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**POLICY ISSUES IN THE ESCWA REGION****HUMAN AND INSTITUTIONAL CAPACITY-BUILDING**

*Prioritizing institutional development in the ESCWA region:  
Towards a modernized public sector*

**Summary**

Public sector modernization is central for the attainment of national development goals. In addition, the creation, enhancement and maintenance of an advanced and well-designed institutional infrastructure and the development of institutional administrative and human capacities can generally lead to an improvement in a country's economic and social performance indicators. As such, country-specific administrative reform and institutional development are main contributors to State-building and promoting development in the member countries of the Economic and Social Commission for Western Asia (ESCWA).

This paper suggests that there exists a strong correlation between modernization of the public sector and development. It argues that institution-building, which transcends the mere import of best practice, depends significantly on national human resource or capacity development. The paper further discusses the applicability of New Public Modernization (NPM) in the ESCWA region and examines the challenges faced by the public sectors of member countries. It concludes with a set of policy and capacity-building recommendations that are necessary for modernizing the public sector, thereby enhancing the institutional infrastructure and achieving administrative reform.

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## Introduction

1. The modernization of the public sector is central for the attainment of national development goals. In addition, the creation, enhancement and maintenance of an advanced and well-designed institutional infrastructure, that includes the development of institutional administrative and human capacities, can generally lead to an improvement in a country's economic and social performance indicators. Indeed, there is a general consensus that there is a positive correlation between institutional development and State-building, which in turn has a considerable impact on socio-economic development.
2. Evidence has shown that, while macroeconomic reforms are indeed necessary, market-oriented fundamentals are not sufficient to promote development in Least Developed Countries (LDCs). Furthermore, it is argued that the effectiveness, efficiency and quality of public institutions, specifically those that are mandated with the provision of essential services and the production of public goods, are more important than the size of the State.
3. The connection between the modernization of the public sector and development are basic and pronounced.<sup>1</sup> Experiences of developed countries illustrate that country-specific administrative reform and institutional development must be implemented in order to foster State-building and promote development in the member countries of the Economic and Social Commission for Western Asia (ESCWA).
4. This paper suggests that there exists a strong correlation between modernization of the public sector and development. It argues that institution-building depends greatly on national human resource or capacity development. The paper also stipulates that institution-building goes beyond the mere import of best practice should institutional sustainability be assured. The applicability of New Public Modernization (NPM) in the ESCWA region and the challenges faced by the public sectors of member countries are examined to generate debate and recommendations.

## I. PUBLIC ADMINISTRATION AND PUBLIC SECTOR MODERNIZATION IN THE ESCWA REGION

### A. CONCEPTS AND DEFINITIONS

5. Public administration is the "hands and feet" of any Government and can be defined as "all processes, organizations, and individuals (the latter acting in official positions and roles) associated with carrying out laws and other rules adopted or issued by legislatures, executives, and courts."<sup>2</sup> The central role of the State in reforming the process of governance is unquestionable. As the positive link between development and administrative reform became universally acknowledged, the modernization of the public sector presented itself as a necessity for Governments of the region. Significantly, the process of reform is a continuous process in that societies keep changing while Governments must keep adapting.<sup>3</sup>
6. Used interchangeably, "new public management", "reinventing Government", "State modernization" and "administrative reform" all imply the new paradigm that refers to the global reform movement in the public sector. Traditionally, modernization has been associated with most kinds of reform, namely, educational, socio-economic, health-related and administrative, among many others.

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<sup>1</sup> See K.T. Liou, "Administrative Reform and Economic Development: Concepts, Issues, and the National Experience", *Policy Studies Review*, vol. 16, No. 2 (1999), pp. 1-18.

<sup>2</sup> See G.J. Gordon and M.E. Milakovich, *Public Administration in America*, 7<sup>th</sup> edition (Bedford, St. Martin's, 2001), p. 8.

<sup>3</sup> Organisation for Economic Co-operation and Development (OECD), *Modernizing Government: The Way Forward* (2005), p. 23.

7. Improving public sector performance through administrative reforms is seen as an essential part of the different modernization routes selected by any Government. It is considered as a conduit for enhanced economic growth, a tool to attain full development potential, and an instrument to build an infrastructure for human security and social cohesion. In fact, studies have shown a positive correlation between public sector efficiency and economic growth on one hand, and modernization of the public sector and its institutional development on the other.

8. Institutional development in the public sector refers to the creation, enhancement and sustainability of institutions. These institutions range from the formal organizations that have explicit rules and forms of administration and reinforcement, to the stabilized pattern of human relations and actions. Government bureaucracy is conceptualized as both an organization and an institution.<sup>4</sup>

#### B. FROM PUBLIC ADMINISTRATION TO NEW PUBLIC MANAGEMENT: TRENDS AND APPROACHES TO PUBLIC SECTOR MODERNIZATION

9. The origin of administrative reform in different public sectors and in the regulation of the economy began in the latter part of the nineteenth century as sporadic reforms. It crystallized in the “New Public Management” (NPM) paradigm in the 1980s in a context that was defined by a reaction to the inertia and the rigidity in the existing bureaucratic system in addition to its inefficiency and ineffectiveness.

10. New public management emerged in the 1980s as the recognized instrument and the underlying principle for the modernization of public administration. It was described as a “business-oriented approach to Government” and a “quality and performance oriented approach to public management”, emphasizing the public service delivery and responsiveness and linking performance to quality management. It opened the doors to privatization, deregulation, commercialization, marketing (marketization) and contracting-out practices. This new paradigm also led to changes in the relationships between politicians and public servants. The reform inspired by NPM has been implemented with the aim of creating a clearer separation between strategic activities entrusted to politicians or decision makers and operational or managerial tasks generally under the remit of senior civil servants.

11. NPM was introduced to several ESCWA member countries through different programmes that were set out to reform and improve the action of State agencies and public enterprises in the provision of public services and the production of public goods. Most of the countries in the region were under the colonial mandate of Western countries that had put in place the existing administrative system. However, that classical model of administration had proven to be sluggish, inflexible and insensitive to the changes in the basic human needs and the new circumstances.<sup>5</sup>

12. The section below provides a brief overview of the status of public sector modernization and the different administrative reforms in ESCWA member countries.

#### C. OVERVIEW OF THE STATUS OF PUBLIC SECTOR MODERNIZATION IN THE ESCWA REGION

13. Historically, the public sector has been the primary employer in most ESCWA member countries. With the movement towards a “minimalistic State” and in an effort to reduce Government inefficiency, most of the Governments in the region established ministries and departments to ensure accountability, transparency and efficiency in the public sphere.

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<sup>4</sup> See J. Knight, *Institutions and Social Conflict* (Cambridge University Press, 1998).

<sup>5</sup> See L.E. Lynn, *Public Management: Old and New* (New York: Routledge, 2006).

14. For instance in Bahrain, the Government initiated a comprehensive administrative reform that incorporates civil service personnel training and, moreover, embraces reforms in the labour and the economy market of Bahrain through the creation of the Bahrain Economic Development Board.<sup>6</sup>

15. In Egypt, the Ministry of Administrative Development, under the purview of the Cabinet, was established as part of a national plan aimed at raising the efficiency of the State administration mechanism and capacity by building a complete system for renewing Government administration. This is achieved through four programmes, namely, Government Services: Development Plan; Enterprise Resource Planning; Establishing and Integrating National Databases' Programme; and Institutional Development Plan.<sup>7</sup>

16. In Iraq, the Government has adopted and fostered the development and implementation of the Tatweer Programme, which is a national initiative for administrative reform.<sup>8</sup> This Programme refers to national capacity development in public management. It works on institutional development by building the capacity of ministries to assess their own systems and identify practical improvements in the delivery of services to "customers" among the national population. Moreover, the Government in partnership with the United Nations Country Team in Iraq has recently developed a comprehensive public sector modernization programme aimed at modernizing the public sector by adopting a reform strategy.<sup>9</sup> The programme will be implemented over a period of four years (2010-2014) and will address existing public sector governance constraints through a Government-led, centrally administered and coordinated approach that aims at the following: (a) rationalizing the architecture and machinery of Government; (b) improving human resource management and culture; (c) enhancing administrative functionality and generalized management systems; (d) developing clearly defined and cost-effective service delivery models in target sectors; (e) approaching decentralization through a service-delivery lens on a sector-by-sector basis; (f) increasing the devolution of service delivery to local Government in order to secure effectiveness, efficiency, transparency and sustainability, with enhanced participation; and (g) improving the capacity of local Government institutions for decentralized service delivery.

17. In Jordan, the Ministry of Administrative Development is in charge of administrative reform in the Government. This Ministry was launched in 2001 as part of the overall socio-economic reform efforts. The generated Administrative Reform Document calls for "decision-making autonomy for local institutions in administrative, financial and technical terms within the limits of their responsibilities; modernization of local institutions in order to provide better services to the citizenry, and granting local institutions the necessary powers to implement renewal projects".<sup>10</sup> Additionally, the Ministry has the following responsibilities: "developing and updating the Ministry's structure; simplifying procedures; developing a performance evaluation system; identifying the training needs of ministerial staff and implementing adequate training programmes; regulating administrative services; implementing development projects".<sup>11</sup> The Administrative Development and Training Department is assisted by the National Centre for Training, the Office for Public Administration, and the Office for Administrative Inspection and Control, which has been merged with the Audit Bureau.

18. In Kuwait, administrative reform has been integrated into various governmental units, including the Government Performance Follow-up Apparatus, Central Agency for Information Technology, General

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<sup>6</sup> See [www.bahrainedb.com](http://www.bahrainedb.com).

<sup>7</sup> See [www.ad.gov.eg](http://www.ad.gov.eg).

<sup>8</sup> See [www.tatweer-iraq.com](http://www.tatweer-iraq.com).

<sup>9</sup> The following United Nations agencies are involved in the Public Sector Modernization Programme: UNDP (lead agency), WHO, UNICEF, UNESCO, UN-HABITAT, UNOPS, UNFPA, UNIFEM and ESCWA.

<sup>10</sup> Centre for Administrative Innovation in the Euro-Mediterranean Region (CAIMED), "Summary of Jordan", *Administrative Reform in the Region*, p. 3, which is available at: <http://unpan1.un.org/intradoc/groups/public/documents/caimed/unpan019337.pdf>.

<sup>11</sup> Ibid.

Security for the Supreme Council for Planning and Development of Manpower, and the Government Restructuring Development Programme.<sup>12</sup>

19. In Oman, administrative reform is integrated into three Government units, within which any change related to administrative reform must begin. These are the Ministry of Civil Services, the Bureau of Civil Services and the Public Administration Institute.<sup>13</sup>

20. In Lebanon, the Office of the Minister of State for Administrative Reform (OMSAR) was founded to bring “the Lebanese post-war public administration into the twenty-first century through an optimal and coherent introduction of Institutional Development (rehabilitation and reform) and Information Technology (systems and communications) measures that render streamlined, transparent and traceable processes fulfilled by productive civil servants for the benefit of both the general public and Government”.<sup>14</sup> Additionally, OMSAR manages the “AFKAR” programme, which is funded by the European Union and aims to establish the rule of law in terms of promoting and consolidating civil, political, economic and social rights, as well as dialogue among the different constituents of the Lebanese youth. The Lebanese Council of Development and Reconstruction (CDR), concerned mainly with economic planning, is responsible for the reconstruction and building of public institutions that were devastated during the war.<sup>15</sup>

21. In Palestine, the Palestinian Economic Council for Development and Reconstruction (PECDAR) was established by the Palestine Liberation Organization (PLO) as an independent institution in 1993 in full cooperation and coordination with the donor community to Palestine in support of the peace process. The Council’s mandate incorporates a wide range of responsibilities, including aid coordination, economic policy, project management, coordination with non-governmental organizations (NGOs) and United Nations specialized agencies, technical assistance and training as well as information technology (IT).<sup>16</sup>

22. In Qatar, the Institute of Administrative Development (IAD) is one of the official hubs of expertise in that country and provides training programmes, research studies/projects and consultations aimed at developing the national population.<sup>17</sup> Additionally, the General Secretariat of Development Planning, which constitutes the main economic development body of Qatar, has been tasked to develop a national development strategy in support of the Qatar National Vision 2030.<sup>18</sup>

23. In Saudi Arabia, the “reform boom” of the 2000s began with the creation of the Institute for Public Administration aimed at reforming and developing the public administrative system in order to improve its potential and increase its effectiveness. It created the General Secretariat of the Higher Committee for Administrative Reform (HCAR), which is responsible for all the necessary steps and measures that guarantee administrative system reform. Moreover, the Ministry of Economy and Planning is in charge of formulating five-year plans and of overseeing the achievement of the Millennium Development Goals (MDGs).

24. In the Sudan, the Ministry of Labour Public Service and Human Resource Development includes the Centre of Administrative Reform, with a mandate to develop the human resources in order to achieve higher productivity; develop the abilities and knowledge to comply with the requirements of the modern age; offer

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<sup>12</sup> See [www.scpd.gov.kw/default.htm](http://www.scpd.gov.kw/default.htm).

<sup>13</sup> Oman, “Experience in Administrative Reform” (2010).

<sup>14</sup> See [www.omsar.gov.lb](http://www.omsar.gov.lb).

<sup>15</sup> See [www.cdr.gov.lb](http://www.cdr.gov.lb).

<sup>16</sup> See [www.pecdar.ps](http://www.pecdar.ps).

<sup>17</sup> See [www.iad.gov.qa](http://www.iad.gov.qa).

<sup>18</sup> See [www.gsdp.gov.qa](http://www.gsdp.gov.qa).

training to fulfil the needs of the relevant institutions; offer advice on different issues to all the public institutions in need.<sup>19</sup>

25. In the Syrian Arab Republic, following the change of administration in 2000, the country's national slogan of "Reformation Movement" was replaced by the "Process of Modernization and Development", with the establishment of the State Planning Agency. The Agency also prepares the reports for Human Development, MDGs and other micro and macroeconomic studies. The tenth Five-Year Plan includes 28 chapters, the last five of which deal with administrative reforms, decentralization, forecasting development, institutional reform and international cooperation. The Agency comprises several directorates, including the Directorate of Economic Development, the Directorate of Human Development, the Directorate of Sectors Development, the Directorate of Local and Regional Development, the Directorate of International Cooperation, and the Directorate of Human Resources and Administration.<sup>20</sup>

26. In the United Arab Emirates, each Emirate has its own development and reformation plans. In Dubai, which has one of the most comprehensive plans of that country, the Department of Economic Development states its mission as follows: "To create an environment for sustainable economic development to enhance the welfare and prosperity of Dubai and the UAE".<sup>21</sup> In order to achieve this, the Department states three main points, namely: developing and enhancing economic policy and regulations, providing efficient services to local and international investors and businesses, and identifying and supporting growth of key sectors.

27. While it is apparent that most Governments in the ESCWA region have made public administration modernization their priorities, member countries have still to benefit from their full potential and need to invest more heavily in the development of their respective public sectors. Consequently, there is a need to build on these initiatives to take better advantage of public sector management reform programmes. It should be noted that public management reforms consist of deliberate changes in the structure and processes of public sector organization, with the objective of getting them to work better. Measurement of the final results in terms of improved (or worsened) efficiency, effectiveness and sustainability is certainly quite a difficult task. For instance, the way civil servants are recruited, appointed and promoted (based on seniority or performance), and the modalities whereby the services are delivered to citizens are both examples of changes in the process and are considered an essential ingredient of reform.

#### D. MAJOR LIMITATIONS OF NEW PUBLIC MANAGEMENT AND THE CHALLENGES FACED BY MEMBER COUNTRIES

28. Administrative reform is certainly not an easy task for any State. It is a complex and challenging undertaking, especially in the case of most ESCWA member countries. The predisposition of any country towards administrative reform and institutional development is conditioned by the political system and the development level of different countries, in addition to many other socio-economic factors.

29. It is commonly agreed that any administrative reform comprises three phases, namely: defining administrative problems and needs; developing strategies for reform; and developing instruments of action for implementation. In each of these areas, there has been either resistance to reform proposals, unavailability of adequate resources or evidence of implementation gaps and deficiencies.

30. The existence of local support and the presence of "bottom-up" reform initiatives are not always evident in many member countries. Both are crucial given that they can help to sustain the demand for reform. Additionally, developing strategies for reform needs to be undertaken while taking into consideration

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<sup>19</sup> See [www.ipa.edu.sa](http://www.ipa.edu.sa).

<sup>20</sup> See [www.planning.gov.sy](http://www.planning.gov.sy).

<sup>21</sup> See [www.dubaided.gov.ae](http://www.dubaided.gov.ae).

the traditional, cultural, religious and political contexts of both the individual administrations and the countries. Furthermore, the quick appraisal of reform efforts discloses limited results based on a poor implementation record, which can be attributed to incongruities of methods and objectives of reform. Among such incongruities are the conventional limitations of bureaucracy; the copying of foreign administrative rationality, particularly from industrialized countries, in form rather than in substance; and insufficient attention paid to capacity-building.

31. Finally, there are several problems that these countries often face in applying the principles of management. First, these developing countries often have little experience in the operation of markets and the prerequisites for effective market operation are absent or not well developed, such as the presence and enforcement of the rule of law and an appropriate and competent public sector. Secondly, there are particular concern regarding privatization of their public enterprises and its management. Thirdly, it is argued that with this shift to the market, there is a risk of undermining public sector modernization efforts, in particular where fighting corruption is concerned.<sup>22</sup> Finally, as part of the reform process and in order for such reform to be successful, institutional arrangements and capacities must be developed. Institutional building must be regarded as an ongoing process in ESCWA member countries.

## II. ROLE OF INSTITUTIONS IN STATE-BUILDING AND DEVELOPMENT

### A. INSTITUTIONAL DEVELOPMENT FOR STATE-BUILDING

32. Institutions have been referred to as the “rules of the game” in any political, social and economic interactions. Institutions matter, particularly for development. Serving as instruments for overcoming imperfections of individual rationality and for decreasing transaction costs, institutions improve the effectiveness of decisions, thereby stimulating economic growth and social advancement. Institutions affect the distribution of benefits in the society by securing the well-being of citizens. In governance, John Ikenberry argues that institutions comprise all standard operating governmental procedures, the more comprehensive governmental structures, and the country’s normative social order.<sup>23</sup>

33. The role of institutions and institutional development has become increasingly important. The institutions are seen as being crucial for determining the rules by which individual preferences are aggregated. The coercive nature of such institutional rules on group choice has been acknowledged given that these rules determine the policy outcomes and, ideally, solve collective action problems. These formal rules are established by the State and need to be persistent over time, rather than linked to those individuals who disseminate them. In that sense, this strengthens the role of the State in the prospect of State-building.

34. Actually, evidence suggests that the institutionalization of good governance practices have influenced various indicators of socio-economic development. There is an emerging consensus that institutional quality is important for development. However, effective operation of the formal institutions depends on local social context, tradition and history. Consequently, administrative reform of these institutions should comprise strategies and approaches that are not simply those of the imported institutional imprints and models. Moreover, the process of reform and modernization are context dependent, which includes such issues as, among others, how countries deal with accountability and control in public management, the involvement of the private and community sectors in service delivery, the use of market type mechanisms and the distinction between the public and private spheres.<sup>24</sup>

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<sup>22</sup> See O.E. Hughes, *Public Management and Administration* (New York: Palgrave Macmillan, 2003).

<sup>23</sup> See J.G. Ikenberry, *Reasons of State: Oil Capacity of American Government* (Ithaca, NY: Cornell University Press, 1988).

<sup>24</sup> OECD, *Modernizing Government: The Way Forward* (2005), p. 22.



## B. ADMINISTRATIVE REFORM: CONCEPTS, STRATEGIES AND APPROACHES

35. Administrative reform seeks to modernize the public sector by implementing a “rule by law” within a centralized State management framework. It is often part of a political strategy by State officials, with the aim of institutionalizing and legitimizing the transition to the market economy and the principles of new public management by creating a system of rule-bound, effective and efficient public administration.

36. This is reflected in the attempts to create a clear separation between strategic activities entrusted to politicians, and the operational or managerial tasks generally under the remit of civil servants;<sup>25</sup> to separate owner and manager roles, and to replace political with economic criteria in the operation of State-owned enterprises; to combat and reduce corruption; to rationalize the machinery of Government; to create a centrally managed and professional civil service; and to reform the system of public finances.

37. The administrative reform phase involves restructuring the organizations, developing institutions, enhancing human capacities, implementing information management and establishing institutional linkages. Reform “is a process of re-adjustment of State institutions and public management for the need to cost effectiveness, quality, simplicity and transparency.”<sup>26</sup> This would include administrative simplification strategies, which are geared to minimize regulatory complexity and uncertainty, cut red tape and lower difficulties generated by bureaucracy and paper work.<sup>27</sup>

38. However, even if all these concepts related to this type of reform are in place accompanied with the identified approaches and strategies, capacity-building of public servants remains crucial as one of the components of institutional development.

## C. HUMAN CAPITAL IN ADMINISTRATIVE REFORM: CAPACITY-BUILDING AND HUMAN DEVELOPMENT

39. Capacity-building means different things to different people, more so when it is applied in different situations and contexts. It can be a stock of resources, in other words a measure of organizational potential.<sup>28</sup> In the administrative realm, administrative capacity-building measures entail some type of assistance rendered to entities, including public institutions in LDCs in specific areas where entities are not proficient or do not have sufficient resources to undertake such measures on their own. Within that context, capacity-building is geared at enhancing the management and maintenance abilities of these entities.

40. Capacity-building is important in human and institutional development given that it aims to build scientific, technical, educational, and legal and policy expertise. Indeed, the existing institutional infrastructure needs to be enhanced to attain these goals, namely, human capital, as it is considered the backbone of any institution and the requisite physical infrastructure for the efficient operation of public institutions. The establishment of institutions that facilitate the planning, development and implementation of capacity-building measures is essential. The appropriate development of the human capacity of these public

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<sup>25</sup> See D. Giauque, “Modernization routes and relations between political and administrative spheres in Switzerland”, *International Review of Administrative Sciences*, vol. 75, No. 4 (2009), pp. 687-713.

<sup>26</sup> See A. Alberti (ed.), *Human Resources for Effective Public Administration in a Changing World* (New York: United Nations, 2005), p. 10.

<sup>27</sup> Organisation for Economic Co-operation and Development (OECD), *Overcoming Barriers to Administrative Simplification Strategies, Guidance for Policy Makers* (2009).

<sup>28</sup> See J.L. Hall, “The Forgotten Regional Organization: Creating Capacity Building for Economic Development”, *Public Administration Review* (Jan/Feb 2008), pp. 110-125.

institutions to design, implement and manage the reform programmes is a key to a prosperous administrative and economic reform in the Arab region.<sup>29</sup>

### **III. PUBLIC SECTOR MODERNIZATION STRATEGIES IN THE ESCWA REGION: SPECIFICITIES AND NEEDS**

#### **A. MODERNIZATION NEEDS OF DIFFERENT TYPES OF COUNTRIES**

41. The discussion of public sector modernization in the ESCWA region requires the identification of the different and specific characteristics of member countries. It is also useful to categorize countries in this region as conflict-affected and non-conflict-affected. While there are many commonalities with regard to public sector modernization, such a classification could lead to a different set of priorities for the public sector.

42. In conflict-affected or post-conflict countries, some of the formal reforms are often delayed as a result of instability, conflict or occupation, which profoundly affect State institutions in terms of human resources and infrastructure. Such shortages curtail the delivery of essential services and the discharge of other core Government functions. External pressures can hamper State-building efforts, including conflict-driven displacement, the rise of informal networks supported by external actors and conditioned donor assistance. Such factors play into undermining trust and credibility in State institutions. These problems need to be addressed while building an efficient cadre of civil servants that is able to manage conflict, and formulate and implement conflict sensitive development programmes that address the root causes of conflict and instability as well as the socio-economic needs of all citizens, particularly the marginalized.

43. Aside from the provision of security, these issues need to be dealt with in conflict-affected countries as part of the modernization process. Significant in such countries is the development of indigenous, conflict and crisis management as well as the management of foreign assistance capacities and the associated reforms.

44. Once the normalization of civilian life is achieved as a result of the progression from “peacemaking” to “peacekeeping” to “peacebuilding”, the later phases of post-conflict reconstruction include institutions and capacity-building activities. This consists of the creation, maintenance and strengthening of the rule of law, effective governance, social policymaking and economic development.<sup>30</sup>

45. The public sector’s modernization needs in countries that have enjoyed prolonged stability in the ESCWA region have similar requirements, while priorities can differ from those countries that suffer from conflict. Although the conditions and context of development and governance differ, public administration priorities, including capacity-building for development and ownership of national development agenda, remain critical cross-cutting issues for the achievement of the internationally agreed development goals, including the MDGs.<sup>31</sup> Similarly, these countries also need to deal with the impact of external pressures and spillover effects of conflict, such as the influx of conflict-driven displacement into their countries. It is vital for such countries to establish mechanisms for more effective public administration institutions while strengthening human resources in the public sector. Naturally, countries with greater financial resources have the ability to hire more civil servants and, therefore, are able to increase their administrative capacity.<sup>32</sup>

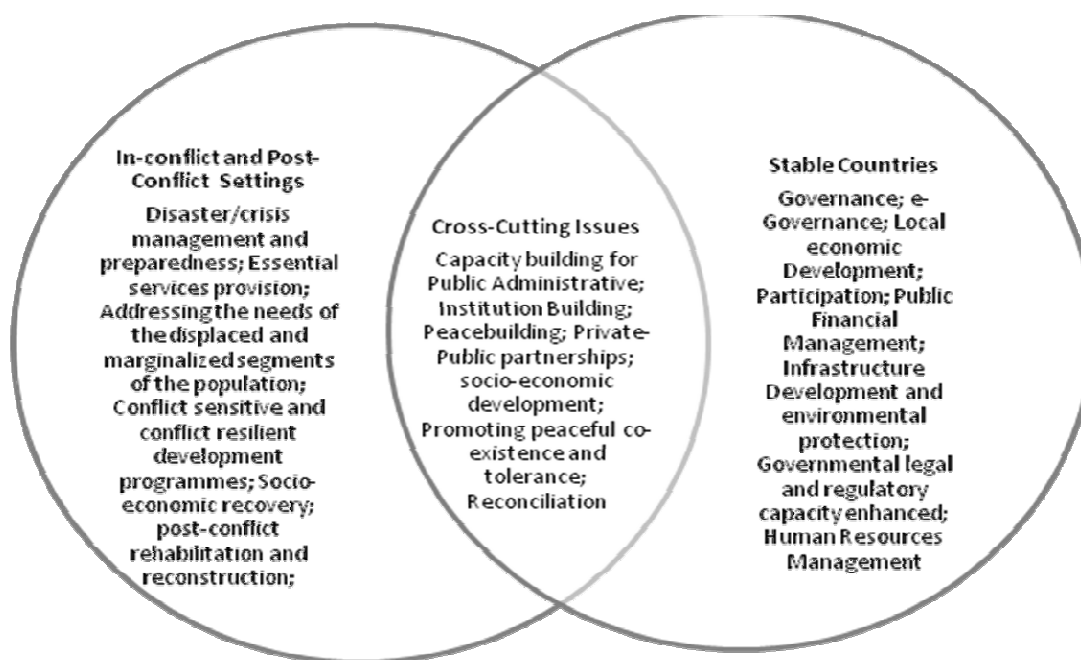
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<sup>29</sup> According to the 2009 World Bank report, two-thirds of the economies of the Middle East and North Africa region are reforming.

<sup>30</sup> United Nations, *World Public Sector Report, 2010*.

<sup>31</sup> See Economic and Social Council resolution 2008/32.

<sup>32</sup> See J.L. Hall, “The Forgotten Regional Organization: Creating Capacity Building for Economic Development”, *Public Administration Review* (Jan/Feb 2008), pp. 110-125.

**Figure I. Institutional development modules and interventions per type of country**

46. In addition to these common issues, non-conflict-affected countries in the ESCWA region have another set of priorities to address. Specifically, there is a need for ongoing public sector modernization and human capacity-building in order to improve public sector effectiveness and to prevent public administration procedures from becoming cumbersome, and bureaucracies from becoming bloated. Moreover, there is a need to search for more suitable options and methodologies that could contribute more effectively and efficiently to sustained stability, economic growth and the equitable distribution of the benefits of development. Attaining the MDGs and the United Nations Development Agenda require public administration systems that are responsive to changing needs.<sup>33</sup>

47. Capacity-building is needed in administrative restructuring, civil service reform, human resources development and public administration training, improving performance in the public sector, financial management, public-private interaction, social development, developing infrastructure and protecting the environment, governmental legal and regulatory capacity, and the management and implementation of development programmes.<sup>34</sup>

48. These countries also need to strengthen their capacities to better “disseminate the understanding and implementation of capacity-building as a judicious combination of institution-building and human resource development, whereby people, organizations, States and society as a whole develop and maintain their ability to manage their public affairs successfully through, among other means, fostering public participation in governance and development processes, harnessing the potential of information and communications technology to promote people-centred development, effectively combining decentralization and centralization policies, and forging regional and national partnerships with institutions of public administration to provide needed training”.<sup>35</sup>

<sup>33</sup> Department of Economic and Social Affairs (DESA), “People Matter, Civic Engagement in Public Governance” (2008), p. 5.

<sup>34</sup> See Economic and Social Council resolution 2008/32.

<sup>35</sup> Ibid.

49. This enables the public sector in non-conflict-affected countries to fulfil essential tasks, namely: ensure sound financial management of public funds; improve leadership, managerial effectiveness and human resource management; accurately and efficiently measure the effectiveness of their policies, spending and programmes; facilitate its own functioning by fostering effective social dialogue; improve the public perception of the public sector through improved performance in achieving stated goals; and explore and evaluate alternative means for public service provision, including decentralization, marketing, public-private partnerships and privatization.<sup>36</sup>

#### B. HUMAN AND INSTITUTIONAL DEVELOPMENT: BENEFITS FOR ESCWA MEMBER COUNTRIES

50. It has been argued that institutional creation and reform depend on demand factors, primarily interests or preferences, power capabilities and strategic interaction of the relevant actors; and on supply factors, primarily such exogenous factors as the supply of institutional blueprints and principles.

51. The diffusion of public sector innovations have placed most Governments of the region under a growing strain to improve their functions in order to survive in a competitive global and regional environment and to respond locally to the needs of their citizens. Consequently, it becomes necessary to adapt to new problems and develop the appropriate institutional infrastructure. The Governments in the ESCWA region need to build up systems of governance and transform to market-oriented economies simultaneously. This cannot be done without experienced decision makers and administrators and without a sound structure to mediate and aggregate the different interests. Appropriate social, legal and constitutional frameworks are essential in that regard. It is only when institutionalized that these frameworks can successfully command reliable and solid compliance by the public and political actors.

52. These different types of institutions could implement mechanisms aimed at improving the public sector's performance in terms of delivering services and sustaining development in these countries, particularly given the macroeconomic institutions in the region in addition to the civil service, legislative and judiciary institutions. These macroeconomic institutions take account of property rights, the security sector reform and the provision of economic opportunities. Building such institutions in these countries and looking at ways to strengthen existing institutions is regarded as the way to foster socio-economic development and promote social justice through distributive policies that ensure equitable access to resources for all citizens.

53. Given that conflict-affected countries present a unique set of circumstances, they require different institutional development approaches. Efficiency can be improved and costs can be controlled by redesigning civil service and economic institutions, re-engineering the organizational systems and structures, and building the human and administrative capacities;<sup>37</sup> and by redesigning the public administration institutions to include the governed, that is the private sector, media, interest groups and civil society, among others.<sup>38</sup> This type of governance can enhance transparency and establish accountability, thereby ultimately resulting in a growing legitimacy of the State and its institutions in ESCWA member countries.

#### C. COMMON CHALLENGES, COMMONALITIES AND SUCCESS MODELS

54. Clearly, the very foundation of most countries in the ESCWA region occurred in a common setting that was mostly influenced by foreign precedents and models, rather than by locally grown ones. Throughout the history of these countries, especially with the advance of globalization, some Governments have

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<sup>36</sup> These issues were addressed during the Expert Group Meeting on Improving Public Sector Effectiveness (Dublin, 16-19 June 2003).

<sup>37</sup> Countries with greater administrative capacity are more capable of generating funding application and managing grant awards.

<sup>38</sup> See J.-M. Kauzya, "Strengthening Local Governance Capacity Building for Participation", in *Reinventing Government for the 21st Century: State Capacity Building in a Globalization Society*, D. Rondelli and G.S. Cheema (eds.) (Kumarian Press, 2005).

emulated foreign models of institutions imprints rather than using domestic roots of institutional development. This stems from various factors, including a perception of these external models as being successful in their original settings; a commitment to modernity, progress and improvement; and an attempt to avoid the stigma of falling behind.

55. However, some of this external borrowing has produced disjuncture in institutional development. This owes to the fact that the local settings were not taken into consideration and, consequently, these imported models failed to operate well. Imported institutions do not always “fit” well given that adopting countries can have different political and socio-economic characteristics. The absence of domestic prerequisites created a network of overambitious imported institutions that failed to deliver. Actually, some of these institutions ended up being effectively sustained only by non-institutional mechanisms in order to fill the gap that resulted from the weakness or inability of formally defined mandates and duties. This has resulted in the spread of “weak” institutions with externally supported institutional modes. Moreover, these formal institutions fail to regulate the behaviour of citizens, who often resort to personal loyalties to guarantee their access to services and other benefits that should otherwise be guaranteed to them as an intrinsic part of their rights as citizens.

56. Modernization theory views Western influence on the third world as a beneficial one in that it spreads modern values, technology and institutions. However, it has also been argued that developing countries trying to modernize need to create more specialized and complex political and economic specialized institutions, which are specific to their own cultural, socio-economic and political systems. The development of institutions should be an indigenous process, with the full ownership and participation of national stakeholders.

57. There is no doubt that most ESCWA member countries had already embarked on the mission to devise new strategies aimed at improving public service delivery. Several of the public sector institutions in these countries have made significant efforts in such areas as human resource management and training, accountability, organizational and process innovation, and decentralization. Within that context, Egypt and Jordan won the United Nations Public Service Award in different categories between the years 2003 and 2006.<sup>39</sup>

#### **IV. APPROACH FOR INSTITUTIONAL DEVELOPMENT IN THE ESCWA REGION**

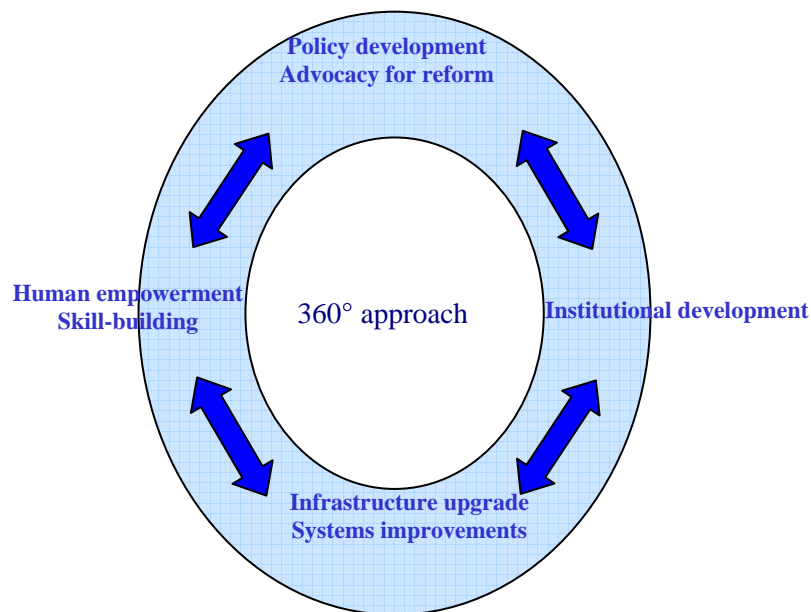
##### **A. CONCEPTUALIZING THE HUMAN AND INSTITUTIONAL CAPACITY-BUILDING INTERVENTIONS IN THE ESCWA REGION**

58. The approach of ESCWA is based on the existing correlation between public sector modernization through institution-building and the advancement of socio-economic development and the strengthening of social cohesion. This approach is indeed manifested in the belief that comprehensive human and institutional development interventions, both at the central and local levels, have proven to be one of the most appropriate tools capable of ensuring the promotion and establishment of sustainable peace and stability.

59. ESCWA devises capacity-building interventions in the field of institutional development based on two main conceptual guidelines, namely: the “360° approach”, and the “contextualization” principle.

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<sup>39</sup> See <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan037819.pdf>.

**Figure II. The 360° approach**

60. The “360° approach” is the guiding principle for designing institutional development programmes and interventions. This approach relies on and comprises four main interlinked pillars for institutional and human development, as shown in figure II, and has proven to tackle all components of institutional development, thereby allowing the development of comprehensive interventions leading to sustained results. The approach is based on the complementarities of policy development and advocacy for reform at the central level and on three areas of intervention that are more focused on the development of the institutions, namely: institutional development (structural reengineering), human empowerment (capacity and skill-building), and appropriate infrastructure upgrade (such as IT and systems enhancement).

#### B. CONTEXTUALIZING INTERVENTIONS AND CAPACITY-BUILDING MODULES

61. Contextualizing interventions consists of designing programmes and interventions aimed at addressing the specific needs of member countries, which translate in the development of adaptive interventions for institutional reform, while taking into account the particularities and ensuring the involvement and active participation of national actors and counterparts in the design phase of capacity-building interventions.

62. Within that context, it is important to note that national partners and counterparts have full leverage on the proposed interventions as well as on the development of capacity-building modules, thereby ensuring that national priorities and needs are taken into consideration and addressed. National counterparts, namely, line ministries, play a prominent role in such interventions given that they act as national implementing partners and as the ultimate repositories of any investment.

63. In addition to being characterized by the heavy involvement of national partners, ESCWA’s institutional capacity-building programmes are formulated based on in-depth situation analyses performed by its technical staff, which allows for the identification of the most appropriate strategies, thereby ensuring the design of adaptive and indigenous capacity-building strategies that can have a positive impact on beneficiaries.

#### C. HIGHLIGHT OF ACHIEVEMENTS IN INSTITUTIONAL DEVELOPMENT

64. ESCWA has succeeded in designing adapted capacity-building modules in the field of human and institutional development that is tailored to address and meet the needs and specificities of public sectors in

member countries. Specifically, ESCWA was able to develop a repository of adapted training modules on modern management and planning tools and techniques in the areas of public administration, public financial management, strategic planning, peaceful co-existence, management, business planning and performance management, local economic development, human resource management, private-public partnerships, e-governance, literacy and information and communication technology.

65. Further to benefiting from ESCWA capacity-building interventions, a total of 607 civil servants are currently equipped with the adequate tools to instigate modernization and reform strategies and processes within their respective administrations. It is also important to note that more than 20 per cent of beneficiaries have become trainers themselves, thereby instituting a well-trained cadre of experts capable of disseminating the acquired knowledge and ensuring the multiplier effect of ESCWA interventions. Figure III provides information related to the distribution of beneficiaries per training topic.

**Figure III. Institutional development modules and number of beneficiaries**



66. Moreover, ESCWA has been involved in identifying and implementing public sector modernization strategies, including as follows: (a) building the knowledge and national capacities in strategic planning techniques and methodologies, with the aim of disseminating strategic planning methodologies within public sector institutions; (b) supporting the National Centre for Consultancy and Management Development (NCCMD) within the Ministry of Planning and Development Cooperation in Iraq to develop a framework for management development for the public sector, with the prospect of instigating reform and improvement; (c) providing e-governance practices to public sector institutions; and (d) developing an institutional development toolkit for conflict mitigation and post-conflict State-building.

67. Finally and based on its achievements in the area of institutional development, ESCWA received 25 requests for technical assistance from member countries since January 2008. This clearly reflects upon the successes accomplished in designing suitable interventions and training modules and programmes, as well as on the implementation capacity of ESCWA and the high impact of its institutional development interventions on member countries.

## V. CONCLUSIONS AND RECOMMENDATIONS

### A. CONCLUSIONS

68. The commitment of most ESCWA member countries to the public sector modernization and administrative reform and their designed modernization and reform interventions are very much commended. However, it is important that reform must not simply be a reaction to a pressure exerted from other, more industrialized countries or as part of a mutual “give and take” agreement with international organizations and donors. This commitment should also be the result of the awareness by Governments of the need for reform in order to enter and compete successfully within the global market, and as a by-product of a stronger political consensus on the need for modernization of the public sector in order to strengthen the role of the State in meeting the needs of citizens. In these Governments, the State must be conceptualized as playing an enabling role in national economic development given that it produces public goods and provides public services.

69. Efficiency-enhancing institutional and behavioural change is more effective if it is the by-product of a conscious, top-down programme of reform rather than as a by-product of State failure.<sup>40</sup> The first step is to establish an efficient bureaucracy, given its role as an inevitable and indispensable instrument to modern economic development. In addition, public bureaucracies need to undergo transformations towards professionalization, hierarchical control and rationalistic technical decision-making. A professional bureaucracy requires competent and well-trained civil servants operating within a legally based accountable bureaucratic structure. These kinds of norms usually associated with bureaucratic reforms form robust bases for the type of bureaucratic reform that is needed in ESCWA member countries.

70. Furthermore, the biggest challenge in the ESCWA region is to build and redesign institutions that can provide the rules of the game and, moreover, can provide the right incentives for people. The incentives in the prevailing systems of most member countries undermine the role of the public sector, thereby undermining in some instances its performance. Change, such as decentralization, will affect policies and the management of public institutions, ranging from bureaucracy to regulatory agencies. While there is no single theory to explain development, it could be argued that as institutional change progresses towards advancing local development goals, this can lay the foundation for a more effective, responsive and stable political system. Despite many commonalities, ESCWA member countries are diverse in terms of economies and resources. Consequently, political and socio-economic processes in each of these countries appear too complex to be explained, described or predicted by a single theory of change or reform. However, it becomes clear that institution-building represents a common instrument that can be used to expedite the modernization of the public sector across the region and achieve sustainable development in all areas.

71. In addition, while imitating external models of institutions can certainly give institutional development a push, the risk associated with the import of external models on institutions must be carefully considered. The internal preconditions for replicating the imported successful model must be established. The use of domestic expertise is another key element in any successful institutional development exercise in the ESCWA region. It is important to note that some countries of this region could be adopting advanced solutions that they may have difficulty in sustaining owing to their comparative levels of development. Sustainability of these institutional infrastructures must also be considered.

72. Moreover, most ESCWA member countries lack a country-specific and robust institutional framework that is needed to enter successfully the global economy and modernize adequately their public sector in order to face the challenges of globalization and the resulting increasing interdependence of national economies across the world. Modernizing the public sector can only succeed through the institution of a professional, non-political and technical bureaucracy on one hand, and the building of well-designed institutional

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<sup>40</sup> See S. Haggard and M. Nolan, “Reform Below: Behavioral and Institutional Change in North Korea,” *Columbia Affairs Online: Working Paper* (2009).



infrastructure, both in terms of administrative and human capacities. For that reason, institutions do “matter” and ESCWA strategy is set to focus on providing institutional development support, with the aim of ensuring socio-economic development, thereby contributing to instating peace and stability across the region.

## B. RECOMMENDATIONS

73. In order to attain the level of economic growth and general development that ESCWA member countries are striving for and to modernize its public sector, several steps need to be implemented. However, the process must start with the drive initiated by a need for a greater control of the existing bureaucracy, while maintaining that the bureaucracy must be a power in its own right. This should also be accompanied by the assumption that it is possible to create non-political and essentially technical governmental institutions.

74. Recognizing the difficulties involved in conceptualizing and implementing reform in any society, this analysis offers several recommendations to be implemented at the earlier stages in the process of administrative reform in order to improve the outcome of the reform efforts. These include, among others, encouraging actors to participate in reform decisions; improving collected diagnostic data; providing special training for public and other officials who are responsible for managing reform; soliciting unwavering political will and commitment; developing incentive systems; and replacing the existing lack of trust in the public sector with a supportive attitude of a mobilized public. Once accomplished, these recommendations could act as a set of preliminary strategic approaches to instigate institutional development and, ultimately, could result in modernizing the public sector and promoting general development within the ESCWA region.

75. There are a number of policy recommendations, as follows:

(a) To adopt the general management style practices as introduced by the New Public Management model in order to improve both Government efficiency and effectiveness, and public accountability and transparency;

(b) To mainstream good governance practices and values, including accountability, transparency, openness, predictability and participation, the last of which can be accomplished by establishing mechanisms for inclusive governance;

(c) To implement planning and budgetary reform in the public sector in order to strengthen the public sector financial management capabilities;

(d) To bring about essential changes in the public personnel management by adopting those modern practice concerning human resource management and strengthening human resources in the public sector. This includes training professionals/bureaucratic elites in public administration, primarily technical and management training to manage the bureaucratic apparatus, both bureaucratic structures and personnel; and implementing a merit system by installing performance management, and evaluation and monitoring measures;

(e) To recognize the universality of the main general prescriptions introduced by the current model of administrative reform in the public sector, specifically in terms of standardization, general rules and principles for all organizational structures and positions. Decisions need to be made according to a uniform and consistent set of standards;

(f) To adopt an institutional development policy as a prerequisite to modernization;

(g) To create and maintain institutions with the following characteristics:

(i) They are tailored to local conditions and accommodate local circumstances and needs (the best people to explain contexts are local experts themselves);

(ii) They have developed the abilities to explore how economic growth translates into better opportunities for all citizens, especially the most vulnerable or marginalized;

- (iii) They are supported in making the utmost of the young and dynamic populations that characterize the ESCWA region;
- (iv) They have established interfaces between the public and private sectors by creating better settings;
- (v) They are enhancing their capacities to provide strategic responses to socio-economic and political global and regional challenges;

(h) To develop a “Government” capacity-building policy in general and, more specifically, an “administrative” capacity-building policy.

76. While all these policy recommendations are crucial for modernizing the public sector, institution development remains the gateway to such modernization endeavours. Furthermore, institutionalizing these recommendations, including the procedural or technical rules, constitutes another key element in the full development of these countries.

77. The public sector in several countries of the ESCWA region faces a plethora of increasingly complex challenges arising from insufficient capacity-building measures. As such, steps must be taken urgently to assist the institutions in the region, some of which have limited resources, in order to enhance their capacity, thereby promoting both efficiency and effectiveness. To that end, several capacity-building measures are recommended, as follows:

(a) To establish a framework for capacity assessment in the context of institutional development;

(b) To identify the available resources that constitute capacity in order to measure the capacity, such as staffing and spending factors, leadership and vision, management and planning, fiscal planning and practice, and operational support; and to attract resources and manage grant funds. This process helps to identify deficiencies in the public sector;

(c) To develop a capacity-building project that could help civil servants to recognize, understand and respond to existing threats and challenges through a series of interventions, including peer training and workshops;

(d) To ensure technical expertise among civil servants by providing relevant professional and specialized training for the public service;

(e) To institutionalize these capacity-building measures by establishing national institutional and management development capacity-building centres, and institutions dedicated to the development of civil servants.

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