effectiveness, implementation, project completion.

NGOs in Bangladesh: A Paradigm of Citizen Participation

Civil society and non-government organizations have played a key role in the poverty reduction efforts of Bangladesh. Bangladesh has been recognized worldwide as one of the countries with a very dynamic and NGO sector.³² It is through this sector that citizen participation in poverty reduction efforts is operationalized.

The emergence of NGOs in Bangladesh largely to the failure of government whose operations have been characterized by waste, mis-targeting, corruption and inefficient delivery of programmes.³³ (Sobhan 1998; Mahbub ul Haq Human Development Center 1999). NGOs have emerged as alternative development institutions that have been "designed to deliver aid more purposefully and efficiently to the poor." The emergence of NGOs as complementary, supplementary of even alternative delivery mechanisms may indeed be a result of the general failure of formal government institutions and processes to "govern" effectively, more specifically in terms of deliver basic services. (Sobhan 1998; Brillantes 1992) Key to the success of poverty reduction programs of the NGOs is the ownership of the programs by the poor. Many of the poverty reduction programs that have been considered relatively successful in poverty reduction at the micro level have been those implemented by NGOs (such as the Grameen Bank and the BRAC) at least in terms of raising household income levels. *Participation* and *ownership* by the poor have been identified as key factors in the relative success of NGO initiated poverty reduction programs and projects in Bangladesh (Sobhan 1998; Smillie 1997)

NGOs have been considered to be "moderately effective in their efforts to empower the poor in Bangladesh." (Sobhan 1998). As part of their overall attempt to coordinate their work and exercise political leverage as an advocacy body, the NGOs in Bangladesh have forged the Association of Development Agencies in Bangladesh (ADAB). Parenthetically, it might be mentioned that a similar coalition exists in the Philippines namely the Caucus of Development NGOs. Such a coalition has essentially served as a platform for legitimate NGOs in the country to participate in governance and influence policy-making processes, including, for instance, in the National Anti-Poverty Commission.

However, in spite of claims that the NGOs in Bangladesh have indeed been successful in their poverty reduction programs, we should be cognizant of the findings of studies (NOVIB, 1996; Rahman and Razzaque 2000) that "the poorest of the poor was not reached through the existing programmes." This was largely because of observations that they have still been unable to "devise an appropriate strategy so that participation of the hardcore poor can be ensured in the social as well as credit programmes."

³² It may be noted that the emergence and active involvement of NGOs in local development processes have also been considered as a mode of decentralization, which we earlier referred to as *debureaucratization*.

³³ We have earlier discussed in Part II the administrative reform efforts in Bangladesh that have fallen short of meaningful implementation.

Box 10. Areas of Poverty Reduction Programs and Projects of NGOs in Bangladesh

- i. group-based mobilization of the poor and beneficiary participation
- ii. micro credit
- iii. targeting resources to women
- iv. developing access to common property resources
- v. health care and health education
- vi. non-formal primary education
- vii. non-traditional agricultural extension
- viii. development of appropriate irrigation technologies
- ix. promotion of non-crop agriculture through investment in poultry, livestock and fisheries
- x. promotion of small and rural industries
- xi. social forestry

Source: Rehman Sobhan, "How Bad Governance Impedes Poverty Alleviation in Bangladesh," OECD Development Center Technical Papers No. 143, Nov. 1998. p. 23

People Participation for Poverty Reduction: The Saemaul Undong and Welfare Foundations in Korea

People participation for poverty reduction has been manifested in various ways in Korea. These include the large-scale people mobilization movement such as the Saemaul Undong and private welfare foundations.

A classic illustration of people participation for poverty reduction is seen in the *Saemaul Undong*³⁴ in Korea. This has been considered as one of the major factors that led to the successful rural development and hence reduction of poverty in Korea (Chang-Soo 1993; Kee-Ok 1993; Yoon 2001). Mobilized by the spirit of self-help and voluntary labor population among the poor ("I can do it") millions of Koreans people have participated in the movement since the early seventies resulting to the construction of thousands of hectares of rural roads, rural houses, roads and irrigation systems. After initially being a government-driven movement in the seventies to contribute to nation-building and economic and rural development, the Saemaul Undong was eventually privatized in the eighties and has continued to enhance resident participation in regional and social development programs. Consequently, it has provided the context and basis for decentralization and local autonomy (Kee-Ok 1993) considering that the movement contributed towards the development of local capacities.

Another example that illustrates people and private sector participation for poverty reduction is through the private sector. Yoon (2001) cites the participation of the private sector in various social welfare and relief programs, a number of which have been initiated by religious institutions, voluntary institutions, non-profit foundations and even big companies. Among the examples he gives are religious groups such as the Buddhists and Christians, the Korean Christian Church Federation the National Association of Disaster Protection, the Korean Red Cross, the Daewoo Foundation, the Adan Social Welfare Foundation of the Hyundai Group, among others.

³⁴ Sae means "new" and suggests innovativeness; *maul* means "villages."

Partnerships with Civil Society for Poverty Reduction in the Philippines

In the Philippines, the National Anti-Poverty Commission that has taken the lead in the implementation of the National Anti-Poverty Action Agenda. The NAPC has representatives from the basic sectors as co-equal members of the Commission. The Commission itself is co-chaired by a representative from the basic sectors seen as partners of the government in its poverty reduction efforts. These sectors are the following:

- Artisanal fisherfolk
- Cooperatives
- Indigenous peoples
- Children
- Farmers and landless rural workers
- Non-government organizations
- Persons with disabilities
- Urban poor
- Women
- Workers in the informal sector
- Senior citizens
- Victims of disasters and calamities
- Workers in the formal sector and migrant workers
- Youth and students

A basic critique of the implementation of the anti-poverty programs of the administration of then Philippine Estrada (who packaged himself as a champion of the poor) pertained to many institutional concerns including the following: (Bautista 2001)

1. The various poverty reduction programs of the administration contradicted each other. For instance, upon assumption of office, Estrada launched his own *Lingap Para sa Mahihirap* program which essentially contradicted the existing program of the previous administration implemented under the Social Reform Agenda, the Comprehensive Integrated Delivery of Services. There was no continuity in the implementation of poverty reduction programs.³⁵
2. The choice of the basic sector representatives to the NAPC did not go through a proper selection process. Political and partisan considerations got in the way of selection of the appropriate representatives of civil society who were to be partners in the poverty reduction process.
3. Lack of coordination between and among the sectors, including the government itself, got in the way of implementation.
4. General failure of NAPC to perform its role in monitoring the status of poverty in the country using the Minimum Basic Needs community-based information.

³⁵ The lack of continuity is a governance concern that serves as an obstacle to the meaningful implementation and sustainability of poverty reduction programs. This was repeatedly raised in a number of our field visits including those held in Pakistan and Bangladesh.

5. General inability of the NAPC to obtain commitments from the local governments to be its partners. Partisan politics and political interventions also got in the way of implementation of the programs.

Interestingly, though, the Philippine experience has been cited by international aid agencies as a successful example in terms of management of aid resources (Box).

Box 11. Management of Aid Resources and Participation and the Poor in the Philippines

The Philippines is an example of successful management of aid resources through program management and popular participation. Aid resources are increasingly being entrusted to non-government organizations (NGOs), where they are seen as reaching larger proportions of target populations, especially the poor. NGOs are also seen as being more cost-effective than government agencies. To better integrate and coordinate sectoral planning, all government agencies now have NGO desks, and planning councils at all levels have NGO members.

Source: UNDP, Public Sector Management Reform in Asia and the Pacific. Selected Experiences from Seven Countries, New York, October 1998, p. 29

V. Conclusions

Existing literature and published body of knowledge conclude that good governance will lead to the reduction of poverty. This paper goes deeper into that question: can reforms in the public sector bring about good governance? Public sector reform can be operationalized in three broad areas: administrative reform, decentralization and citizen participation in governance. It was within this context that this paper tried to provide empirical experiences of public sector reform in selected DMCs and relate them to their efforts in poverty reduction.

Among the countries examined for this study, those relatively successful in their poverty reduction programs (Korea and Taipei, China) have been among those that have carried out public sector reform through administrative reform early on in the process. The linkage between such (administrative reform and poverty reduction may be the subject that may be further investigated within the context of institutional reform and poverty reduction.)

Failure in implementation is a major stumbling block in poverty reduction efforts. Many of the countries surveyed had poverty reduction frameworks, some more sophisticated than others, some in the form of broad and well-crafted poverty reduction strategy papers. But their experience has shown that due to partisanship, lack of political will and graft and corruption that have become serious obstacles in implementation. Related to this is the lack of continuity in the implementation of poverty reduction programs in the DMCs. Changes in leadership at the national and local levels usually threaten the continuity of implementation of poverty reduction programs.

Lack of administrative capacities of institutions - both at the national and local levels - has also proven to be a constraint to implementation of poverty reduction programs. More specifically, these include the lack of appropriate skills (especially at the local level) and also relatively low salaries of government employees (including, interestingly Korea) in contrast to

those in the private sector. This has become a disincentive for qualified people to work in the bureaucracy, hence depriving it of more qualified personnel. It will be recalled that increasing the salaries of government workers has become a "standard" recommendation of most administrative reform measures.

It is within this context that most of the DMCs in this study have formulated comprehensive capacity building programs for those in the public sector, both at the national and local levels.

As frontline institutions, local governments play a key role in the implementation of poverty reduction efforts. Being in the frontline, they are logically positioned to delivery basic services to the people. It is therefore important to continue developing the capacities of local governments to enable them to meet their responsibilities as front line institutions in poverty reduction. Several areas have been identified as areas for capacity enhancement of local governments that would enable them to better confront the challenges of poverty reduction at the local level.

Decentralization and devolution strategies for poverty reduction must be accompanied by serious capacity building efforts. This is especially true for governments that have undergone serious political upheavals and changes (such as Bangladesh and Pakistan) and also for those that are undergoing radical transition from centrally planned economies to market economies (such as Laos and Vietnam). Others like the Philippine and Thailand continue to need capacity building interventions if only to sustain and strengthen the devolution processes. The Philippine experience has shown that capacity building must not be aimed only at lower level and sub-national institutions such local governments units, *but also* central government agencies that will be affected by the administrative reform efforts through devolution. If not properly "capacitated," i.e., in terms of changing their paradigms and mindsets that do not support decentralization, such central government agencies can serve as obstacles to the successful implementation of decentralization, and worse subvert the entire process altogether. It is therefore important to exert efforts to make central agencies partners in the decentralization for poverty reduction process. This is one critical dimension of capacity building.

The experience of Japan may be illustrative of successful capacity building of central government officials through intergovernmental personnel exchanges. A major stumbling block to successful decentralization is the mindsets of central government bureaucracies (APO 1998) to fully appreciate the value of a decentralized regime. Decentralization is seen as some kind of a zero-sum proposition wherein powers transferred to local governments are considered as diminution of central government powers. One way to overcome this mindset is actually to expose central government officials. to the actual working conditions of local governments. This can be done by incorporating immersion among local governments as a major component of their career path. This will enable them to fully appreciate the conditions at the local level and even become advocates of local governance.

Apropos to the experiences of Korea and Japan, it may be well worth the effort to continue examining the advantages - and possible disadvantages - of a centrally driven decentralization set up. This means that as the country recovers from any major upheaval, political crisis or major change (such as the ravages of World War II for Japan and Korea; or a military coup as in the case of contemporary Pakistan), the central government plays a key - and even dominant role - in crafting and designing the country's development strategy. This includes the extent to which it shall be centralized, and determining - and calibrating - the

adoption and implementation of appropriate decentralization strategies. Hence, fiscal transfers, expenditure assignments, assignments of functions and responsibilities, assignment of personnel, etc., are to be initially determined by the central government, and depending on the capacities at the local level, would design the appropriate policy framework within which the decentralization strategy could be pursued. Capacities here would necessarily take into consideration fiscal capacities in terms of the ability of the local governments to generate resources, and of course personnel capacities, in terms of the ability of the local governments to take on additional functions and responsibilities that may be assigned to them. Another dimension of capacity would be the extent of openness and accessibility of the local government structures to participation and engagement with civil society.

Additionally, still within the context of decentralization, it is critical to recognize that decentralization through devolution and debureaucratization (as against deconcentration) may be more effective in poverty reduction considering that under a devolved and debureaucratized regime, accountabilities are easier to pinpoint: they are at the level of local institutions, as against deconcentrated regimes where accountabilities remain vague and diluted among the concerned national government agencies, that at the end of the day, are mostly prone to finger pointing.

Our survey has shown that the concerned DMCs in this study are not wanting in the presence of capacity building and training institutions for both local and national government agency officials. What may be necessary would be to develop a comprehensive capacity building program for the various countries, with specific modules aimed at developing specific skills of the participants. Such a comprehensive framework, however, should take cognizance of the challenges of poverty in the country, and in their implementation, locate the capacity building interventions to the overall poverty reduction framework of the country. For instance, the capacity building program should be located within the poverty reduction framework of the government wherein the roles of the various sectors (government, private, civil society, business, donor institutions, etc.) are properly defined at the local, national, and international levels.

Capacity building for poverty reduction may also be directed at developing and strengthening citizen participation in governance. Among the areas for capacity building to strengthen partnerships are the following (UMP 2000): a sound understanding of the legal framework, laws and regulations that govern local authorities; understanding and appreciation of sources of revenues, including expenditures; appreciation of the nature and processes of government and non-government organizations in order for both sectors to understand each other with the ultimate purpose of laying the foundation for smooth partnerships between government and civil society.

Apropos to the above, exchanges among the various capacity building institutions can be explored. Such exchanges may be at the level of participants, sharing of programs, methodologies, materials, publications, etc. This is much easier now given the advances in telecommunications and computer technologies. International institutions may likewise provide assistance in this aspect, not necessarily always in enabling participants to attend international training programs. Attendance to such programs has proven to be certainly useful but unfortunately is quite expensive. Thus one modality that could be explored in delivery capacity building programs would be distance learning.³⁶ Poverty reduction distance learning training

³⁶ The World Bank through the World Bank Institute has been pioneering efforts in the delivery of distance learning programs.

programs would broaden the reach of such programs, enable wider participation, allow maximum utility of the poverty reduction capacity and training interventions and of course bring an international dimension to the program.

Ownership of reform interventions is key to their successful implementation and sustainability. While it is important that ownership should be at the level of the ultimate partners (in this case, the poor and vulnerable), it is equally important that institutions in the bureaucracy responsible for implementation of the poverty reduction strategy demonstrate ownership of the reform, as the ongoing experience of Pakistan has shown. Without such, the reform interventions can be sabotaged by the very bureaucratic institutions responsible for their implementation. Sabotage here can range by passively complying with the requirements of the reform for compliance's sake and waiting for the government to change to actively undermining the reform.

One approach to the implementation of public sector reform is to work through *extra-bureaucratic structures* in order to by-pass regular ministries and institutions in the bureaucracy that may be the very obstacles to implementation. Such ad-hoc bodies are usually transitory in nature and are clothed with extra-ordinary powers, and exempt from the regular routines in the bureaucracy, in order to enable them to "fast track" and hasten the implementation of reforms. Generally, their staffs are paid higher. However, two issues that must be addressed are the following: the need to generate ownership in the regular and mainstream institutions of the reforms (e.g., the regular Ministry that would logically and functionally be responsible for carrying out the reform) that this "external" body might introduce in order to guarantee the sustainability of the reforms; and two, the need to address the "ad-hoc"ness of the body considering that, experience has shown that such bodies may themselves evolved into regular bureaucratic structures and essentially become "like the enemy" they set out to conquer.

Parenthetically, a similar event happened in Albania when they implemented their Rural Poverty Alleviation Pilot Project that essentially aimed to make available credit to the poor.³⁷ The Project's relative success of the project in reducing poverty among the poor who participated was the fact that the Project was not implemented through the government and instead through a transition agency outside government. Had this been in any other country, it would have been implemented through an NGO. Because of the perceived lack of capability of the regular bureaucratic structures and processes, it was decided that the Poverty Alleviation Project be implemented *outside* the formal structures of government. This decision was based on the fact that *the existing administration did not have the ability to carry out the project in a participatory manner* nor the outreach to interact at the local level with thousands of farmers. Thus, to a certain extent, government structures and procedures themselves may become the obstacles to the successful implementation of poverty reduction projects, largely due to lack of capacities (as the Albania example has shown) and also to pervasive graft and corruption in government.

The various DMCs surveyed have different and country-specific ways of operationalizing public sector reforms. For instance, decentralization may be seen by some as devolution of powers to the local governments, while others see it simply as deconcentrating powers to lower level institutions. In like manner, participation is operationalized by others as encouraging active civil society involvement in the processes of governance and the delivery of basic services,

³⁷ Maria Nowak, "Albania: Rural Poverty Alleviation Pilot Project," in *The World Bank Participation Sourcebook*, Washington DC: The International Bank for Reconstruction and Development / World Bank, 1996

while in others simply as participating within the framework defined by the national government. Again, the notion of formalistic participation has to be recognized. More importantly, though, the *context* - social, political, and cultural - within which the public sector reforms must be recognized in trying to understand and explain the nature and implementation of said reforms. Eventually, this can also help explain the non-implementation, and even failure, of the reform interventions for poverty reduction.

There is indeed no such thing as a "universal model" for poverty reduction, where a one-size fits all solution that can be adapted to similar situations around the world. In fact, we have seen that the pace of implementation of administrative reforms varies across countries, largely due to varying political, social, cultural and structural contexts (APO 1998). Perhaps what can be done is to facilitate the sharing of experiences in public sector reform among the various countries and where appropriate, approaches to public sector reform and poverty reduction adapted, and adopted, by others within the context of an enriched learning environment. The experience of the different countries are unique and have to be placed and appreciated within the proper historical, social, cultural, political and administrative contexts. Every country has to weigh the relevance and degree of importance of a number of determining factors and elements (people's participation, cost of delivery of services, political control, etc.) when deciding on the design of the poverty reduction intervention, on which would be founded the public sector reform strategies (Crook and Sverrisson, 1999; UNDP 2000; WB 2000). This should indeed be central in designing modalities for capacity building.

International agencies and institutions such as the Asian Development Bank, the World Bank, the United Nations, and various aid agencies such as USAID, CIDA, AusAid, can play a key role in the success of poverty reduction programs by providing in their country assistance program or country operations strategies assistance on capacity building of public sector institutions, including national government agencies and local governments. This may also include the areas of local development planning, intergovernmental cooperation through integrated area development, skills training, development and strengthening of technical information at the village level, etc.

Appendices

Developing Indicators of Good Governance

Developing "indicators" to measure good governance has been a recent development. The UNDP offers itself has identified several indicators for good governance. These include the following: rule of law, transparency, responsiveness, consensus, equity, effectiveness and efficiency, accountability and strategic vision. These may be used as "handles" in determining good governance of certain institutions. Similarly, as part of a general attempt to develop indicators of good governance, a study for the ADB and the Department of Budget and Management in the Philippines sought to apply governance criteria in enabling local governments to access a proposed fund for local governments. The proposed criteria are reflected in the following:

Measuring Governance
Towards Developing Criteria for Good Governance

1. Transparency
2. Participatory partnerships
3. Accountability
4. Leadership
5. General organization and management
6. Intergovernmental relations
7. Rule of law, legal systems in place
8. Continuity in the implementation of programs, predictability and sustainability
9. Preference for the poor
10. Effective and responsive provision of basic services

Source: Alex Brillantes, Jr., "Partnerships: A Key Pillar of Good Governance," in *From Government to Governance. Reflections on the 1999 World Conference on Governance, Manila: Eastern Regional Organization for Public Administration, 2000*, pp. 88, 89.

Indicators of Good Governance

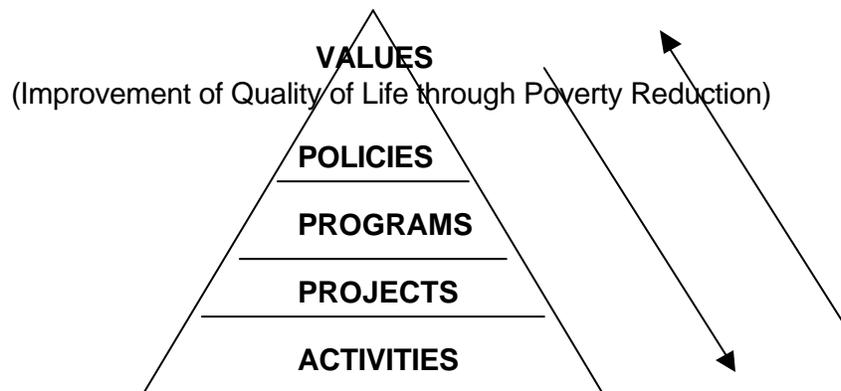
Sources	Datasets	Concept Measured
Business Environment Risk Intelligence	Political Risk Index (multiple)	socio-political conditions
Business Environment Risk Intelligence	Operation Risk Index (multiple)	bottlenecks for business development
Wall Street Journal	annual survey of business analysts (multiple)	attractiveness of the business environment
Standard and Poor	Country Risk Review (multiple)	risk to the profitability of investments
European Bank for Reconstruction and Development	transition indicators (multiple)	progress towards a market economy
European Bank for Reconstruction and Development	legal reform survey (multiple)	effectiveness of the legal framework
Economist Intelligence Unit	Country Risk Service (multiple)	risk ratings for investors
Economist Intelligence Unit	country forecasts (multiple)	attractiveness of the business environment
Freedom House	Freedom in the World (multiple)	political rights and civil liberties
Freedom House	Nations in Transit (multiple)	progress towards democracy and a market economy
World Economic Forum	Global Competitiveness Survey (multiple)	business environment
Heritage Foundation	Index of Economic Freedom	prospects for growth
Political Risk Services	International Country Risk Guide (multiple)	Political, economic and financial risks for investors
Political and Economic Risk Consultancy	corruption in Asia (multiple)	quality of the legal system
Political and Economic Risk Consultancy	transparency in Asia (multiple)	Business environment
Political and Economic Risk Consultancy	quality of the media (multiple)	Censorship and access to foreign media
Institute for Management Development	World Competitiveness Yearbook (multiple)	Business environment
World Bank	1997 World Development Report survey (multiple)	Business environment
Transparency International	Corruption Perceptions Index, aggregation of many indicators (single)	Corruption perceptions
World Bank (Kaufmann, Kraay and Zoido-Lobaton 1999)	aggregating governance indicators (multiple)	'government effectiveness', rule of law, voice and accountability, and graft
International Telecommunications Union	waiting time for telephone line (single)	Wait for key service generally provided through government
Contract Intensive Money (as calculated from IFS)	contract-intensive money: non-cash share of the money, from International Financial Statistics	Proxy for contract enforceability/trust in government
Private sector credit (from IFS data)	Private sector credit/GDP, from International Financial Statistics	Financial sector development

* The above government performance indicators were developed by Navin Girishankar and Brian Levy, in their article "Governance and Poverty Reduction. A Toolkit for Governments" (2000).

Broad Policy Frameworks and Poverty Reduction Interventions

Broad policy frameworks provide the legal and policy context for the implementation of the public sector reform intervention. The presence of a broad policy framework that could serve as the basis for the design, formulation, implementation, monitoring and evaluation of the poverty reduction efforts of the country is critical. This can be in the form a provision in the fundamental law of the land (such as the constitution), a law, a development plan spanning a number of years, a poverty reduction strategy paper, or any other legal or policy document issued and sanctioned by the government that would provide legitimacy to poverty reduction initiatives that can flow from it. The policy framework would be *founded upon the values universally held by the society*, which in this case is the improvement of the quality of life of the people, through poverty reduction.

From such values would flow the basic policies, programs, projects, and activities for poverty reduction. The following is an indicative representation of the process of how policies are translated into programs, projects and eventually activities - all in accordance to the values of improving the quality of life through poverty reduction.



This framework for policy analysis constructed by Santiago Simpas of the University of the Philippines, c. 1982.

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