


The prosperity and well-being of people across the Mediterranean region depend very much on good governance. Understanding the challenges each country faces and the priorities in reforming public administration is the first step towards more coordinated action to strengthen government institutions, processes, and human resource capacities. *Governance in the Middle East, North Africa and Western Balkans: Challenges and Priorities in Reforming Public Administration in the Mediterranean Region* provides an overview of governance and public administration in selected countries. The book identifies, assesses and analyses relevant needs and challenges as well as priorities for change and innovation in government at the local, national and regional levels.

This publication is part of the InnovMed Series produced by the United Nations Department of Economic and Social Affairs' Programme for Innovation in Public Administration in the Euro-Mediterranean Region (InnovMed), which promotes the exchange and adaptation of innovative experiences in public administration to further promote good governance in the countries of the Middle East, North Africa and the Western Balkans. This book is the result of the combined efforts of more than 60 national and international experts and government officials, whose informed perspectives and feedback have shaped the respective chapters. It is meant to be used by academics, practitioners and policy makers interested in managing change and promoting public sector innovation to improve the quality of life of citizens throughout the Mediterranean region.



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Governance in the Middle East, North Africa and Western Balkans

**Challenges and Priorities in Reforming Public
Administration in the Mediterranean Region**



United Nations

Governance in the Middle East, North Africa and Western Balkans

Challenges and Priorities in Reforming Public Administration in the Mediterranean Region

Department of Economic and Social Affairs



United Nations

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The views expressed are those of the individual authors and do not imply any expression of opinion on the part of the United Nations.

Bibliographical and other references have, wherever possible, been verified.

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Foreword

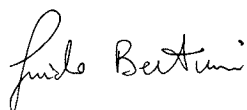
The prosperity and well-being of people across the Middle East, North Africa, and the Western Balkans depend very much on good governance. Understanding the challenges each country faces in reforming public administration is the first step towards more coordinated action to strengthen government institutions, processes, and human resource capacities. Many countries in the Mediterranean region, as in other parts of the world, have embarked on reform programmes in response to domestic pressures and the emergence of new opportunities brought about by globalization. Several countries have tried to revitalize their economies by creating an enabling environment for private sector development, recognizing that efficient public service delivery is essential to national growth and stability. Much greater attention is being given to ICT integration in administrative operations and to issues of transparency and accountability in government. Historically, most of the Mediterranean countries have shown an impressive capacity to acquire and apply knowledge, to integrate new concepts, and to assimilate and interact with other cultures. The challenge is to use these assets to establish a favourable environment for administrative innovation and good governance so that full advantage may be taken of existing resources and new opportunities.

The objective of this book is to provide a picture of the state of public administration reform in the Mediterranean region through the identification and assessment of relevant needs and challenges as well as priorities for change and innovation at both the local and national levels. In particular, the book is intended to furnish updated information and analysis for researchers and policy makers at the national, regional and international levels; to provide a platform from which Governments can identify appropriate strategies and priorities for public administration reform; and to highlight key governance issues in each country of the region to ensure that development activities and international partnerships aimed at supporting the implementation of public sector reform programmes are focused and appropriate. The present work is meant to be used by academics, practitioners and policy makers interested in managing change and promoting public sector innovation to improve the quality of life of citizens throughout the Mediterranean region.

This publication is part of the InnovMed Series produced by the United Nations Department of Economic and Social Affairs' Programme for Innovation in Public Administration in the Euro-Mediterranean Region (InnovMed), which promotes the effective exchange of innovative experiences in public administration for the purpose of improving systems of governance in the countries of North Africa, the Middle East and the Western Balkans.

This book is the result of the combined efforts of more than 60 national and international experts and government officials, whose informed perspectives and feedback have shaped the respective chapters.

Substantial time and effort have gone into the preparation of this book; however, much remains to be done in terms of research and policy analysis on governance issues in the MENA region and the Western Balkans. This publication is but a small contribution towards achieving a better understanding of governance and public administration challenges and reform priorities in the region. We hope that it will inspire others to take this critical process one step further.

A handwritten signature in black ink, reading "Guido Bertucci". The signature is fluid and cursive, with the first name "Guido" and last name "Bertucci" clearly distinguishable.

Guido Bertucci, Director
Division for Public Administration and Development Management
Department of Economic and Social Affairs
United Nations

Acknowledgements

This publication was prepared by the Division for Public Administration and Development Management of the United Nations Department of Economic and Social Affairs under the responsibility of its Director, Guido Bertucci. The publication is based on research and analytical work undertaken by more than 60 national and international experts, as well as on the findings of the Consultative Meeting on Priorities in Innovating Governance and Public Administration in the Euro-Mediterranean Region, organized by the United Nations Department of Economic and Social Affairs in collaboration with the Formez Training and Study Centre in Italy. The Consultative Meeting, held in Naples from 17 to 20 May 2004, was organized within the framework of the Programme for Innovation in Public Administration in the Euro-Mediterranean Region (InnovMed), implemented by the United Nations Department of Economic and Social Affairs through its Division for Public Administration and Development Management in partnership with Formez. The InnovMed Programme is made possible by the generous support of the Ministry of Foreign Affairs of Italy.

The Consultative Meeting provided a forum in which government officials and experts from the Euro-Mediterranean region were given the opportunity to present and discuss challenges and priorities in reforming governance and public administration in their respective countries and territories, including Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Jordan, Lebanon, the Libyan Arab Jamahiriya, Morocco, the Palestinian Authority, Montenegro, Serbia, the Syrian Arab Republic, the former Yugoslav Republic of Macedonia, Tunisia, and Turkey. More than 80 participants from around two dozen countries in the Middle East, North Africa, and the Western Balkans, together with a number of international experts, took part in this event, which represented the first of its kind in the region.

Editors

Adriana Alberti, who is responsible for the Programme for Innovation in Public Administration in the Mediterranean Region in DPADM, was the principal editor of the publication, coordinating all aspects of the process from conceptualization of the book, to content analysis and review to the final layout. Laila Fala, Governance Specialist in the same Division, who serves as a United Nations consultant, and Fatma Sayed, Office of the Dean of the European University Institute were responsible for producing a synthesis of more than 25 papers written by national experts and 15 country profiles prepared by the Centre for Administrative Innovation in the Euro-Mediterranean Region.

External editing was provided by Terri Lore, who not only ensured accuracy and consistency of style, but also provided invaluable help in updating the information contained in the publication.

Adriana Alberti serves as editor and coordinator for all InnovMed Series publications, which thus far include *Innovations in Governance and Public Administration: Replicating What Works* (2006), *Innovations in Governance in the Middle East, North Africa, and Western Balkans: Making Governments Work Better in the Mediterranean Region* (2007), and the present publication, *Governance in the Middle East, North Africa, and Western Balkans: Challenges and Priorities in Reforming Public Administration* (2007).

Contributors

Special thanks go to the national and international experts who prepared background papers on particular aspects of governance and administrative reform in individual countries, with areas of focus including the historical, political, and socioeconomic contexts; the challenges faced in governance and public administration, together with an assessment of needs; and priorities and progress in mainstreaming innovation in public administration.

Under the guidance of Giuseppe Pennella, Director of the Centre for Administrative Innovation in the Euro-Mediterranean Region (CAIMED),¹ young researchers compiled 15 country profiles that were translated into English by Ottavio Ianni. Within CAIMED, Angela Scotto coordinated the work of the research team.

We are very grateful to the following national experts for preparing background papers on governance, public administration and reform challenges in their respective countries: Mohamed Cherif Belmihoub, Professor of Economics and Management, Ecole Nationale de l'Administration, Algeria; Teodor Antic, Lecturer, Department of Administrative Law, Social Sciences Polytechnic, Croatia; Fatma Sayed, European University Institute, Italy; Lovren Markik, Project Manager, Euro-Balkan Institute, former Yugoslav Republic of Macedonia; Zuhair al-Kayed, Secretary-General, Higher Population Council, Jordan; Masser Daher, Lebanese University, Lebanon; Bashir Ghariany, Director, National Centre for Information and Documentation, National Institute of Administration, Libyan Arab Jamahiriya; Lizette Michael, senior expert in public administration, Centre Africain de Formation et de Recherche Administratives pour le Développement (CAFRAD), Morocco; Nader Izzat Foqahaa, Director, Development Studies Program, and Assistant Professor, Sociology Department, Institute of Women's Studies, Birzeit University, Palestinian Authority; Mijat Damjanovic, President, Center for Public Administration and Local Government, Serbia; Najwa Kassab Hassan, former Minister of Culture and Professor of Sociology, Damascus University, Syrian Arab Republic; Abdellatif Zardi, Centre National de l'Informatique, Tunisia; and Fikret Toksoz, Senior Associate Member, Executive Committee, Sabancı University, Turkey.

¹ CAIMED is a joint initiative of the United Nations Department of Economic and Social Affairs and the Naples-based Fornez Training and Studies Centre.

We also extend our thanks to those who prepared background papers on priorities for innovation in public administration in countries of the Euro-Mediterranean region: Zana Vokopola, Director, Urban Research Institute, Albania; Azzedine Abdenmour, freelance contributor and consultant to regional and international organizations, Algeria; Ivan Kopric, Professor of Public Administration, Faculty of Law, University of Zagreb, Croatia; Issam Sleiman, Professor, Faculty of Law and Political Science, Lebanese University, Lebanon; Khalid Ben Osmane, expert in public administration and consultant (United Nations and CAFRAD), Morocco; Mahmoud Gebril el-Warfally, Professor of Political Science and President of Gebril for Training and Consultancy, Egypt; Snezana Djordjevic, Associate Professor of Political Sciences, University of Belgrade, Serbia; Albert Musliu, Executive Director, Association for Democratic Initiatives, the former Yugoslav Republic of Macedonia; Mrabet Noureddine, Président Directeur Général, Centre National de l'Informatique, Tunisia; and Korel Göymen, Sabancı University and Istanbul Policy Center, Turkey. The late Iliya Harik, Professor Emeritus of Political Science at Indiana University in the United States, prepared a study entitled "Reform perspectives on governance in the Mediterranean area: past, present and future".

The following experts and government officials provided very helpful feedback on specific chapters in the final draft of the publication: Cherif Belmihoub (Algeria); Zuhair al-Kayed (Jordan); Samer Hankir (Lebanon); Rabha Zeidguy (Morocco); Khalid Ben Osmane (Morocco); Yasser Farag (Egypt); and Fatma Sayed (Egypt).

Bechir Bouzid, Associate Economic Affairs Officer at the International Civil Service Commission of the United Nations, provided invaluable assistance in undertaking research, liaising with the experts and lending support in the organization of the Consultative Meeting. Albert Pardos, a former United Nations intern, helped summarize some of the country profiles. Eliot Sela was responsible for the cover, graphics and typesetting of the book.

Methodological Note

This publication is the result of field research and policy analysis activities carried out over the course of two years. It incorporates contributions from more than sixty national and international experts, as well as inputs from a number of public officials in the region, who provided invaluable substantive feedback and updates on governance in their respective countries. The book is divided into sixteen chapters. The first chapter is a comparative overview of current challenges and trends in governance and public administration at the regional and subregional levels. The remaining chapters are devoted to analysing governance and public administration issues in selected countries of the Euro-Mediterranean region. Most of the chapters are divided into three main parts. The first part generally provides an overview of the country's history, economy, political system and government institutions, establishing a useful framework for understanding current trends and challenges in reforming public administration; a brief glimpse at past practices makes it possible to better comprehend the intricacies and legacies of national systems of governance. The second part presents an overview of public administration and governance at the country level, highlighting particular strengths, weaknesses and challenges, as well as related needs for capacity-building and administrative change. The third part identifies national priorities for innovative public administration reform.²

Numerous background papers provided the textual foundations for the publication, with each paper corresponding to one of the three parts of a particular country chapter. Country profiles were prepared by CAIMED researchers in Italy, then reviewed and updated by government officials in the Euro-Mediterranean region. The United Nations Department of Economic and Social Affairs commissioned one or two national experts from each of the countries highlighted in the book to prepare substantive background papers on one or both of the following: (a) current trends in governance and public administration and related needs and challenges; and (b) priorities for innovative public administration reform. These combined efforts produced a total of over 900 pages; once collected, the material for each chapter was summarized and the information organized according to a conceptual outline common to all chapters.

Each of the national experts preparing a background paper on current administrative practices and obstacles to good governance was asked to provide the following:

- An overview of governance and public administration as well as general information on the structure of government in the country;
- An assessment of needs and challenges in modernizing public administration and governance, in reconfiguring the role of the State, and in reforming government and administrative institutions.

² In some of the country chapters, reform priorities are integrated into the second part.

The experts were also asked to provide information and analysis relating to the following:

- The civil service: legal framework, recruitment policies, and career prospects;
- Human resource development and management in the public sector, with emphasis on the following:
 - Public sector training needs, particularly in priority areas for capacity-building such as ICT integration and e-government, regulation, human resource management, budgeting, negotiation, and policy analysis;
 - Training needs in the areas of public sector management and supervision;
 - Tools required for human resource capacity-building; examples might include published guidelines, in-service training, seminars, field visits to other countries, or consultants from abroad;
- Public service delivery: laws adopted and activities undertaken in the country during the past several years, along with details relating to their formulation and implementation. Areas of focus might include the following:
 - The quality of services provided to citizens and actions taken to facilitate citizen participation;
 - The nature and quality of services provided to businesses;
- The simplification and improvement of regulations;
- New approaches to public sector management, with emphasis on efficiency and accountability;
- The decentralization of governance and decision-making: formal and informal decentralization in the country, and what is needed to make decentralization more effective;
- Electronic government: the extent to which information technology has been introduced in government operations in the country, and the extent to which e-government is participatory;
- The creation of an enabling environment for private sector development and investment: measures taken to facilitate business activities, including, for example, the establishment of one-stop shops or windows of opportunity for the internationalization of enterprises.

The second set of background papers focused on priorities for innovation in public administration in countries of the Euro-Mediterranean region. These papers were intended to furnish an analytical framework for understanding needs and priorities in the areas of governance and public administration and to provide, where possible, an overview of the challenges and opportunities for reform and innovation with a view to achieving the Millennium Development Goals, including social and economic progress. Experts were provided with the following list of possible sub-topics for consideration:

- Reconfiguring the role of the State in the light of new domestic and global pressures;

- Strengthening/reforming the executive, legislative and judicial branches of government at both the local and national levels;
- Creating an enabling environment for private sector development;
- Improving public service delivery for poverty reduction;
- Reforming public sector management;
- Developing a responsive, client-oriented, and transparent public service (reference may be made to mechanisms for improved service delivery including one-stop shops and information centres);
- Promoting transparency and accountability;
- Promoting knowledge management and e-government;
- Establishing participatory mechanisms and involving civil society in public policy processes.

The information provided by the national experts was analysed and updated by the publication team set up within the United Nations Department of Economic and Social Affairs. Prior to the finalization of the text, the chapters were sent to government officials in the respective countries for validation purposes and to ensure that the information and analyses were as accurate as possible. Experts from the region also offered their feedback on the final draft.

Producing a publication on governance in the Middle East, North Africa, and the Western Balkans represents a major endeavour. Every effort has been made to provide a comprehensive and accurate picture of key governance and public administration issues in selected countries of the Euro-Mediterranean region. Intensive research and many long hours of work have gone into preparing this book; however, given the nature and complexity of the subject, information gaps are inevitable. Since it has taken much time to review each chapter based on the information received by the experts and government officials consulted, the changes that have taken place over the past six to eight months in each country may not be reflected in the same way for all chapters. Additional research is needed to enhance our understanding of current trends and challenges in governance and public administration in the Arab world and south-eastern Europe. We see this publication as merely a first step in that direction, and the United Nations is not responsible for any misrepresentation of facts or figures.

Executive Summary

Most of the country chapters begin with a brief historical overview and some basic facts about the respective political, institutional and economic systems, which provides a framework for the succeeding section or sections. In general, government authority is highly centralized, though there have been some moves towards decentralization in many countries. The second sections of most chapters focuses on the government system and various administrative reforms at both the central and local levels; many of the country reports include subsections that reflect their particular circumstances or objectives, though all address certain priorities such as legislative reform and human resource development, and advances in e-government. Most systems are partly a remnant of colonial or high centralized traditional administration and partly a product of the leadership associated with revolutions or other transitions to independence; many also reflect the trend towards establishing a more efficient administration to provide a firm foundation for economic liberalization and national development and stability. Most chapters include a third section, which is generally a brief summary of the more urgent challenges and priorities in administrative reform.

The Middle East

Egypt

Egypt, an ancient civilization, was occupied at various times in history, enjoyed a succession of mainly indigenous pharaohs, and experienced a long Arab-Islamic presence that has defined modern Egypt. In the last century, following Ottoman rule and some notable modernization efforts, Egypt was occupied (at times nominally) by the British but won full independence under Gamal Abd el-Nasser's leadership in the early 1950s. Nasser pursued pan-Arab socialism and an aggressive development strategy. Nasser and his successors (presidents Sadat and Mubarak) have pursued economic liberalization including extensive privatization. The economy relies heavily on oil, Suez Canal revenues, tourism and agriculture; much of this is still controlled by the State, in spite of a stated commitment to reform. Egypt's economy has improved over the past 15 years, mainly owing to the IMF-guided economic reform and structural adjustment programme. Egypt is a socialist democratic republic, though liberal and Islamic principles appear increasingly dominant. The President and all but 10 members of the legislature are elected (Egypt has a multiparty system). The appointed Prime Minister heads the Cabinet. There is also an independent judiciary, rounding out the three-branch system. There are several levels of local administration (governorates, districts and municipalities); municipal councils are popularly elected. Though local administrations have some autonomy, they mainly carry out executive decisions made by the central Government.

Government reform priorities are focused on the organizational and institutional aspects of public administration and on economic privatization, liberalization and deregulation. Efforts have mainly concentrated on modernizing and streamlining public administration (through structural, procedural and legislative reform and ICT integration) and adapting it to economic and social development needs. Privatization, civil service improvement, decentralization, and ICT/e-government development are some specific priorities. Within the civil service, reform priorities include personnel improvement and downsizing, enhanced public service delivery, and administrative simplification and modernization (again, ICT development is a critical factor). Extensive research has been carried out to identify needs and gaps and devise solutions. Authority is still highly centralized and the administrative apparatus overly complex; decentralization and increasing employee motivation and initiative are high on the reform agenda. The Government has actively tried to improve employee satisfaction and garner civil servant support for and involvement in reforms, though results have been mixed. Significant progress has been made on many fronts in the area of ICT and e-government development, including intragovernmental communication and citizen (including investor) services, though challenges remain; the chapter includes a detailed analysis of the situation.

One of the main areas of priority in administrative reform is personnel development (establishing clear standards, providing training and adequate pay and incentives, enhancing opportunities for promotion, and offering increased decision-making power and responsibility). Other priorities include administrative streamlining and simplification, bureaucratic downsizing, improving public service delivery, setting performance and accountability standards and guidelines, and developing the ICT infrastructure and capacities. Challenges are similar to those experienced elsewhere (including internal resistance to change and lack of motivation) but are exacerbated by the large size of Egypt's population and civil service.

In 2003, Egypt won the United Nations Public Service Award, the most prestigious international commendation given for excellence in public service, for providing faster service through the automation of service request procedures.

Jordan

Jordan, like its neighbours, has been extensively occupied over the millennia. After the First World War, the British mandatory authorities retained control over the area but gradually shifted power to the Hashemite family, which still rules under a constitutional monarchy. Jordan has faced regional challenges, most notably with the Israelis (past conflicts) and the Palestinians (large refugee and resident populations plus occasional conflict). With its lack of natural resources, Jordan has been working over the past 15 years to strengthen its industry and business sectors, gradually privatizing many public sector entities and encouraging local and foreign investment; economic reform has been effected under an IMF-mediated

economic reform and structural adjustment programme, with cautiously positive results. The King is the Head of State, and the Prime Minister and Cabinet are appointed. The bicameral parliament has both appointed representatives (senators) and elected representatives (deputies), and there is an independent judiciary. Some democratic reforms have been undertaken, though ultimate political power remains highly centralized. As in other cases, there are many levels of local administration that enjoy some autonomy but essentially carry out centrally mandated decisions.

Economic and administrative reforms were initiated under King Hussein but have picked up speed (with the large-scale 2000 and 2005 reform programmes) under his heir, King Abdullah. Extensive administrative reform is required to create a solid framework and foundation for substantive social and (especially) economic reforms. The primary objectives are to modernize and streamline the bureaucracy and improve public service delivery through restructuring and rationalization, human resource development, and ICT integration. Specific objectives include increasing productivity, efficiency and transparency; improving civil servant performance, quality and satisfaction; involving all stakeholders in society (including the private sector and civil society) in government reform and development processes; and rationalizing resources. To achieve these goals, decentralization and expert consultation (to integrate internationally recognized best practices) are essential. Efforts thus far have focused mainly on local reforms (such as merging municipalities and redefining the role of governors and local administrations), civil service reforms (structural and procedural streamlining, capacity-building, improving hiring and promotion policies, and redefining functions), improving public service delivery (mainly in support of economic development and investment), certain areas of administrative development (simplifying and streamlining administrative structures, procedures and relevant legislation; redefining personnel roles; establishing results-based assessment mechanisms; and increasing “public ownership” of the reform process), and ICT integration (to promote e-government); it should be noted that Jordan is the most “e-ready” country in the region.

The last section of this country chapter provides a fairly detailed description of the ambitious, large-scale administrative reform programme adopted in 2004/05; this programme is strongly supported by the King, who has demanded immediate and visible results and active private sector and civil society participation in order to secure public approval and a sense of “ownership”. Some of the main priorities include increased transparency and decentralization, resource optimization, and the adoption of results-based administrative approaches and assessment. Five major dimensions of the programme include enhancing policy- and decision-making, organizational restructuring, developing service delivery and assessing performance, managing human resources, and managing financial resources. This reform programme is to be undertaken in coordination with the implementation of national development agenda strategies, a regionalization programme, and a judicial reform initiative.

Lebanon

During the period of the French mandate in the 1920s, the confessional system of government was established in Lebanon, giving Christians the presidency and Muslims the less powerful premiership. From its early days, Lebanon actively pursued modernization and established an open, laissez-faire economy, eventually enjoying high levels of foreign investment and impressive development; however, its successes were undermined by ongoing sectarian tensions. Major administrative reforms were undertaken between the 1950s and the 1970s to provide a firm foundation for economic and social development, but the State apparatus essentially fell apart during the sectarian-based civil war (1975-1990). Since the end of the conflict, sectarian loyalties have remained strong, and efforts to initiate reform have been somewhat stymied by the “old guard”; in some ways the government administration has been more an arena for political manoeuvring than an apparatus for policy development and the provision of public goods and services. Nonetheless, the Ta’if Agreement concluded at the end of the war provided a framework for administrative and political reform, and recovery and reconstruction efforts have been developed within this context with the aim of restoring national stability. The Agreement established a fairer system of political representation among sectarian/confessional groups. The sharing of power between the President (chosen by the parliament) and the Prime Minister (appointed by the President with parliamentary approval), and within the unicameral Chamber of Deputies (an elected legislature), is now more balanced, and decisions often require coordination and approval among several entities, including various components of the executive and legislative branches of government. There is an independent judiciary. Lebanon’s economy has suffered greatly, both during the war (with the destruction of its service sector) and afterward (owing to the cost of recovery and post-war instability). It is essential that the government once again facilitate economic growth and development. Local administrations are extremely weak; they lack resources and essentially implement central decisions, concentrating on the most essential aspects of recovery and reconstruction.

Administrative reform has long been a priority, though efforts have been intensified to address urgent post-war needs. The Office of the Minister of State for Administrative Reform (OMSAR) was established by the Council of Ministers in 1995 to rebuild and strengthen the country’s war-ravaged public administration and lead it into the twenty-first century. It was charged with promoting institutional and ICT development to create a more responsive, transparent and accessible administration and increase productivity within the civil service. Administrative reform efforts have mainly focused on immediately achievable objectives, including rebuilding the physical infrastructure and streamlining operations. Objectives relate primarily to the redefinition of State functions (identifying new roles and functions and pursuing decentralization), structural and organizational reforms (both institution- and personnel-focused), and ICT integration (to promote e-government). The

State role in Lebanon is complex, reflecting a combination of sectarian political interests within a highly centralized authority, post-war administrative deficiencies, and the necessity of meeting the needs of an active private sector in this relatively open economy. Internal resistance to change and outside calls for the integration of the “modernizing elite” in the highest circles of government are equally strong. Improving public service delivery and thereby ensuring economic growth and national stability constitute the ultimate goal.

Lebanon has faced unique challenges, as the war destroyed its economy, administrative infrastructure, and overall political and social stability. Reforms have been multifaceted and somewhat slow, owing both to the enormity of the task of rebuilding the country and to resistance from established sectarian leaders within the Government (hence the call for the modernizing elite). ICT development represents one area in which notable progress has been made, though there is still a long way to go in this and other areas of administrative modernization.

In 2007 Lebanon won the United Nations Public Service Award for improved taxpayer services and other significant reforms introduced by the Ministry of Finance.

Syrian Arab Republic

The Syrian Arab Republic, heir to one of the world’s oldest civilizations, lies at an ancient crossroads and has been occupied and influenced by many peoples over the millennia. As in the Libyan Arab Jamahiriya, there has been a strong Arab-Islamic influence in the area since the 7th century. Greater Syria was carved up after the First World War, and a much smaller modern Syria was occupied by French mandatory authorities until the mid-1940s. During the next 25 years, political unrest prevailed, with a number of coups staged. In the early 1970s President Hafiz al-Assad and the Baath Party assumed control; the system introduced then remains largely in place. There is a clear national identity as well as strong individual ethnic and religious attachments. Inward-oriented national traditions and self-sufficiency have interfered somewhat with the need (and lately the stronger desire) to engage in increased global economic and political integration. For the past decade, the Syrian leadership has promoted economic liberalization and administrative modernization (the latter mainly to support the former). In spite of the country’s relative wealth (from oil and agriculture) and its commitment to modernization, reforms have been slow. The State controls much of the economy and industry, social development has been poor, and there is strong internal resistance to reform within the State apparatus. There are three branches of government; the President and legislature are elected by popular vote, and the appointed Prime Minister heads the Cabinet. In reality, the President wields power over most State affairs in all branches. There are three levels of local administration (provinces, districts and subdistricts); officials are often appointed, and councils are either wholly or partly elected. The Baath Party tends to dominate at all levels.

The Syrian Arab Republic is working to overcome its insularity and to effect a transition from State-centric control to increased private sector involvement and foreign investment. There is a high-level commitment to administrative reform in order to achieve national development goals. Specific reform objectives include improving public sector performance through structural and procedural streamlining and civil service development, fighting corruption and increasing transparency and accountability, encouraging increased local government and citizen participation, modernizing the government administration through ICT integration and other means, effecting relevant legislative and judicial reforms, and ensuring the availability of sufficient financial and technical resources to achieve all these reforms, including through reliance on international assistance. Much of this is in the early stages. Very gradual privatization, especially of the financial (banking and investment) sector, has been a top priority.

Some notable progress has been made in key areas of administrative reform, including needs assessment, human resource development, and ICT integration, though there is much yet to be done, and there is significant resistance to change among bureaucrats. Work must continue to establish strong e-government foundations and a coherent ICT strategy (including for rural and remote area development), to strengthen trade and investment laws and practices, and to take full advantage of international expertise and assistance. Promoting gender equality is also a priority.

North Africa

Algeria

Algeria was colonized by the French for more than 100 years and has retained many of the features of the French system of government. The country won independence in 1962, led by the Front de Liberation National (FLN), a nationalist party that later dominated the government for many years. Islamic forces seriously threatened FLN hegemony, and civil conflict prevailed through much of the 1990s. Early on, Algeria established a three-branch system of government; the separation of powers was strengthened several decades later, and the unicameral legislature was eventually transformed into a bicameral parliament. There are three levels of local administration (*wilayat*, *dawa'ir* and *communes*). Each *wilaya* has an elected assembly, and the local administration enjoys some financial and administrative autonomy. In the 1960s and 1970s Algeria spent much of its budget on industrial and other forms of economic development, though relatively little progress was achieved. The country has long been dependent on oil revenues and affected by oil price fluctuations, as petroleum exports account for a large proportion of GDP. IMF-mediated structural reforms implemented in the mid-1990s stabilized the economy to a certain degree. Since the early 1990s, Algeria has liberalized trade and actively pursued foreign investment, with some success. These and other

developments have required the reform and modernization of public administration to facilitate national growth. The upgrading of the country's customs system is highlighted in the chapter. The main development objectives include poverty reduction, job creation, balanced regional development, and the revitalization of the economy.

Modest administrative reforms have been implemented over time, with no master plan until recently, and public services remain relatively inefficient and the system cumbersome and ineffective. Society has gradually grown freer, and the trend is towards greater public involvement in political activities, increased private sector activity, improved public service, and administrative decentralization and delegation. Over the past few years administrative reform efforts have been more organized and institutionalized and have focused on streamlining, efficiency and modernization. Particular attention is being given to the privatization and regulation of public entities, strengthening local administration, judicial reform, human resource management within the civil service, increased transparency and accountability, and ICT integration (e-government development).

Stated reform priorities include decentralization, the development of public-public and public-private contractual relationships for administrative functions, enhanced customer satisfaction through quality public service provision, and the establishment of efficient State institutions to support Algeria's global economic integration. Economic reforms have been more successful than administrative reforms, in part because the former have been given priority, but also because there is strong internal resistance to the latter. The central administration is still beset by redundancy and overlap in its structure and procedures and a weak, unmotivated civil service reluctant to engage in innovative or critical thinking. Much is planned, but relatively little is being done to improve the State administrative apparatus on the ground.

Libyan Arab Jamahiriya

Libya was colonized repeatedly in ancient times, but its present character emerged as a result of almost 1,000 years of Arab Muslim governance. Italy occupied Libya during the first half of the 1900s, and much of its government administrative system was retained during the country's early years of independence. Libya was extremely poor, though conditions improved as a result of oil exploitation from the mid-1950s onward. A major change occurred with the coming to power of Colonel Mo'ammar Gheddafi, who replaced the monarchy with a revolutionary socialist system of governance. Many activities were brought under State control. In the early 1970s a cultural revolution was launched and the concept of "people power" was introduced, with the ostensible objective of implementing a system of direct democracy; in reality, Gheddafi has gradually consolidated his power, and central authority remains strong, in spite of the active involvement of citizens in local administrations (which have some autonomy but mainly implement central

decisions). There are central and local congresses, people's committees, and revolutionary committees; the Basic People's Congress at the central level is a legislature of sorts. While there is an official President and Prime Minister, Gheddafi is the de facto Head of State. During much of the 1980s and 1990s the Libyan Arab Jamahiriya's relations with the West were strained, and international sanctions isolated the country, causing severe economic pressures and interfering with administrative modernization. Interestingly, social development has been impressive, with Libyans enjoying a quality of life and social benefits unrivaled in Africa and much of the Middle East. Oil is Libya's main source of income.

With Libya now trying to liberalize its economy and re-establish international connections, legislative reforms are needed to better define the system of government and administration, and to promote private sector development and initiative and increased citizen involvement in public affairs; in the latter context, decentralization has been an important priority, though most activities are still centrally organized in practice. Other administrative reform priorities are similar to those elsewhere and include structural and procedural simplification and streamlining, improving human resources, implementing judicial reforms, promoting transparency and accountability, and moving ahead with ICT and e-government development.

Because of its two-decade-long isolation, the Libyan Arab Jamahiriya faces challenges greater than those of many other countries in terms of administrative modernization and upgrading. Its system is archaic, and it lacks well-trained local professionals with up-to-date skills and qualifications. Technical and technological development represent particular challenges. Within the realm of administrative reform, the most immediate objectives include reducing the size of the overstuffed public sector, improving and updating administrative skills, and promoting informatization (ICT integration). The overall long-term objective is to improve the quality of governance and public administration in order to meet the growing needs of citizens and investors.

Morocco

Morocco won its independence in 1956, having been a French protectorate since 1912. The country is a parliamentary constitutional monarchy with a pluriform multiparty system. Ultimate authority rests with King Mohamed V, who assumed the throne upon his father's death in 1999. The parliament is bicameral; the 270 members of the Upper House are indirectly elected for nine-year terms, while the 325 members of the Lower House (30 of whom must be women) are popularly elected for five-year terms. The judiciary, which comprises a number of communal, district, *sadad*, and regional courts, nine courts of appeals, and the Supreme Court, is guaranteed independence by the Constitution. Relative macroeconomic stability was achieved in the 1990s, but growth has been sluggish and unemployment has remained relatively high. Over the past several years, a number of measures have been adopted to stimulate domestic and foreign investment. Long-term

objectives include strengthening the service and manufacturing sectors, expanding trade with the West, and improving education and job prospects for the country's large population of young people. In order to improve the quality and efficiency of public establishments and enterprises, the Government has sought to streamline internal operations within the public sector, increase its reliance on outsourcing and service contracting, and undertake cautious privatization. Privatization was initiated in 1993 but has so far produced isolated and limited gains. Morocco's 16 regions, which roughly correspond to the 17 territorially based administrative divisions (*wilayat*), are divided into more than 60 provinces and urban prefectures, which are further divided into districts and communes. Local assemblies are directly or indirectly elected at all levels, though real authority lies with appointed public officials. While the central Government continues to control local finances and resources, efforts have been made over the past decade to increase local autonomy.

The current action plan for government reform and innovation extends from 2003 to 2010 and includes six major components. A number of institutions are actively involved in administrative reform. The Ministry of Public Sector Modernization is responsible for implementing policies and facilitating reforms aimed at improving the organization and functioning of public administration and strengthening public sector management. The Ministry of Interior plays a particularly important role in modernizing territorial administration and establishing strong foundations for decentralization. The Ministry of Finance and Privatization handles all financial matters relating to State and local administration, public enterprise development and privatization, and civil service employment. Reform priorities over the past decade have focused on human resource management, the functioning of the administrative apparatus, and resource rationalization. Civil service reforms have centred around legislative revision, organizational restructuring, and improvements in employee remuneration, benefits and working conditions. The Good Management Pact, which revolves around three main axes, has been adopted to promote positive change within the civil service. A particular priority is overcoming internal resistance to change and establishing a sense of personal commitment or "ownership" among public servants. Efforts to improve public administration have concentrated on administrative reorganization, comprehensive modernization, legislative development, and improvements in administrative management capacities. Steps are being taken to develop a genuine public service orientation, facilitate decentralization, streamline and simplify administrative procedures, and accelerate ICT integration. A number of initiatives have been adopted to strengthen the relationship between public authorities and citizens and to facilitate investment and enterprise development. An e-Morocco strategy was introduced in 1994 but received little attention until 2001, when preliminary steps were taken to lay the foundations for ICT integration. In 2005 the Government launched E-Maroc 2010, which represents a detailed road map for strengthening and expanding the ICT sector.

The two greatest obstacles to effective administration are the excessive centralization of services, decision-making authority and resources; and the absence of a universal commitment to administrative reform. The bureaucracy remains cumbersome and seems to be growing in complexity. Efforts to streamline administration and decentralize certain functions are under way but appear somewhat halfhearted. The final section of the chapter highlights specific shortcomings and notes that concrete reforms must be taken at the political, economic and social levels, and must target specific needs within these sectors, if the country is to realize its national development goals and strengthen its position within the regional and international contexts.

Morocco has won the United Nations Public Service Award three times in five years for innovative initiatives in public administration. In 2007 it earned the prestigious Award for the eFez Project, creating an ICT platform for electronic governance in the city of Fez.

Tunisia

Tunisia was occupied by Greeks, Phoenicians, Romans and others during ancient times, and ruled by various Muslim dynasties from the seventh century onward. The Ottomans ruled for several hundred years but were eventually replaced by French colonial authorities, who dominated Tunisia from the 1880s to the mid-1950s, when the country won its independence. Tunisia is a republic with three branches of government. The President exercises greater power than the Prime Minister at the executive level. The parliament formerly comprised only the Chamber of Deputies, but in 2002 a bicameral legislative system was introduced. There is also an independent judiciary. Economic and political liberalization and efforts to strengthen public administration over the past 15 years or so have borne fruit. The country enjoys strong economic growth and political and social stability. Government administration is carried out at the central, intermediate (governorate), and local (delegation and sectoral) levels. Decentralization has been on the political agenda since the early days of independence, but local authorities still have little autonomy and tend to be primarily responsible for implementing centrally mandated policies and decisions.

Administrative reforms were initiated during the colonial period and continued during successive decades, strengthening the centralized system of government. In the 1980s, a large-scale administrative reform programme was implemented to support the process of economic and political liberalization. Relatively little progress was made, and following an assessment of programme weaknesses, a more effective reform initiative was introduced in the mid-1990s. Like many other countries, Tunisia has focused on reducing excessive bureaucracy, improving the quality and efficiency of public administration and service delivery, and enhancing the role of the private sector in national development; it has also endeavoured to create an enabling environment for economic development by

strengthening the role of the public sector, which is considered “the first entrepreneur, the first investor, and the first exporter”. There are still human and material resource limitations, the State apparatus remains cumbersome (plagued by excessive diversification, complexity and redundancy), and local authorities lack autonomy, but these deficiencies are acknowledged and are gradually being addressed. Administrative reforms over the past decade have focused on improving the quality of services and establishing a modern system of administrative organization and management, in large part through progressive ICT integration. There is a general trend towards economic openness in Tunisia, and efforts are being made to create a supportive, enabling environment for private sector investment and entrepreneurship through the creation of a strong regulatory framework and the promotion of incentives. During the past several years decentralization efforts have intensified, and there are plans to transfer greater authority to regional and local administrations; this also ties in with strengthening the role of the private sector in development. Human resource development and management are critical areas of administrative reform; relevant priorities include enhancing administrative capacities and organizational efficiency, establishing a closer and more effective relationship between the public administration and citizens, and ensuring that reforms are undertaken in a timely and harmonious manner and proceed at the same pace among all agencies and regions. ICT integration and e-government development are high priorities as well; efforts are under way to streamline administrative operations and make public services more readily accessible to all citizens. Extensive computer networks and public sector management applications have streamlined internal operations, enhancing efficiency, transparency and harmonization; and a number of important pilot projects (described in some detail) have been undertaken as initial steps in establishing an effective system of e-government. A number of mechanisms have been created to support business development.

The most critical priorities in administrative reform are structural and procedural simplification and streamlining and overall system modernization, a critical component of which is ICT integration at multiple levels. Tunisia has important assets that are likely to make the job of achieving good governance somewhat easier, including reasonably high levels of human and economic development, a solid and generally modern basic infrastructure, and increasingly qualified human resources. However, a number of practical challenges remain: the country still requires a coherent, well-defined governance strategy; a proactive approach to ongoing reform implementation (strategic management, a clear timetable, and concrete arrangements for pilot project development and operationalization); the adoption of international best practices by public officials and top executives; and an increased sense of “ownership” and responsibility for good governance among civil servants and the general public.

The Western Balkans

Albania

Albania has faced a number of challenges linked to its transition from a communist to a pluralist, democratic system. Development efforts in the early 1990s focused on immediate economic gains rather than on fundamental institutional and societal reform and ultimately proved ineffective. Political infighting and an economic crisis during the mid-1990s further weakened the government administration. The situation began to improve in the late 1990s as a new constitution was adopted and a series of reforms were initiated to ensure greater professionalism and transparency in the public sector. Albania is a parliamentary democracy with three branches of government. The President is elected by parliament and appoints the Prime Minister. The 140-member People's Assembly is the country's legislature (100 are popularly elected and the remainder are chosen by their parties on a proportional basis). Various types of courts make up the independent judiciary. Privatization is a key component of Albania's transition to a market economy, and a number of independent agencies have been established to promote private sector development and address the needs of the investment and business communities. The system of administration in Albania includes central authorities (ministries and peripheral bodies) and local authorities (district, commune/municipality, and subdistrict bodies). Regional authorities act as representatives of the central Government, formulating and implementing common policies for local government units within their territories. Local administrations implement centrally mandated policies but also have a degree of autonomy in certain areas. Municipalities and communes have direct, collective and delegated functions. Elected councils exist at all levels of local government.

Administrative reform is part of a much larger process of institutional reform undertaken to facilitate national development and ensure future EU integration. The European Union's stabilization and association process and Stability Pact provide a clear framework for identifying institutional development requirements and implementing the necessary reforms. The primary goal of government reform in Albania is to consolidate new democratic institutions by enhancing efficiency, transparency, and public access to administrative processes and information; combating corruption is a priority. The main reform components include administrative simplification and decentralization, public sector privatization, human resource development and management, and strengthening institutional communication and coordination. Decentralization is a top reform priority but is still in the experimental (deconcentration) stage. Improving public service delivery is the ultimate goal of administrative reform; one important development within this context has been the establishment of the Office of the People's Advocate (Ombudsman). Human resource development and management within the public sector is guided by Law No. 8549 of 1999. Efforts are under way to create a more objective, competitive civil service system and provide relevant training. The administrative reform pro-

cess is supported by diverse entities (foreign and domestic, public and private); the work of the Institute for Development Research and Alternatives (IDRA) and the Open Society Foundation for Albania (OSFA) is highlighted in the chapter. ICT integration is a critical priority; in 2002 a comprehensive e-government strategy was adopted.

Institutional reform is necessary for the establishment of democracy and the rule of law. Efficiency, transparency and accountability in public administration constitute a prerequisite for sustainable development and national stability. One of the main goals is to create an enabling environment for the development of a strong market economy in order to improve the quality of life in Albania and enhance the country's prospects for successful regional and international integration. Civil service reform is a critical priority; the chapter identifies the main objectives within this context — including the depoliticization of civil service management; structural, organizational and procedural improvements; and administrative digitization (ICT integration) — and summarizes the progress achieved in these and other areas. The Albanian Government has established a comprehensive programme of short-, medium- and long-term reform objectives. The most immediate priorities include strengthening public finance management in order to improve revenue collection, with particular attention given to customs, taxation and financial control policies and practices; combating fraud and corruption; improving the public procurement system; developing the country's statistical capacity in order to ensure the availability of sufficient and reliable data for use within the public sector; and strengthening the legislative framework for administrative reform.

Bosnia and Herzegovina

Formerly one of the six federative units comprising the Socialist Federal Republic of Yugoslavia, Bosnia and Herzegovina declared its independence in April 1992. The country is currently an international protectorate, though the State Government and the two national Entities comprising the Republic enjoy considerable political and administrative autonomy. There are four political/administrative levels: a unified, democratic “State” Government responsible for foreign, economic and fiscal policy and immigration, asylum and refugee issues; two sub-State “Entities” (the mainly Croat-Bosnian Federation of Bosnia and Herzegovina [FBiH] and the Serb-dominated Republika Srpska [RS]) with their own constitutions and public institutions; the ten highly autonomous cantons of the FBiH and the six general administrative regions of the RS; and numerous municipal districts (74 for the FBiH and 63 for the RS). The dynamics within such a system are extremely complex. At both the State and Entity levels, the institutional structure is characterized by the separation of powers between three branches of government. The Presidency of the Republic comprises three members (a Bosniak and a Croat from the FBiH and a Serb from the RS); chairmanship rotates every eight months. The Constitution of the Republic provides few specifics with regard to the distribution of competen-

cies between the State and the two Entities; each Entity has an autonomous central administration and is responsible for all public functions not expressly assigned to the State. The FBiH comprises ten highly autonomous cantons, which are further divided into municipalities with limited authority. The RS is more centralized; there is no intermediate administration between the Entity and local authorities, and municipalities are primarily responsible for implementing decisions made at the Entity level.

Administrative reform is linked to a number of critical development priorities but is most clearly associated at present with the objectives of EU accession and independent statehood. An EU “road map” issued in 2000 set 18 preconditions for preliminary consideration, and in 2005 negotiations for the conclusion of a stabilization and association agreement were initiated. The reform process is meant to facilitate regional integration but is more broadly aimed at the country’s fulfilment of the provisions of the Dayton Accords and its gradual transition to a fully independent sovereign State. The Intergovernmental Task Force on Public Administration Reform was established in April 2003. Responsibility for overseeing and coordinating the reform process lies with the Ministry of Justice in both the Republic of Bosnia and Herzegovina and the FBiH, and with the Ministry for Public Administration and Local Self-Government in the RS. The main reform objectives include streamlining the bureaucracy, improving public services, enhancing administrative and financial capacities at the local level, achieving greater internal coherence, and harmonizing administrative principles and practices with those of the EU. The two Entities have very different approaches to internal governance, but both have made genuine decentralization a top priority; the FBiH and RS have each adopted relevant legislation and have agreed to abide by the provisions of the European Charter of Local Self-Government. Economic liberalization is another important aspect of decentralization; both Entities have approved laws and instituted mechanisms for privatization. Within the realm of public employment and human resource management, the adoption of the Law on Civil Service in the Institutions of Bosnia and Herzegovina fulfils a political precondition included in the EU “road map”; the focus is on maintaining equitable ethnic representation within the civil service, applying a collection of principles for effective public service (transparency, reliability, responsibility, efficiency, productivity, professional impartiality, and the rule of law), and providing support to public sector personnel (merit-based hiring and promotion procedures, ongoing training, and adequate wages and working conditions). The Civil Service Agency occupies an important place within the framework of public administration. ICT integration has only recently become a priority. Limited infrastructure development was initiated in 2000, but it was not until late 2003 that the foundations were laid for a comprehensive ICT development programme. In 2004, the Government adopted an official strategy, policy and action plan for the establishment of a national information society. E-government is a key component of the ICT strategy and is to be implemented in five phases. Progress in this area has been slow but steady.

Administrative reform is a key development objective; it is intended to contribute to domestic growth and stability, regional integration, and the achievement of independent statehood. Two examples of the major reforms instituted in recent years include the establishment of the State Border Service and the adoption of a 2002 law redefining the role, composition and functions of the Council of Ministers. While considerable progress has been achieved in certain areas of administrative reform, the process as a whole has not yet achieved the desired momentum. The commitment to change is strong, but there are numerous ethnic, political and structural complexities that complicate and undermine reform efforts. The Government has benefited greatly from international support in effecting the necessary changes. However, greater internal coherence, coordination and cooperation is needed before any real progress can be made.

Croatia

Croatia is a parliamentary representative democratic republic with three distinct branches of government. The central administration is extremely complex, comprising more than a dozen ministries, four central administrative offices, eight State administrative organizations, and numerous public agencies and institutions, along with a dozen working groups and four ad hoc committees. The Central State Administrative Office for Public Administration plays a particularly important role within the present context; its many functions are detailed in the chapter. At the local level, State policies are implemented through two channels; field services are undertaken by central government departments, but specific duties may also be delegated to municipal or county offices, in line with relevant constitutional provisions. The country's 123 cities and 426 municipalities are responsible for local self-government, and its 20 counties for regional self-government. At all local levels, elected assemblies appoint the members of a governing board. Local government units may establish common organs and services and may form associations with their counterparts inside or outside Croatia in order to fulfil their obligations. State administrative functions are carried out by public officials and employees. Government employment is largely regulated by the Law on Civil Servants and Public Employees and the Labour Act. The aforementioned Central State Administrative Office is responsible for human resource management and development at the policy and operational levels. The bureaucratic apparatus is effectively neutral, since there is no "spoils" system in Croatia. The Government oversees and coordinates administrative activities under parliamentary supervision. Though there are provisions for local self-government, policy decisions and administrative management remain highly centralized. Good governance is an essential element of Croatia's transition to a democracy and market economy. Steps are being taken to improve efficiency in public administration and to strengthen the relationship between administrative authorities and citizens; ICT integration is aimed at facilitating government-to-government, government-to-citizen, and citizen-to-government communication,

and recently established mechanisms have introduced improvements in the areas of information access, public redress, minority rights, and cooperation between the public and private sectors.

The transformation from a socialist system to a democracy and market economy has proceeded gradually with the introduction of new political and institutional structures, economic strategies, and approaches to governance. Authorities have had to deal with the universal problems affecting all systems of governance as well as special challenges linked to the struggle for independence, the damage and destruction caused by war and occupation, minority tensions, and the transition to a multiparty system and an open economy. Croatia in the 21st Century, a draft strategy for depoliticizing, restructuring and strengthening public administration, was prepared by a team of experts in 2002. The strategy focuses on halting the expansion of the central administration, delegating a certain amount of authority to autonomous entities (horizontal decentralization) and local self-government units (vertical decentralization), undertaking a critical assessment of State efficiency and efficacy, and introducing gradual changes in territorial organization. Decentralization was identified as a key reform objective in 1992 and has remained a top priority, but relatively little has been achieved on the ground. A number of important laws were passed from 2000 onward, and the Government Programme for the period 2000-2004 included provisions for internal reorganization and restructuring to strengthen local administration, but obstacles at both the State and local levels have impeded progress. In 2004, authorities established the Decentralization Commission to expedite reforms in this area. European integration is a critical priority for Croatia. The country formally applied for EU membership in February 2003, and the requisite Stabilization and Association Agreement entered into force in February 2005. Preparing Croatia for EU membership is a massive and complex undertaking, and the Government has set up special administrative units in all State bodies to facilitate the integration process. The Ministry of Foreign Affairs and European Integration and the Central State Administrative Office for Development Strategy and Coordination of EU Funds play a particularly important role within this framework. The Programme of the Government of the Republic of Croatia for the 2003-2007 Mandate concentrates on the following: revitalizing the economy; reinforcing the country's commitment to democracy and the rule of law; reforming State institutions and the system of public administration to promote good governance; revising and regulating the tax system and improving budgetary and financial control mechanisms; accelerating the implementation of the national ICT strategy and e-Croatia 2007; promoting sociocultural development; and strengthening the position of Croatia within the regional and international contexts. The system of public administration must be modernized, and relevant European norms and standards and international best practices must be adopted. Reforms in the following areas are likely to have the greatest overall impact: separating policy-making and other creative development functions from routine administrative functions; streamlining administrative operations and strengthening institutional capacity;

and enhancing expertise and professionalism within the public sector. In effecting reforms, attention must be given to careful planning and preparation, a specified series of preliminary measures, the development of implementation mechanisms, financing priorities, and organizational support. Perhaps the most important requirement for successful reform is the political will to “stay the course”.

The former Yugoslav Republic of Macedonia

The Republic of Macedonia seceded from the Socialist Federal Republic of Yugoslavia and proclaimed its independence in 1991. In 1993 the country was admitted to the United Nations under the provisional name “former Yugoslav Republic of Macedonia” owing to a dispute with Greece over the use of its constitutional name (the Republic of Macedonia). It enjoyed relative peace throughout the Yugoslav wars of the early 1990s, but between March and June 2001 government forces clashed with ethnic Albanians; the signing of the Ohrid Framework Agreement in August ended the conflict and laid the foundations for improving the rights of ethnic minorities. The Agreement details the steps to be taken to avert future crises, with particular attention given to the implementation of structural and institutional reforms consistent with the pursuit of EU integration; national authorities are responsible for effecting the necessary constitutional and legislative changes, but the international community is invited to facilitate, monitor, and assist in the implementation of the provisions of the Agreement. Economic liberalization has long been a top development priority. The transition from socialist traditions and a centralized economy to democratic principles and a market economy has not yet been completed, though progress in this direction has been relatively steady. In spite of numerous obstacles, the country has achieved solid growth and relative economic stability over the past decade, mainly owing to the implementation of structural reforms. A report prepared by the EU in 2005 indicated that while significant progress had been made within the economic realm, the country was still unprepared to deal effectively with international competitive pressures and market forces. Privatization and capital market development are particular priorities, and over the past few years the Government has adopted relevant legislation and implemented financial sector reforms. The Constitution identifies the former Yugoslav Republic of Macedonia as a sovereign, independent, democratic and social State and provides for a three-branch system of government. A number of new coalition governments have been formed over the past decade, and the frequent changes in high-level personnel have affected the implementation and follow-up of reforms. Nonetheless, there is a strong commitment to positive change. One of the parliamentary Assembly’s main functions is to align national laws with the EU *acquis communautaire*. Local self-government represents one of the ten fundamental principles of the constitutional order, and this issue is addressed further in relevant legislation. The Law on Local Self-Government, adopted in 1995, was amended in 2002 to strengthen municipal authority and autonomy, to ensure the equitable representation of all ethnic communities in local government, and to establish a

clearer and more productive relationship between local communities and the State. The Law on Territorial Division was amended in 2004, reducing the number of municipalities from 123 to 84. Each municipality has a mayor, a council and various governing and administrative bodies.

There are two levels of public administration: ministries and other State institutions exercise authority at the central level and can have their own field offices; and local authorities implement centrally mandated policies but also have a measure of autonomy in dealing with local matters. Public administration reform has long been recognized as a prerequisite for the establishment of a modern democratic State; for economic, political and social development; and for EU integration. In 1999 the former Yugoslav Republic of Macedonia adopted a comprehensive administrative reform strategy. The Ministry of Justice was initially given the responsibility of overseeing reforms, but in 2003 strategic leadership of the process shifted to the newly created Department for Public Administration Reform in the Sector for Policy Analysis and Coordination of the General Secretariat. The reform strategy is one of the most realistic and complete in the Balkans and has been regularly reviewed and updated, but it has never been fully effected owing to resource constraints, changes in the main players, and intermittent political tensions. The former Yugoslav Republic of Macedonia has been referred to as the most centralized country in Europe, but the Government has committed itself in recent years to increasing local autonomy. The legislative framework for decentralization is largely in place, and since 2002, a number of mechanisms have been created to facilitate the devolution of authority. A national action plan for decentralization was adopted in 2003 to encourage regional development, strengthen local governance and inter-municipal cooperation, and improve public service delivery. Attention is currently focused on building local administrative capacities through infrastructure and human resource development, accelerating fiscal decentralization, ensuring the integration of all ethnic communities in local administration, and harmonizing local and national government systems and structures in preparation for the transfer of competencies. A strong justice sector is essential to good governance, and important reforms have been initiated in recent years to combat corruption, establish democracy and the rule of law, and simplify and streamline judicial processes and procedures. Civil service reform was neglected for several years as other development objectives were given precedence, but it remains an important component of administrative modernization. Priorities within this framework include increasing internal transparency and accountability, strengthening infrastructure and human resource capacities, and improving the quality and efficiency of public service delivery. The framework Law on Civil Servants, most recently amended in 2005, is gradually being implemented. The Law covers the structure and functions of the civil service; provides practical guidelines relating to job classification, recruitment and promotion procedures, salaries and allowances, and staff assessment; and addresses issues such as equal access to public employment, merit-based hiring and promotion, and the equitable representation of citizens from all ethnic commu-

nities. Practical efforts are being made to reduce the size of the government bureaucracy, but the Government must proceed very carefully, as national unemployment rates are already high; this represents only one of many challenges faced by the country in its transition from a socialist to a democratic system of government.

Montenegro

The union between Serbia and Montenegro was formalized in February 2003; however, the Constitutional Charter of the State Union gave both entities the right to secede. Montenegro held a referendum in May 2006 and the following month declared its independence. A new constitution was submitted for parliamentary approval in March 2007 and is expected to be approved sometime during the summer. In the 1992 Constitution, Montenegro is described as a democratic, social and ecological State with three branches of government. The country has a relatively large number of State bodies, and it has been suggested that the Government consolidate certain functions and streamline operations in order to rationalize resources and enhance administrative efficiency. Montenegro has recently undertaken a number of economic reforms, focusing on privatization and diversification in order to promote domestic entrepreneurship and foreign investment. While the legal framework is largely in place, the actual shift from a State-dominated economy to a dynamic market economy is occurring very slowly.

A comprehensive administrative reform strategy, prepared with support from the European Agency for Reconstruction, was adopted in 2003 and is being implemented within the framework of the project for Public Administration Reform in Montenegro (PARiM) under the supervision of the Ministry of Justice. The Law on Public Administration was also adopted in 2003, introducing a new conceptual framework in which the traditional bureaucratic model is enriched by a genuine orientation towards public service. The Law essentially redefines the role of the central Government, highlighting the importance of transparency and accountability and promoting cooperation with other government entities, local authorities, citizens and civil society. It holds government authorities responsible for the following: ensuring that internal and external public policy is consistent with democratic principles; formulating policies and strategies to stimulate economic, social, cultural and ecological development; improving public service delivery; and modernizing public administration, with particular emphasis on ICT integration. Over the past several years, normative development has been the main focus of administrative reform; the legal and institutional framework for public administration has largely been harmonized with EU standards and regulations. Mechanisms must be developed to translate strategies into practice; a particular priority is staff training. Reforms aimed at strengthening local self-government were introduced in 1998. Decentralization constitutes a critical component of the PARiM project, which covers the period 2002-2009. Efforts within this framework are being directed towards the adoption of democratic standards and international best practices. The main objective is to ensure that municipal and other local authorities have sufficient autonomy and

resources to meet the needs of area residents. Between 2003 and 2005 a number of reforms were implemented at the local level, with decentralization and depoliticization identified as clear priorities. The development of the legal framework for local government is an ongoing process; the most recent version of the Law on Local Self-Government, adopted in July 2006, introduces modern principles of public management. Within the realm of human resource management, the Law on Civil Service regulates most aspects of public employment. Public officials and executive staff are generally appointed, while regular civil servants are recruited through public vacancy announcements. Reform priorities in this area relate to recruitment and promotion procedures, job description and classification, staff remuneration, performance appraisal, employee mobility and career advancement, training and development, gender issues, and the distinction between political and professional functions. Comprehensive ICT integration is a key reform component. In 2004 the Government adopted the Strategy for the Development of an Information Society, formulated largely on the basis of EU recommendations; the accompanying action plan covers the period 2004-2007. The Council for the Development of an Information Society, made up of public officials and experts from both the public and private sectors, was recently established. A comprehensive framework for ICT integration has been established; the chapter lists specific priorities for the development of e-government through 2008.

Serbia

From 2003 to 2006 Serbia was part of the State Union of Serbia and Montenegro, into which the Federal Republic of Yugoslavia had been transformed. In June 2006, based on the results of a referendum held the month before, Montenegro announced its formal separation from Serbia. A new Serbian constitution was adopted in October 2006, and elections for a new government were held in January 2007. The Republic of Serbia encompasses Central Serbia and two autonomous provinces (Vojvodina to the north and Kosovo and Metohija to the south; the latter province is currently under international administration). The country is divided into 29 administrative districts, which are further divided into municipalities. Serbia is a parliamentary democratic republic with three distinct branches of government. Since 2000, the President has exercised nominal power; executive authority lies mainly with the Prime Minister. There have been four distinct periods characterizing public administration and related reforms. In 2001, emerging from a period of conflict, Serbia initiated major reforms in multiple spheres; attention was focused on achieving political stability, so relatively little was achieved in the administrative sphere. In 2004 the Prime Minister emphasized the need for an administrative reform strategy focused primarily on rationalization, decentralization, depolarization and professionalism. Political setbacks have undermined reform efforts, but the recent separation of Serbia and Montenegro is expected to provide a strong impetus for the positive reshaping of governance and public administration.

The legal framework for public administration and administrative reform has been strengthened during the past several years with the adoption of new legislation relating

to ministries and other central bodies, local self-government, public finance, and the civil service. It is suggested that further legislation be approved to strengthen institutional foundations and promote more transparent, citizen-oriented public administration; a special priority is the updating of the framework Law on State Administration, adopted in 1992 and now largely obsolete. Ministries and various specialized agencies are primarily responsible for State administration, and there is some overlap between these entities that must be addressed. With the dissolution of the union between Serbia and Montenegro, political and administrative adjustments will be required; institutional restructuring is almost certain to occur. The Ministry of Public Administration and Local Self-Government was established to ensure operational efficiency and to manage, coordinate and oversee the process of administrative reform, with priority given to decentralization. Reform priorities identified by the Ministry include the preparation of a comprehensive reform strategy; legislative revision (with emphasis on the harmonization of laws, norms and standards with those of the EU); the education and training of civil servants; structural, organizational and managerial improvements; the establishment of accurate public records and registers; and comprehensive ICT integration. The Agency for Public Administration Development and the Council for Administrative Reform have been set up to assist the Ministry in its efforts. At the local level, reform priorities include decentralization and administrative modernization; efforts are to be focused on the devolution of authority and the transfer of competencies, institution-building and human resource development, enhancing efficiency and transparency, and strengthening relations with citizens. Within the civil service, new legislation has provided a strong foundation for development; steps have been taken to improve recruitment and promotion procedures and increase salaries, and staff development mechanisms are being strengthened, with emphasis given to ICT training. The proper sequencing of reforms is essential, as civil servants need time to familiarize themselves with new practices and develop a sense of ownership and responsibility. Reform progress in many areas is being impeded by the reluctance of entrenched bureaucrats to share authority. The public sector is fairly well developed and not excessively large; reform efforts are being focused on resource optimization, establishing mechanisms for staff mobility, ongoing training, attracting and retaining qualified staff, and developing a genuine service orientation. Since the latter part of 2001, progressive steps have been taken to provide the necessary legislative and institutional support for public sector ICT integration. A number of State entities provide strategic and practical guidance, overseeing and coordinating e-government development within the broader framework of public administration reform. Within a relatively short time, the Government has made significant strides in this area; the physical infrastructure is largely in place, and training is being provided to enhance staff capacities. Almost all ministries and public agencies have websites providing information on their services and activities. Serbian authorities recognize that ICT integration enhances openness and transparency and represents an affirmation of the country's commitment to democratic principles, which has implications for both national stability and European integration.

Turkey

Mustafa Kemal, more commonly known as Atatürk, spearheaded the establishment of the Republic of Turkey in 1923 after the collapse of the 600-year-old Ottoman Empire and a three-year war of independence. What came to be known as “Kemalism” comprised a form of secularism, intense nationalism, and statism. The dedicated elitist approach to centralized government administration, strong political and economic nationalism mixed with a measure of xenophobia, and eventually the secularist imprint, combined to create a bureaucratic ruling tradition over the next several decades. Various political, social and economic developments contributed to greater liberalism during the second half of the twentieth century, however. Regional development constitutes a cornerstone of national development in Turkey; strategies, approaches and priorities within this context, modified over time, have been reflected in successive five-year development plans. Regional strategies over the years have focused on physical infrastructure development, increased local autonomy and participation, efforts to facilitate alignment with European norms to ease future EU integration, and comprehensive sustainable development. The central administration oversees the implementation of projects and programmes and provides essential public services in all areas of the country. Local government essentially operates at the provincial, district, municipal and village levels and reflects a mix of central and local authority; provincial and municipal authorities are most important within this framework. As elsewhere, a combination of central government representatives and locally elected officials are responsible for administration and service provision.

Draft legislation for public administration reform emphasizes basic principles of good governance and attaches special importance to decentralization and devolution – which is proving a challenge, given Turkey’s strong centralist traditions. Over the past couple of decades there has been a trend — at least at the policy level — towards the gradual empowerment of municipalities, and new draft legislation transfers increased power to provincial authorities. Efforts are under way to strengthen the local resource base, which should promote greater autonomy. Relevant draft laws call for the application of modern principles such as transparency, accountability, participation and responsiveness at both the central and local levels to facilitate the establishment of a truly democratic system of public administration in Turkey. New mechanisms have been developed to improve public service delivery; excessively centralized service provision has been replaced with a new system comprising a wide range of innovative options (including partial privatization, leasing, subsidization, volunteerism and self-help). The term “human resources” has only recently been introduced in Turkish public administration, indicating increased awareness of the potential for optimizing the development, utilization and management of this critical administrative asset. Civil service reforms have been initiated, but progress in this area has been slow, as traditional attitudes and practices are well entrenched. Patronage remains an issue, though the introduction of objective, merit-based recruitment procedures have brought about some improvement. Personnel management is still based on a rigid, traditional legal

framework (promotion and pay raises are automatic); however, new draft legislation incorporates provisions for benchmarking and performance evaluation based on centrally established standards. Efforts are underway to improve the system of training and to increase motivation, efficiency and the quality of service provision. ICT integration is a critical priority, but work has proceeded slowly in this area owing to various challenges. In e-government development, as in many other contexts, Turkey is pursuing the dual objectives of improving public administration and service provision and achieving compliance with European standards to facilitate future integration. ICT-related reforms have picked up speed over the past several years.

It has proved difficult to eliminate well-entrenched administrative centralization; reforms have been under way for many decades, but relatively little headway has been made—until recently. With strong political backing and active citizen support, a comprehensive administrative reform programme has been developed and is rapidly gaining momentum. There appears to be a sincere commitment to developing a system of public management that is participatory, transparent and accountable. Particular attention is being given to strengthening local authority and autonomy, fostering public-private interaction at all levels, streamlining public administration (through restructuring, reorganization and ICT integration), improving the quality and efficiency of public services, and creating an enabling environment for private investment. Achieving sustainable development is the ultimate goal of all reform efforts in Turkey.

Special note

Palestinian Authority

A country profile and background papers were prepared on the Palestinian Authority, an InnovMed beneficiary country, and the resulting chapter was duly reviewed and edited. During the final feedback process, however, there were questions raised by national experts regarding the comprehensiveness and accuracy of the material and the validity of certain observations and conclusions. Concerns also surfaced with regard to the current volatility and instability in the system of governance and public administration in the area; the argument was put forward that any analysis produced at this point would have, at best, limited relevance and utility. After careful consideration, and with a great deal of regret, a decision was made to exclude the prepared material from the book.

The Palestinian Authority is an active participant in all InnovMed events and remains a valued member of the Programme. We invite input from all stakeholders on challenges and innovations in governance in this area and elsewhere in the Euro-Mediterranean region, as our success is built upon the sharing of knowledge and experience to improve the way Governments work.

Boxes

1. Government ministries in Egypt	28
2. Government ministries and ministerial offices in Jordan	54
3. Government ministries and ministerial offices in Lebanon	74
4. Government ministries in the Syrian Arab Republic	101
5. Government ministries in Algeria	122
6. The system of government in the Libyan Arab Jamahiriya	153
7. Government ministries and ministerial officials in Morocco	168
8. Government ministries in Tunisia	191
9. Government ministries in Albania	213
10. Government ministries in the Republic of Bosnia and Herzegovina	240
11. Government ministries in the Federation of Bosnia and Herzegovina	242
12. Government ministries in the Republika Srpska	243
13. Government ministries and central State administrative offices in Croatia	261
14. Government ministries in the former Yugoslav Republic of Macedonia	287
15. Government ministries in Montenegro	299
16. Government ministries in Serbia	317
17. Government ministries in Turkey	335

Maps

1. Countries in the Mediterranean region highlighted in this book	xl
2. Countries in the Middle East highlighted in part one	18
3. Countries in North Africa highlighted in part two	116
4. Countries in the Western Balkans highlighted in part three	208

<i>Selected references by country</i>	357
---------------------------------------	-----

Contents

<i>Foreword</i>	<i>iii</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Methodological note</i>	<i>ix</i>
<i>Executive summary</i>	<i>xiii</i>

Overview

1. Reforming public administration in the Mediterranean region: a comparative analysis	1
---	---

Part One: The Middle East

2. Egypt	21
3. Jordan	49
4. Lebanon	69
5. Syrian Arab Republic	93

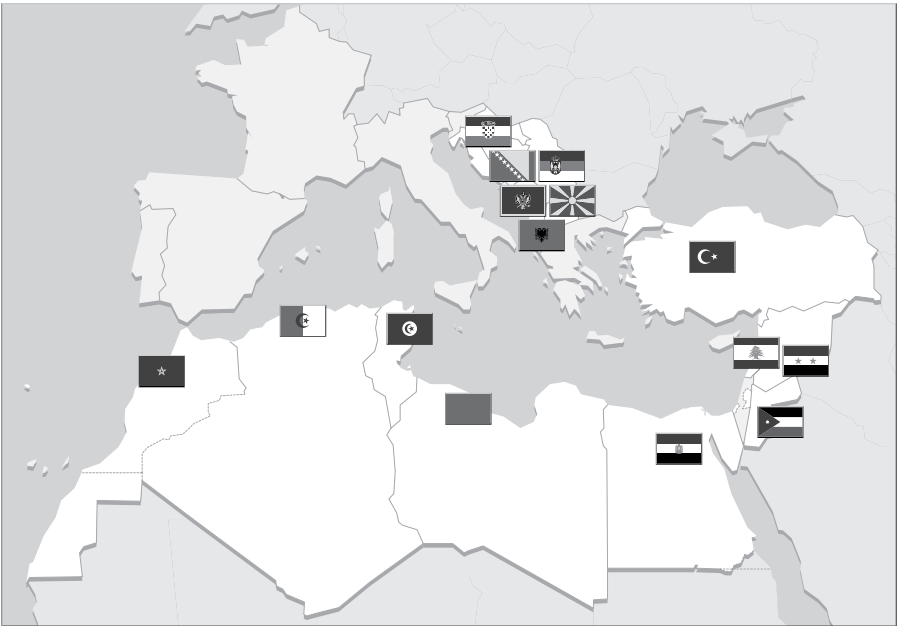
Part Two: North Africa

6. Algeria	119
7. Libyan Arab Jamahiriya	147
8. Morocco	165
9. Tunisia	189

Part Three: The Western Balkans

10. Albania	211
11. Bosnia and Herzegovina	237
12. Croatia	261
13. The former Yugoslav Republic of Macedonia	279
14. Montenegro	297
15. Serbia	309
16. Turkey	327

Map 1. **Countries in the Mediterranean region highlighted in this book***



**Part One:
Middle East**

- **Egypt**
- **Jordan**
- **Lebanon**
- **Syrian Arab Republic**

**Part Two:
North Africa**

- **Algeria**
- **Libyan Arab Jamahiriya**
- **Morocco**
- **Tunisia**

**Part Three:
Western Balkans**

- **Albania**
- **Bosnia and Herzegovina**
- **Croatia**
- **The former Yugoslav Republic of Macedonia**
- **Montenegro**
- **Serbia**
- **Turkey**

* Unshaded areas represent InnovMed participating countries.

Reforming public administration in the Mediterranean region: a comparative analysis

These are challenging times for Governments around the world. Since the middle of the twentieth century, and particularly since the beginning of the new millennium, Governments have been under growing pressure to respond to the evolving demands of citizens and to function within an increasingly complex global environment. Governments must address domestic priorities such as poverty, unemployment, educational deficits, and environmental degradation while simultaneously introducing whatever changes are necessary to ensure effective integration into the world economy.

This chapter highlights the governance challenges that countries from the southern and western part of the Mediterranean region have been facing in past years. It also analyses the priority areas of reform in public administration at the regional and subregional levels.

1. Governance trends and perspectives in the Mediterranean region

As in other parts of the world, many countries in the Mediterranean region have introduced comprehensive reforms to enable them to deal more effectively with domestic pressures and the new challenges and opportunities brought about by globalization. Several countries have sought to revitalize their economies by creating an enabling environment for private sector development and have taken steps to improve the quality and efficiency of public services. ICT integration in government operations has become a top priority, and greater emphasis is being placed on transparency and accountability.

Those countries in the Middle East, North Africa and Western Balkans that collectively constitute the southern Mediterranean region have been compelled, over their long histories, to adapt to and interact with other cultures. Through such experiences they have developed the capacity to acquire and integrate new information and bodies of knowledge, often introducing modifications or innovations that have effectively allowed them to become producers of knowledge. Within the present context, the goal is to capitalize on this knowledge by finding ways for Governments to share and apply effective new approaches to governance and public administration. Fundamental priorities include establishing a favourable environment for the adoption of innovative ideas and practices and developing a culture of innovation.¹

¹ The United Nations Network of Innovators in Governance in the Mediterranean Region, officially launched by the United Nations Department of Economic and Social Affairs in 2006, has become an important tool in promoting a culture of innovation in governance in the region. It is also a valued platform for sharing knowledge about innovations that can be transferred and adapted to individual contexts.

Public sector reform has consistently appeared on the government agenda in many Arab countries, and a number of important administrative innovations have been introduced; however, overall progress has not been homogeneous across the region, and establishing a comprehensive system of good governance within a modern framework is still a challenge. The public sector remains a dominant force and in many countries is still the employer of last resort. According to the International Monetary Fund (IMF), the share of the State in the economies of the Arab region is among the highest in the world.² The ubiquitous State has no place in the contemporary context; countries without an active private sector and strong civil society institutions will find it difficult to achieve the Millennium Development Goals (MDGs) and global competitiveness. A reconfiguration of the role of the State is an urgent necessity in a number of countries, and serious efforts are being undertaken in this direction.

Countries in the region are also facing the challenge of building democratic government institutions. Some have taken important steps towards modernizing their systems of governance, while others are moving more slowly in implementing political and institutional reforms. Thus far, reform efforts have focused primarily on enhancing the efficiency and effectiveness of public sector operations and establishing a modern information and communications infrastructure; relatively less attention has been given to limiting the State's economic role and creating an appropriate institutional framework for public participation and private sector development.

In a number of Arab countries, weaknesses in legal and regulatory frameworks, the relative ineffectiveness of financial and banking systems, and the dominance of the State in the economy have traditionally precluded the development of a vigorous private sector, with negative implications for economic growth. Privatization has presented various challenges; in some cases antitrust regulations and other rules designed to ensure fair competition have not been adopted or consistently enforced, and private monopolies have emerged, stifling growth. According to the *United Nations World Public Sector Report*,³ the Arab region has not benefited as much as other regions from globalization; the necessary reforms must be implemented to create an enabling environment for trade, investment and private sector development. In the past several years there have been some remarkably positive changes, and this trend must be sustained so that Governments may capitalize on recent achievements.

Transparency and accountability in public administration constitute a top reform priority in most Arab countries.⁴ In the *Global Corruption Report 2003*, published by the advocacy group Transparency International, the authors of the Middle East and North Africa chapter state that although the incidence of grand corruption de-

² International Monetary Fund, "The Middle East on the threshold of change", *Finance and Development* (March 2003).

³ *United Nations, World Public Sector Report: Globalization and the State, 2001* (United Nations publication, Sales No. E.01.II.H.2).

⁴ Transparency is usually defined as the availability of and free access to information about governmental political and economic activities, procedures and decisions. Accountability implies responsibility and answerability for choices made.

clined in the region in 2001/02, petty corruption continued to rise, and corruption among senior public officials and politicians remained a pressing challenge. They assert that anti-corruption strategies are unlikely to produce significant results if political reforms are not introduced. It is noted that while numerous cases of corruption were publicized during the period under review, there was no evidence of real structural change. The authors observe that public and private sector transparency and accountability are less apparent in countries where authoritarian rule prevails and where institutional reforms have not accompanied economic liberalization efforts.⁵

While acknowledging that much remains to be done, Transparency International emphasizes that the political atmosphere in the Middle East has improved during the past decade with the emergence of a new generation of leaders more inclined towards reform and modernization, particularly in the areas of transparency and accountability.

In the Balkan countries, modernizing public administration is a fundamental part of the transition process. Major social, economic and political changes have placed tremendous pressure on traditional Governments; hierarchically organized bureaucracies have been compelled to adopt less interventionist approaches to governance and to establish firm foundations for market development. The contemporary approach to public administration requires a shift to indirect economic management and the transformation of the State bureaucracy into a politically neutral civil service characterized by efficiency, transparency and professionalism. Reforms must be implemented at the central, regional and local levels, with appropriate modifications made in organizational and institutional structures, civil service legislation, management approaches, and administrative procedures. A new organizational culture must evolve to change the way government institutions operate. Public administration reform is not a single, isolated exercise but rather a continuing process of institutional development. Each of the southern Mediterranean countries is gradually constructing its own administrative model, drawing from both traditional bureaucratic and new public management approaches, reassessing and adjusting the model to bring it to maturity, and possibly moving closer to participatory governance.

Institutional development is of little use without complementary human resource development. Professional and technical skills and knowledge, largely acquired within a centralized and highly controlled political and economic framework, must be enhanced so that government employees and public officials are able to deal with new demands in an evolving democracy and market economy. Management skills, traditionally limited to ensuring compliance with regulations, must now be geared towards fostering proactive participation at all levels and promoting the delivery of quality services to the public.

Transforming the public sector workforce requires the reform of the training system; the didactic, lecture-based approach should be replaced with more active-

⁵ Reinoud Leenders and John Sfakianakis, "Middle East and North Africa", in Transparency International's *Global Corruption Report 2003* (London: Profile Books Ltd., 2003).

learning approaches to knowledge and skill development. Changes in attitude are also critical but cannot be achieved through training alone; much depends on the working environment and incentives offered. Increased personal responsibility and initiative within both the public and private sectors does not imply the absence of State involvement. The Government must set and enforce collective rules and regulations that enable individuals and institutions to interact efficiently, and should work to create a stable economic environment conducive to private investment and business development. Government actions should be predictable and consistent, based on democratic principles and the rule of law; efforts should be made to minimize uncertainty, transaction costs, and unwarranted discretion by officials. The goal is to create a climate of trust both within the Government and between public servants and citizens.

2. Subregional comparative analysis

2.1 Governance challenges and priorities in North Africa

Algeria, the Libyan Arab Jamahiriya, Morocco and Tunisia, which constitute the North African subregion, underwent important stages of State reorganization after achieving national independence in the late 1950s and early 1960s. Deep-seated colonial traditions shaped the organization of the civil service and the structure of State institutions; bureaucracies were characterized by a rigid internal hierarchy and a distant, authoritarian relationship with citizens. The newly independent countries tried with varying degrees of success to draw closer to their constituents. Reforming State institutions and improving governance have preoccupied political leaders in the area for some time, but particularly since the mid-1990s.⁶

The launching of the Barcelona Process⁷ by the European Union in 1995 offered southern Mediterranean countries the opportunity to strengthen their economic and institutional relationships with Europe, and emerging globalization held the promise of substantial returns for those able to maintain a competitive edge. Enhanced prospects for regional and international integration led many countries in the region to revise their economic policies and work on restructuring key government institutions; the aim was to promote economic growth through increased foreign direct investment and accelerated market development. Over the past decade many countries in the subregion have strengthened their political and economic ties with the international community and have introduced administrative reforms consistent with the new role played by the State in economic planning. Improved fiscal management has begun to bear fruit in the region. According to the IMF, Morocco's "trade balance (in percentage of GDP) stabilized around its 2005 level, as the good export performance offset the increase in imports stemming from the

⁶ Within North Africa, this is true of Algeria, Morocco and Tunisia; the Libyan Arab Jamahiriya emerged from international isolation in 2004 and has pursued relevant reforms during the past few years.

⁷ The reference here is primarily to the Euro-Mediterranean Partnership and its main financial instrument, the MEDA programme.

economic recovery and the rise in the energy bill. The surge in foreign direct investment (excluding privatization) also helped gross official reserves reach US\$ 21.4 billion at end-April 2007, significantly higher than the stock of external debt. At end 2006, the latter reached 23.1 per cent of GDP, substantially lower than the average for emerging-market OECD countries. ... The excellent performance of tax revenues and prudent expenditure management and control greatly improved Morocco's fiscal position in 2006.”⁸ Economic objectives have constituted a major impetus for government reform, though the process has been driven by a number of other critical development priorities as well.

The Libyan Arab Jamahiriya is ranked relatively high in the Human Development Index (58th out of 180 countries), but Algeria, Morocco and Tunisia have generally remained in the lower half of the Index during the past decade. Nonetheless, visible progress is being made on a number of fronts. Algeria's economic growth has been sustained, inflation has remained low, and unemployment — though still too high, especially among young graduates — has declined. Tunisia has also fared extremely well during the past several years; efficient economic management has helped promote strong economic growth, making it the leading country in the sub-region in terms of international competitiveness.

The countries of North Africa share a number of cultural features, enjoy strong demographic ties, and have all had to deal with colonial administrative legacies. They also have similar developmental aspirations and reform priorities. Domestic and external pressures have compelled the leaders of these countries to place innovation in public administration and improving the quality of governance at the top of their respective reform agendas.

Most experts on governance in the subregion agree that the major priorities for public administration reform include the following: structural and organizational streamlining and procedural simplification; decentralization; increasing transparency, accountability and professionalism within the civil service, in part through the institutionalization of codes of conduct; human resource management and development; and the establishment of a comprehensive system of e-government. The paragraphs below provide a number of observations with regard to these areas of priority, highlighting notable achievements and challenges.

Streamlining and simplification require action at many levels. Efforts are being made in the subregion to reduce red tape and improve access to public services. Perhaps the greatest challenge is optimizing internal operations, as this requires a clearer definition of mandates and functions, the revision of legal frameworks, institutional restructuring and reorganization, the identification of areas of overlap and redundancy, the strengthening of human resource capacities, and a genuine commitment by staff to quality public service delivery. Changes in these areas can be quite difficult, as they must be well coordinated and comprehensive.

⁸ International Monetary Fund, “Morocco: 2007 Article IV Consultation discussions” (available from <http://www.imf.org/external/np/ms/2007/061107a.htm>).

Algeria, Morocco and Tunisia have centralized organizational structures, and decision-making and resource allocation is centralized across the subregion. Decentralization has been a top reform priority for all North African countries, but relatively little has been achieved on the ground. Central State institutions have been reluctant to transfer authority to units of local government, local government institutions are not adequately equipped to assume responsibility for independent administration, and there are no well-developed internal mechanisms to effect the devolution of functions or to ensure accountability on a broad scale. Two examples from the subregion demonstrate how the institutional commitment to decentralization is just as important as the organizational structure of government units in determining the success or failure of reform efforts in this area. Morocco has had a positive experience with the limited implementation of its “contractualization” programme, which holds local leaders responsible for the results of area administration provided sufficient budgetary and staff resources have been made available to the authorities. In mutual commitments undertaken by central administrative entities and their local departments, clear objectives are established, performance indicators are used to assess efficacy, and efforts are made to strengthen the relationship between government institutions and citizens. If a sustained political and economic commitment can be made to extend this initiative to all locales and facilitate its formal integration into the Moroccan system of governance, it will likely be designated a best practice to be shared with neighbouring countries pursuing decentralization. It is worth mentioning that Morocco recently won the coveted United Nations Public Service Award for its eFez project, developed by the municipality of Fez in partnership with the research team of the ICT-for-Development Laboratory at Al Akhawayn University in Ifrane, Morocco. The eFez project, which has made a vast range of administrative services available online, is a local e-government success story in the developing context of Morocco. In the Libyan Arab Jamahiriya, State institutions and territorial areas were reorganized to achieve decentralization and encourage local participation. However, while local government units (*sha’biyyat*) assumed a number of administrative responsibilities, they were not given sufficient decision-making authority or financial resources to carry out their new functions effectively.

One persistent problem in all four countries under review is the resistance to administrative reform within the government bureaucracy. At the higher levels, the problem relates to internal power relations, but among middle- and lower-level civil servants the reasons are a bit more complex. Public employees are typically given little authority, low pay, few benefits, and no real incentive to perform, which encourages apathy and discourages personal initiative; few are interested in assuming new responsibilities. Perhaps more compelling is the fear of change; some civil servants realize they are not equipped to handle the more complex demands accompanying the administrative modernization process and fear losing their jobs. It is imperative that concrete steps be taken to reform the civil service, with empha-

sis given to modifying public employment policies, strengthening human resource capabilities, improving human resource management, and providing staff with a clear mission and a strong, enforceable code of ethics.

Government officials across North Africa acknowledge that the informatization of the civil service and the establishment of a comprehensive system of e-government are key to increasing the efficiency and effectiveness of public service delivery and creating a favourable environment for economic and social development. Presently, however, the subregion as a whole is ranked relatively low in terms of e-readiness.⁹ While there is strong official support for ICT integration in State institutions and for the broader development of an information society, efforts in this area are often undermined by deficiencies in the information and communication technology infrastructure and relatively low levels of e-literacy at the national level.

The pace and extent of reform implementation have varied from one country to another and even within the same country, depending on the area of reform and on political, economic and other environmental factors. The political instability experienced by Algeria during the first half of the 1990s and the extended political and economic isolation endured by the Libyan Arab Jamahiriya until 2004 hindered the reform process in these countries. Conversely, the Tunisian Government's determined efforts to develop a market economy and pursue economic integration with Europe have impelled the reform process forward in the direction of improved governance; a World Bank index ranks Tunisia highest among the countries of the subregion in terms of government effectiveness.¹⁰

It is worth noting that international development assistance has been positively correlated with the rate of reform implementation in all four North African countries. Within the subregion, Tunisia was ranked highest in the 2002 Government Effectiveness Index, followed by Morocco, Algeria and the Libyan Arab Jamahiriya. It is no coincidence that the countries were ranked the same based on the level of official development assistance provided that year; Tunisia received an average of US\$ 48.40 per capita, while the respective rates for Morocco, Algeria and the Libyan Arab Jamahiriya were US\$ 21.20, US\$ 11.50 and US\$ 1.90. This invites reflection on the importance of international support in advancing the process of reform in North Africa.

Algeria, the Libyan Arab Jamahiriya, Morocco and Tunisia are strongly committed to reforming State institutions and improving the quality of governance, as evidenced by the progress each has made in strengthening key areas of public

⁹ In the Economist Intelligence Unit's e-readiness report for 2007, the Middle East and Africa are ranked lowest at the regional level (see http://t1d.www-03.cacheibm.com/industries/government/doc/content/bin/e-Readiness_2007.pdf). Out of the 178 countries assessed in the United Nations *Global E-Government Readiness Report 2004*, Algeria is ranked 118th, Tunisia 120th, and Morocco 138th; the Libyan Arab Jamahiriya is listed among the countries with no Web presence. (See <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan019207.pdf> for a listing of all countries and a comprehensive analysis of worldwide e-readiness).

¹⁰ The Government Effectiveness Index is a subjective indicator developed by the World Bank to measure citizens' perceptions of the quality of public administration, including health and education services, as well as political and institutional stability. Among the four countries under review, Tunisia received the highest index for 2002 (0.65), followed by Morocco (0.07), Algeria (-0.59) and the Libyan Arab Jamahiriya (-0.87).

administration.¹¹ The political leadership in these countries recognizes the critical importance of enhancing the quality and efficiency of internal government operations and public service delivery. In recent years, issues such as gender balance and labour rights within the public sector have received more targeted attention in reform programmes. In the Libyan Arab Jamahiriya, for example, the State has implemented a policy of “positive discrimination” to promote the involvement of women in the civil service and public life, particularly at the higher levels. Tunisia has implemented a similar strategy, and women now constitute almost 40 per cent of public sector employees in that country.

Notable gains have been achieved in the subregion, but much remains to be done. All four countries have developed comprehensive, long-term administrative reform plans and programmes, and the relevant legislative framework is largely in place, so firm foundations have been laid for modernizing the public sector. However, all the Governments of North Africa must strengthen their political, economic and social commitment to change, develop a unified vision of what they hope to achieve, and build a stronger consensus among stakeholders inside and outside the Government with regard to the main objectives of reform. As noted previously, the top administrative reform priorities in the subregion include the following:

- Revising institutional mandates, streamlining operations, and simplifying administrative procedures;
- Decentralizing public administration by transferring authority and responsibilities to units of local government and increasing the level of participation in public affairs;
- Fighting corruption and institutionalizing transparency and accountability, in part through the establishment of an enforceable code of ethics within the public sector;
- Strengthening human resource development and management, with attention given to capacity-building at multiple levels;
- Accelerating ICT integration and establishing a comprehensive system of e-government in order to enhance the efficiency and effectiveness of public administration, with particular emphasis on strengthening relations with citizens and facilitating economic development.

2.2. Governance challenges and priorities in the Middle East

In the Middle East, as in North Africa, the commitment to institutional reform and improving governance is strongly correlated with the Barcelona Process and the trend towards globalization. The desire to participate in the Euro-Mediterranean Partnership and benefit from MEDA assistance, and the broader prospects for regional and international political and economic integration, have provided a major

¹¹ It should be noted that Morocco has won the prestigious United Nations Public Service Award three times during the past five years.

impetus for administrative reform. Strong external support has been available since the mid-1990s; during the past decade, the Governments of the subregion have relied heavily on international cooperation and development assistance for institutional restructuring and modernization.

State administrative reform has been at the centre of public discourse in the Middle East for some time, but it is receiving more attention today than ever before from the Governments and citizens of the various countries in the region and from the international community. Egypt, Jordan, Lebanon, the Palestinian Authority¹² and the Syrian Arab Republic have invested considerable time and effort in modernizing their systems of public administration, particularly during the past few years.

The five countries in the subregion exhibit marked differences in terms of the stage reached in State-building, demographic composition, socio-economic indicators, the capacity to reach out to citizens, and the degree of political stability. The turmoil experienced by Lebanon and the Syrian Arab Republic over the past two years and the precarious situation prevailing in the Palestinian Authority may be contrasted with the relative political stability in Egypt and Jordan. In terms of State formation and consolidation, the Palestinian Authority and Egypt are at opposite ends of the spectrum. The Syrian Arab Republic lags behind Jordan in terms of global economic integration. Discrepancies in development are evident across the subregion; Lebanon, with a population of around 3.5 million, ranks 78th out of 177 countries in the 2006 Human Development Index, while Egypt, with its population of almost 71 million, ranks 111th.

In spite of the wide disparities within the subregion, the countries are linked by their strategic geopolitical position, common cultural heritage, colonial legacies, and post-colonial pursuit of social and economic development, justice, stability and prosperity.

Political leaders and other high-level public officials have approached government reform with varying degrees of commitment at different points in time. Since the mid-1990s, the countries of the Middle East have gradually strengthened their resolve to modernize public administration and improve governance in order to support national development; however, they have often been held back or sidetracked by political instability, economic crises or social unrest related directly or indirectly to insufficient investment in human development.

The countries of the subregion share many attributes and face similar challenges, and political leaders and national experts are largely in accord on long-term national development objectives. It is therefore not surprising that administrative reform priorities within the subregion are much the same; in all cases, issues relating to decentralization, transparency and accountability, human resource development and management, institutional restructuring and reorganization, procedural simpli-

¹²The chapter relating to administrative innovation and reform in the Palestinian Authority was excluded from the present publication as explained in a special note at the conclusion of the executive summary.

fication, and ICT integration are at the top of the government reform agenda. The paragraphs below provide a number of observations with regard to these areas of priority, highlighting achievements and challenges.

All of the countries under review are highly centralized in terms of institutional structure and culture and have legal frameworks that reinforce such centralization. The colonial powers created a strong national State to maintain territorial control, and post-colonial Governments operated within the same framework as they undertook economic and social planning and development in societies that lacked basic administrative and service infrastructures, economic resources, modern technologies and local organizational capacity. Interestingly, resource deficiencies and insufficient capacities still represent the main obstacles to decentralization in the various States of the region.

Governments in the Middle East have consistently stated that the devolution of authority and responsibility at the territorial and functional levels and the establishment of institutional mechanisms to strengthen the role of civil society in public affairs represent top priorities. Unfortunately, relatively little progress has been made in these areas. There is considerable internal resistance to the sharing of power, resources are unevenly distributed, and local capacities remain weak. This is particularly true in Egypt and Lebanon; both countries have made impressive strides in other areas of reform but have experienced problems with administrative decentralization and achieving public sector transparency and accountability.

Another top priority for the Governments of the region is simplifying administrative procedures and streamlining government operations. This aspect of administrative reform is quite complex, entailing systematic analyses of organizational mandates and structures, internal and external modes of communication and operation, and patterns of citizen demand for various public services. The Governments of most of the Middle Eastern countries under review have made some progress in revising the legal codes governing public sector operations and have decreased the documentation associated with service delivery. Egypt, Jordan and the Syrian Arab Republic have made significant headway in this area; in 2004 Egypt received the United Nations Public Service Award for improving its administrative machinery, and in 2007 Lebanon received this coveted Award for streamlining all operations relating to tax payment and collection.

The degree of success achieved in strengthening administrative efficiency and effectiveness in public institutions is ultimately determined by the quality of the workforce. Attention to the human factor must be at the core of any reform. Human resource development and management constitute a weak spot in public administration and remain one of the greatest reform challenges. Bureaucracies overstaffed with inadequately qualified, unmotivated and poorly paid civil servants are the norm in the Middle East. The State, confronted with chronically high unemployment and the incapacity of the private sector to absorb labour, has long been the

employer of last resort. Countries in the subregion have revised their civil service policies and intensified in-service training; many have also increased staff pay, but public sector salary scales remain well below market levels, making it difficult for Governments to recruit and retain qualified candidates.

Throughout the subregion, electronic government is now regarded as one of the most important tools for improving the quality and efficiency of public administration; ICT integration is seen as especially critical for strengthening local capacities and addressing local needs. A number of e-government policies, support institutions, and reform programmes have been developed to facilitate the establishment of a knowledge society. International development agencies are providing considerable support, working with local stakeholders to achieve comprehensive digitization and ultimately improve governance.

E-government readiness varies within the subregion. Among the four States under review, Jordan ranked highest in 2005 (68th out of 178 countries), largely owing to its long-term investment in ICT integration and its relative economic stability, and Lebanon, ranked 71st, was a close second. Egypt and the Syrian Arab Republic, dealing with problems of illiteracy and high population density, were ranked 99th and 132nd respectively.¹³ Commonly reported obstacles to e-readiness in this group of countries included weaknesses in the national ICT infrastructure, the limited ICT penetration within the public sector, and the low level of e-literacy among the general population.

The pace of reform in each country depends to a large extent on the system of governance already in place and on the role played by the State in internal and external affairs. For example, the very centralized, interventionist Syrian Arab Republic is likely to confront challenges that are very different from those faced by Lebanon with its softer, *laissez-faire* approach. Another key factor influencing change is the capacity of the State to meet basic needs (food, shelter, sanitation, health care, education, and security).

A comparative assessment of reform progress in the countries under review reveals that contextual factors such as internal and external security pressures, economic problems, and insufficient political commitment have often undermined reform efforts. For example, recurrent economic crises in Egypt and the Syrian Arab Republic and the fragmentation of political commitment and determination linked to sectarianism in Lebanon have seriously retarded the reform processes in these countries.

There is, however, a strong commitment among the Governments of Egypt, Jordan, Lebanon, and the Syrian Arab Republic to reforming State institutions and improving governance. The willingness to pursue innovation in public administration is evidenced by the fact that Egypt and Lebanon have won the coveted and highly competitive United Nations Public Service Awards in recent years.

¹³ See the *United Nations Global E-Government Readiness Report 2005* (<http://unpan1.un.org/intradoc/groups/public/documents/un/unpan019207.pdf>) for a listing of all countries and a comprehensive analysis of worldwide e-readiness.

As noted previously, administrative reform is an ongoing process, and while important gains have been achieved, much remains to be done. National experts and government officials in the subregion broadly agree that the top priorities for public administration reform include the following:

- Simplifying procedures and streamlining operations with the aim of optimizing public service delivery;
- Decentralizing public administration by transferring authority and competencies from State institutions to local government units and independent entities and by strengthening the participation of civil society in governance;
- Creating a unified vision for the informatization of society and the establishment of a comprehensive system of e-government consistent with national plans for improving governance and developing a more citizen-oriented institutional framework;
- Improving human resource development and management, with particular attention given to recruitment, selection, placement, training, incentive and remuneration policies;
- Institutionalizing processes and mechanisms that will ensure public sector transparency and accountability;
- Establishing an enabling environment for private sector development and concrete mechanisms for attracting increased foreign direct investment.

2.3 Governance challenges and priorities in the Western Balkans

The Western Balkan States of Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, and Turkey¹⁴ share historical ties and a common political background, and all seven countries are striving to reinforce their European identity and pluralistic orientations. Government reforms have been developed and implemented within very different contexts and timeframes, however. Turkey has been preoccupied with State-building and modernization since the second decade of the twentieth century, while Albania and most of the former Yugoslav republics initiated major reforms in the 1990s and are still in a transitional phase, essentially reinventing the State and consolidating the new political and socio-economic order.

With the collapse of the Soviet Union, the conclusion of the cold war, the disintegration of the Socialist Federal Republic of Yugoslavia, and the end of communist rule in Albania in 1991, the totalitarian socialist State model became obsolete in the Balkan region. The 1990s represented a period of intense difficulty as ethnic tensions spiraled out of control and fierce civil conflicts broke out, ending with the Kosovo war in 1999. The dramatic dissolution of the communist intervention-

¹⁴ Turkey straddles the Europe-Asia divide. It is not traditionally considered a Western Balkan country but is included in this group because it is more closely aligned with south-eastern Europe than with the Middle East in terms of development priorities and the challenges it faces in public administration and governance.

ist State, the desire of the Western Balkan countries to become part of the European Union, and the inexorable trend towards globalization have all influenced the changes in government systems, the redefinition of the role of the State, and the direction of administrative reform during the past decade. The prospect of EU membership represents perhaps the strongest motivation for government reform in the subregion; the development of market economies and the adoption of the pluralistic State model are prerequisites for integration, and the Western Balkan and Turkish¹⁵ Governments have pursued relevant strategies aimed at aligning their administrative policies and practices with those of the European Union. At present, Croatia, the former Yugoslav Republic of Macedonia and Turkey constitute candidate countries, while Albania, Bosnia and Herzegovina, Montenegro and Serbia are designated potential candidate countries.

The seven countries under review are diverse in many ways, and the process of administrative innovation has been highly variable in terms of content, approach and pacing. However, regional and international cooperation in advancing the process of reform and improving the quality of governance is very important for all countries. The respective Governments acknowledge that peace and political stability are critical for the initiation, internalization, propagation, and continuation of administrative and institutional reforms, but have realized that efforts in all areas are mutually reinforcing. During the 1990s, improving governance and reforming public administration were at the bottom of most national policy agendas, as State authorities were focused on dealing with the effects and after-effects of war and achieving political stability. Economic crises, unemployment, social unrest and rising poverty rates required urgent attention. During the past decade it has become increasingly clear that administrative reform is not a separate objective to be pursued when all other priorities have been addressed, but rather a fundamental requirement for achieving success in all other areas of national development and reform. Urgent attention must be given to the establishment of a comprehensive reform framework in which all components are compatible and are implemented concurrently in carefully planned stages.

As mentioned previously, the seven countries under review have kept a fixed eye on Europe. The prospect of association with and eventual accession to the European Union has shaped the blueprints and benchmarks for State reform in the subregion. One of the most critical reform priorities has been aligning national laws, institutions and procedures with those of the EU and ensuring compliance with the *acquis communautaire*. The State has essentially been reinvented as its role, foundations, constituent elements, functions, norms and value systems have been revised. The transformation process has not been easy; the totalitarian legacy and recent political instability have multiplied the challenges accompanying State rebuilding and consolidation. Practical obstacles to reform have largely derived from excessive State centralization, bureaucratic politicization, the inconsistent application of the

¹⁵Turkey has been an associate member of the European Community since 1964 and confirmed its application for European Union membership at the Helsinki Summit in December 1999.

rule of law, the absence of transparency and accountability, and the seriousness of the economic situation (which has, among other things, contributed to increased emigration and significant brain drain).

Not surprisingly, the countries that embarked on the process of administrative innovation well over a decade ago are further along in their reform programmes than are those that were compelled to wait until the beginning of the new millennium, when a measure of peace and stability had been achieved. Croatia initiated reforms in 1993 and has progressed much further than a number of other Western Balkan countries in terms of modernizing public sector management, strengthening Government-citizen relations, simplifying administrative procedures, and increasing transparency. At the other end of the spectrum, Serbia and Montenegro have experienced a succession of events that have sequentially interfered with the reform process: war and international isolation prevented the implementation of major reforms until 2001; the formation of the State Union of Serbia and Montenegro in 2003 presented a new set of challenges under circumstances that were quite unique; and the separation of the two entities into independent States in 2006 made it necessary for each to essentially build new systems of governance from the ground up. Serbia and Montenegro have been given an exceptional opportunity to direct the course of their development, and each has made admirable progress in the past year, particularly in establishing a constitutional framework. However, because they are still engaged in building the necessary foundations for governance, they have much further to go than their neighbours in effecting administrative innovation. At various points between these two extremes are the other countries under review; in Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Turkey, the strongest waves of State reform were initiated in the late 1990s and have gained momentum over the past decade. These countries have made unequal though generally notable progress in the areas of democratization, decentralization, economic liberalization, and institutional restructuring and reorganization. Across the subregion, the most significant gains have been achieved in the revision of legislative frameworks.

The alignment of constitutional and legal frameworks with the *acquis communautaire* has remained a major reform objective in all seven countries under review and has been given considerable attention by national authorities. The areas of greatest emphasis within this context represent an indication of the most important administrative reform priorities within the subregion, which include decentralization, civil service development, procedural simplification, the control of corruption, the adoption of codes of conduct, the institutionalization of transparency and accountability, the protection of ethnic minority rights, and the achievement of gender equity. The attention focused on various aspects of reform and the degree to which the respective reforms have been achieved vary widely both within and between countries. Interestingly, there are even significant disparities between Serbia and Montenegro, which until recently were

members of a State union; Serbia is establishing a framework law governing the status of civil servants, while Montenegro has embarked on a comprehensive revision of the legal framework for public administration and actually runs the risk of overregulation.

The paragraphs below provide a number of observations with regard to the areas of priority mentioned above, highlighting achievements and challenges.

Decentralization and increasing citizens' participation in governance are key reform objectives in all seven of the countries under review. However, because of the wide disparities in historical approaches to governance and the nature of centre-periphery relations, each country has addressed this set of reform priorities quite differently. Albania and Turkey had a long tradition of centralized governance, while the former Yugoslav republics were part of a decentralized federal State system from the 1960s onward. The collapse of the Yugoslav federation and the series of conflicts in the 1990s led to the centralization of public sector entities, resource allocation and decision-making. Virtually every country in the subregion has adopted the European Charter of Local Self-Government as the framework for national decentralization; the Charter provides for the devolution of authority to local administrative entities and the increased participation of citizens in the conduct of public affairs. As mentioned above, decentralization has been approached differently by every country, and the internal obstacles and degree of institutional resistance have varied as well, so progress in this area of reform has been somewhat uneven. Albania and Croatia, for example, have made great strides in State decentralization, while in Turkey there is much yet to be done.

Human resource development and management represent a critical component of public administration reform, and innovations in these areas are vital to improving the quality of governance. Political instability, harsh economic conditions, the dissolution of a number of public sector bodies, and the devaluation of local currencies led to massive unemployment in the subregion; the civil service lost some of its most qualified staff as many were compelled to emigrate in search of a better life. Most Balkan countries have experienced a significant brain drain, and there is an urgent need to generate increased interest in public employment and develop a solid human resource base so that the most essential foundations are in place to modernize public administration and improve overall efficiency.

One major challenge all countries must address is the lack of a competitive public sector salary scale. Poor remunerative packages and substandard working conditions often discourage good candidates from entering public service; the private sector typically offers far better pay and incentives. Governments are aware of the gap but can do little to solve the problem owing to State budget limitations. At present, reform efforts are focused on improving staff capacities and qualifications and strengthening professionalism. The countries under review have relied heavily on international assistance, mainly from the EU and the United States, in

the formulation and implementation of human resource development and management initiatives. Programmes have been adopted to ensure the provision of continuous training to civil servants. However, the quality and effectiveness of such programmes have been called into question; the most common concerns relate to the inadequate outcomes of foreign consultancies, the absence of comprehensive training strategies based on detailed needs assessments, and the incongruity between training activities and actual work requirements.

ICT integration in State operations and the establishment of a comprehensive system of e-government constitute a top reform priority for the Western Balkan countries and the international development agencies supporting their reform efforts. The progress achieved within this framework is linked to levels of investment and commitment but is also dependent on overall e-readiness at the national level. Among the countries under review, Croatia is ranked highest (47th) in the *Global E-Government Readiness Report 2005*, followed by Turkey (60th), the former Yugoslav Republic of Macedonia (69th), Bosnia and Herzegovina (84th), Albania (102nd), and Serbia and Montenegro (156th). E-readiness reflects not only the extent of informatization in public administration but also the e-literacy of the population at large and the quality and sophistication of the ICT infrastructure. In Albania, only 3.9 per thousand residents were Internet users in 2004, compared with 180 per thousand in Croatia and between 26 and 73 per thousand in the other countries under review. Albania's lack of e-readiness also derives from the poor condition of the physical infrastructure throughout the country. Within the sub-region as a whole, e-government development has proceeded relatively slowly; in most countries the ICT infrastructure is not yet well developed, and sectoral investment has remained low, but the most serious obstacle has been the lack of a comprehensive vision and strategy for public sector digitization. It must be emphasized that the Governments of the subregion are unlikely to achieve significant progress in this area of reform until they are ready to take full advantage of private sector expertise and resources.

The seven case studies indicate that the respective Governments are committed to introducing innovation in public administration and improving the quality of governance. They are motivated by the desire to achieve regional and international integration, but their primary goal is to establish firm foundations for national development. Although the countries of the Western Balkans are characterized by significant differences, their administrative reform priorities are very similar; it is generally agreed that the most urgent items on the reform agenda include the following:

- Building, consolidating and restructuring State institutions;
- Facilitating decentralization and increasing citizen participation in public affairs;
- Expanding investment in human resource development and improving civil service policies;

- Institutionalizing and enforcing professional codes of conduct and strengthening the official commitment to fighting corruption and ensuring the consistent application of the rule of law;
- Placing citizens at the centre of reforms and improving the quality and efficiency of public service provision for both individuals and investors.

3. Concluding remarks

Although the countries of the Middle East, North Africa and the Western Balkans are characterized by significant differences in terms of institutional development, human resource management, decentralization, e-government strategies, and transparency and accountability, all Governments in the Mediterranean region have assigned top priority to making public sector institutions more efficient and responsive to people's needs. A number of countries have been able to achieve visible, and at times remarkable, results over the past few years, while others have made more modest progress as they continue to grapple with past legacies and contemporary challenges. The reform picture is highly variable, but it is important to acknowledge that all of the southern and western Mediterranean countries featured in this publication have been making a considerable effort to introduce innovation in public administration. Their active participation in initiatives such as InnovMed constitutes evidence of their deep commitment to improving governance, and the United Nations Public Service Awards won by some of these countries serve as a testament to their success.

Map 2. **Countries in the Middle East highlighted in part one**

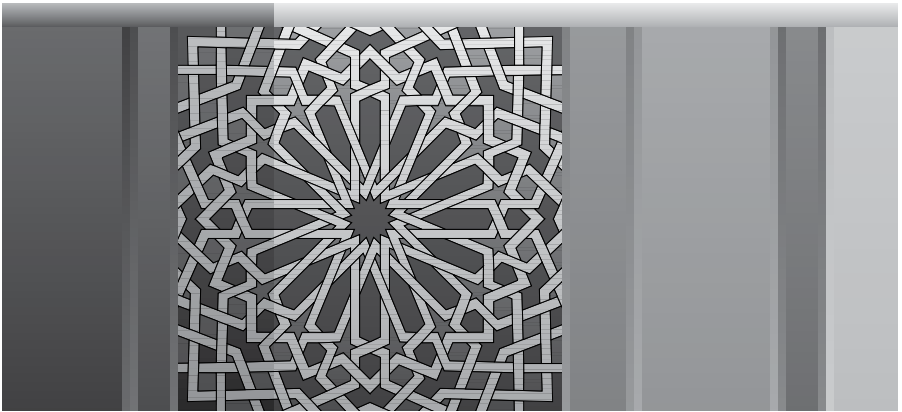


Part One:
Middle East

- **Egypt**
- **Jordan**
- **Lebanon**
- **Syrian Arab Republic**

Part One

Governance and public administration
challenges and priorities in the Middle East



Egypt

Introduction

Egypt is the most populated country in the Arab world. The vast majority of its 70 million¹ inhabitants live in Cairo and Alexandria, elsewhere on the banks of the Nile River, around the Nile Delta, and along the Suez Canal. Cairo is one of the most densely populated cities in the world, with an average of almost 32,000 residents per square kilometre. The Government has tried to encourage migration to newly irrigated lands in the desert; however, the rural exodus has continued steadily, with large numbers of people moving to urban areas in search of employment and a higher standard of living.

1. Political, economic and institutional context

1.1 Political context: historical overview²

A unified kingdom emerged in the area around 3200 B.C. In 3100 B.C., Egypt was united under a ruler called Menes, who inaugurated the 30 pharaonic dynasties into which Egypt's ancient history is divided. Ancient Egypt reached the apogee of its power during the period known as the New Kingdom (ca. 1567-1085 B.C.). Authority was once again centralized, and a number of military campaigns brought much of the Fertile Crescent and what is now northern Iraq under Egyptian control.

In 525 B.C., Persian invaders dethroned the last pharaoh of the 26th Dynasty, and the area remained a Persian province until Alexander the Great swept through the region and took control in 332 B.C. A series of Macedonian, Ptolemaic and Roman dynasties ruled until 396 A.D. During the latter part of this period the area experienced a very gradual conversion to Christianity, which was dominant by the time the Byzantine Empire assumed control in the late 4th century. The country remained under Byzantine rule until Egypt was invaded and occupied by Arab forces in 642. Over the next 1,300 years, the Arabic language replaced the indigenous Coptic tongue and Islamic traditions became deeply entrenched as Egypt was ruled by a succession of Arabs and then by the Mamelukes and Ottomans.³ Towards the end of this period, the area fell under French and British influence.

¹ Estimate as at 1 January 2005 (available from http://www.presidency.gov.eg/html/egypt_profile.html).

² Available from <http://www.presidency.gov.eg/index.html>.

³ A Coptic Christian minority remained in Egypt during this period and still exists today, accounting for around 10 per cent of the population.

Napoleon Bonaparte arrived in Egypt on 2 July 1798. The presence of the French opened the country to direct Western influence and alerted the United Kingdom to the strategic location of Egypt as a critical link to India and East Asia. This led to an Anglo-Ottoman invasion in 1801 that forced the French out of the country.

Following a period of unrest, Muhammad Ali, an official in the Ottoman army and leader of its Albanian contingent, rose to power with the support of the Egyptian people. He is considered the father of modern Egypt owing to his decisive contributions to the country's development. During his rule, which lasted until 1849, he oversaw the introduction of European culture and technology, State organization, and important educational reforms including increased emphasis on professional training in such fields as engineering and medicine. His son, Said Pasha, continued with the reforms but left a huge debt for his successor. Ismail Pasha, a member of Muhammad Ali's family, rose to power in 1863 and accelerated the modernization process, borrowing heavily to finance his activities. His main ambition was to bring Egypt up to the level of European countries in terms of development and culture. The Suez Canal was inaugurated during his reign, opening in November 1869. The excessive spending and accumulated debt drove Egypt into bankruptcy, and in 1876 the British and French expanded their financial oversight of the country. A few years later, Ismail Pasha was deposed and replaced by Tawfiq Pasha. Egyptian army officers, concerned about the ineptitude and weakness of the Government, led a massive revolt to end the foreign occupation. Tawfiq Pasha appealed to the British for help, and they were able to crush the revolt and consolidate their power, occupying the country from 1882 to 1953. The members of Muhammad Ali's dynasty retained a figurehead role, serving as khedives, sultans and kings of Egypt, until 1952.

Between 1883 and 1914, the United Kingdom established special courts and a separate set of laws for foreigners in the country, granting them many privileges. On 18 December 1914, Egypt was declared a British protectorate. Growing Egyptian nationalism culminated in a unilateral declaration of independence in 1922. However, British political influence continued for several decades, and a number of fiscal, administrative and governmental reforms were undertaken. This period was essentially marked by three competing political forces: the Wafd, a nationalist political movement made up of such personalities as Mustafa Kamel, Sa'ad Zaghloul and Mustafa en-Nahas and strongly opposed to British influence; King Fuad, installed by the British in 1922; and the British themselves, determined to maintain control over the Suez Canal.

On 19 April 1923, a new constitution approved by royal decree proclaimed an independent, free and sovereign Egypt governed by a hereditary monarchy and a representative Government. It divided legislative powers between the King and a bicameral parliament and also enshrined a number of civil and political rights for Egyptian citizens. Sa'ad Zaghloul formed the first Government in the new era of

national independence, but this early period was characterized by constant conflict between the parliamentary majority and the King, leading to the dissolution of the parliament on numerous occasions on numerous occasions.⁴

The Second World War revealed the tenuousness of Egypt's political situation. Throughout the War, Egypt served as a base for Allied operations in the region. In 1947, British troops were withdrawn to the Suez Canal area, but nationalist sentiments and aspirations continued to grow. Violence broke out in early 1952 between Egyptians and the British in the Canal area. A growing sense of political, economic and social frustration led to the formation of the Free Officers Movement by a group of young army officers who felt betrayed by the Government. Led by Gamal Abd el-Nasser, the Movement staged a bloodless coup on 23 July 1952 and ousted King Farouk, allowing him to leave the country. The 1923 Constitution was abolished, and Egypt was declared a republic on 19 June 1953 under the leadership of Muhammad Naguib. Naguib served as the nominal Head of Government, but Nasser held de facto power through his control of the Revolutionary Command Council.

Nasser and his Free Officers, hailed as liberators who had ended 2,500 years of foreign rule, achieved almost immediate political legitimacy. They were motivated by a desire to eliminate all remnants of British control, break the economic and political power of the landowning elite, and improve the situation of the people, especially the peasants.

A new constitution approved in February 1953 gave the leaders of the revolution sweeping powers. Nasser, who was Minister of Interior at the time, was strongly against the idea of establishing a liberal parliamentary system of government, which President Naguib favoured. Nasser began to consolidate his power, becoming Prime Minister and effective Head of State in 1954. In 1956 he was elected President by referendum under the provisions of a new constitution adopted in January of that year.⁵

Gamal Abd el-Nasser was a fervent advocate of pan-Arab socialism. He also helped launch the Non-Aligned Movement and attempted to pursue a policy of positive neutrality; however, circumstances eventually drove him to forge close ties with the Soviet Union.

Under Nasser, the Government undertook a number of ambitious agricultural and industrial development projects, including the construction of the Aswan High Dam. In 1954, British troops were evacuated from the Suez Canal. Western powers felt threatened by the loss of control over this strategic asset and suspended the financial aid Egypt needed to complete the Aswan Dam. In 1956, Nasser national-

⁴ The seriousness of the problem was evidenced by the fact that Zaghloul's successor, Prime Minister Mustafa en-Nahhas, who held the title of Prime Minister five times between 1928 and 1950, had to resign every time there was a conflict with the King. See K. De Feyter, "Egypt", *Constitutiones Africae* (Brussels: Etablissements Emile Bruylant, 1989), p. 10.

⁵ New constitutions were adopted in February of 1958, when Egypt and Syria formed the United Arab Republic, and in 1964, when Nasser adopted a socialist form of government. The current Constitution was approved in 1971, with the most significant change relating to the process of nominating and electing the President.

ized the Suez Canal Company in order to finance the Dam project. The crisis that followed, exacerbated by growing tensions with Israel, culminated in the invasion of Egypt that October by France, Israel and the United Kingdom. The intervention of the United Nations was required to end the hostilities. It was also during Nasser's rule that Israel launched the 1967 Six-Day War, which virtually destroyed the armed forces of Egypt, Jordan and the Syrian Arab Republic and resulted in the Israeli occupation of the Sinai Peninsula, the Gaza Strip, the West Bank, and the Golan Heights.

After Nasser's death in 1970, Vice-President Anwar el-Sadat, another of the original Free Officers, was elected President. In 1973 he launched the Yom Kippur War with Israel, in which Egypt's Armed Forces achieved some initial successes but ultimately suffered grave losses. President Sadat shifted from Nasser's policy of confrontation with Israel to a policy of negotiation. The Camp David Accords were signed by Egypt and Israel on 17 September 1978, and the following year the two countries concluded a peace treaty that allowed Egypt to regain control of Sinai in May 1982. On the domestic front, Sadat adopted an open-door policy featuring a programme of gradual economic liberalization aimed at attracting foreign investment through commercial partnerships and the provision of external financing.⁶ Sadat also proposed reforms that would enhance popular political representation.

The pursuit of economic liberalization was accompanied by the growing influence of Islamic fundamentalists. Rising tensions came to a head in the summer of 1981, with serious clashes occurring between fundamentalist Muslims and Coptic Christians. Sectarian conflicts and discontent over Sadat's rule led to the President's assassination by Islamic extremists on 6 October 1981. Hosni Mubarak, Vice-President since 1975 and Commander of the Air Force during the October 1973 war, was elected President the same month. He has been voted back into office several times, most recently in October 2005, and is currently serving his fifth consecutive term. In 1991, Mubarak launched an ambitious reform programme that was aimed, *inter alia*, at reducing the size of the public sector and expanding the role of the private sector; these efforts are still under way.

1.2 Economic context

In 2004 the Government of Egypt initiated a series of major reforms aimed at reducing and simplifying taxes and tariffs, increasing State budget transparency, reviving the privatization process, and fostering economic development led by the private sector in order to enhance the country's competitiveness. Egypt has made some notable progress, but economic growth and development are still hindered by government intervention and inefficiency; the State retains control over heavy industry, continues to provide substantial food, housing and energy subsidies, and has not been able to reduce the huge public sector payroll. At present, the Egypt-

⁶ This programme is detailed in a political document entitled "The October paper", issued by the President in April 1974.

tian economy relies heavily on tourism, oil and natural gas exports, and Suez Canal revenues, much of which is still under public sector control. Agriculture has been largely deregulated and, with the exception of cotton and sugar production, is mainly in private hands.

Approximately one third of the Egyptian labour force is engaged directly in agricultural activities. Nearly all of Egypt's agricultural production is carried out on some 2.5 million hectares in the Nile Valley and Nile Delta; a portion of this fertile land is being lost to urbanization and erosion, but the Government is endeavouring to compensate for the deficit by developing selected desert areas for agriculture. Cotton, rice, wheat, corn, sugarcane, onions and beans are the principal crops. Weather conditions and a reliable water supply make it possible to produce several crops a year. The Aswan High Dam has allowed more intensive farming on millions of hectares of land along the Nile through improved irrigation, effective flood control, and the generation of billions of kilowatt-hours of electricity at low cost.

In addition to the agricultural capacity of the Nile Valley and Delta, Egypt's natural resources include petroleum, natural gas, phosphate and iron ore. Oil and gas sales account for approximately 12 per cent of gross domestic product (GDP); exports of petroleum and related products amounted to US\$ 2.7 billion in 2003/04. Crude oil production has been declining for several years as reserves have dwindled. To minimize the growing domestic demand for petroleum and its derivatives, Egypt is encouraging the exploitation of natural gas; over the past five years, natural gas production has increased by approximately 75 per cent.

Egypt's economic situation improved considerably in the 1990s. The Government's pro-Western stance during the first Gulf war allowed it to secure substantial financial assistance and the cancellation of half its foreign debt, which had a positive impact on macroeconomic performance. Developments such as these have made it possible for Egypt to improve its infrastructure and living standards, and within the Arab world its economy is second only to that of Saudi Arabia. Internal demand is particularly strong for durable consumer goods, medical services, and household products. Inflation, while still relatively high, is slowing down, owing in part to the new monetary policies adopted by the Government. However, many of these same policies have aggravated the export situation and the current account deficit. In 2001, the events and aftermath of 11 September, the decline in the global economy, and circumstances within the country and the region led to a serious economic crisis in Egypt, negatively affecting the exchange rate and resulting in significant losses in the stock market, which interfered with the privatization process and the implementation of the country's other economic liberalization policies. During the past several years, though, economic recovery has been gaining momentum.

Since the dawn of the new millennium, Egypt has registered moderate but steady growth. Efforts to modernize the primary sector, support the industrialization process and improve the quality of life for the country's residents have created or exacerbated a number of problems, though many of these have proved to be temporary transitional difficulties. For example, Egypt gradually abandoned control over the currency market, and the value of the Egyptian pound (LE) against the United States dollar declined from LE 3.5 in 2000 to LE 6.2 in 2004; however, the Government made the final transition to a unified, flexible exchange rate regime in December 2004, and the pound has appreciated to LE 5.7. Further, Egypt recorded a strongly negative balance of payments for a number of years, but recent trends have been far more favourable. The Government has promised important structural reforms and has already launched a number of initiatives, privatizing certain key sectors (including banking), securing foreign capital for industrial collaboration, and pursuing other joint ventures. These reforms have stimulated investment and are leading to a gradual economic recovery; however, they are insufficient to ensure sustainable development. In order to build a strong, stable economy, Egypt will have to guarantee clear rules and greater efficiency, accountability and transparency for investors.

Within the framework of its MEDA programme, the European Union has earmarked 250 million euro for industrial development and 66 million euro for trade enhancement programmes in Egypt, with an eye towards the implementation of a free-trade regime. In 2004, the industry sector accounted for around 33 per cent of GDP; the corresponding rates for the service and agricultural sectors were 50 and 17 per cent respectively.

The country's most recent five-year development plan (for 2002-2007) represents a continuation of the development plans launched over the past 20 years and includes long-term goals to be met by 2022. The main objectives include the following:

- Improving living standards by enhancing basic services;
- Instituting new and effective measures to support families;
- Stimulating employment;
- Strengthening economic growth, aiming for an average annual rate of 6.2 per cent over the five-year plan period. It is hoped that real GDP growth of 4.6 per cent can be achieved the first year, raising overall GDP to LE 415 billion;
- Balancing the budget by employing monetary and fiscal policy mechanisms that will accelerate development and improve monetary and financial stability. Efforts should be made to increase exports by around 10 per cent annually to gradually achieve a balanced budget or even a surplus;

- Increasing women's participation in the labour force from the present rate of 17.7 per cent to 18 per cent during the first year and 19.2 per cent by the end of the five-year plan, representing an average annual increase of 4.4 per cent;
- Strengthening basic systems in rural areas to improve living conditions in villages and activate local resources linked to tourism;
- Strengthening security throughout the country, ensuring adequate support from the Armed Forces and the police.

1.3. Institutional framework

The Constitution, adopted in 1971, identifies Egypt as a socialist democratic Arab republic. However, some important constitutional amendments were introduced in 1980 that de-emphasize the socialist perspective and shift the ideological centre of gravity towards both liberal and Islamic principles.

The government apparatus is composed of the following seven institutions or institutional groupings: the Executive Authority (the President of the Republic [Head of State], the Government [Prime Minister and Council of Ministers], local administrations, and national specialized councils); the Legislative Authority (People's Assembly); the Judiciary Authority (courts of justice, the Council of State, and the Supreme Judicial Council); the Supreme Constitutional Court (an independent judicial body); the Socialist Public Prosecutor; the Armed Forces and the National Defence Council; and the Police.

The central administration

Executive branch

The President of the Republic is the Head of State and holds executive powers, setting general State policy, overseeing its implementation, and serving as Commander-in-Chief of the Armed Forces.⁷ It should be noted that the Vice-President has limited authority. In traditional presidential systems the Vice-President replaces the President when necessary, but in Egypt there is no binary exercise of power.

The Government is the supreme executive and administrative organ of the State. It comprises the Council of Ministers and the Prime Minister, who heads the Government and oversees its work but does not have the extensive powers granted the President. There are more than two dozen sectoral ministries and a small number of State ministries.

⁷ Up until a couple of years ago, if the nomination of a presidential candidate was proposed by at least one third of the People's Assembly and subsequently approved by a two-thirds majority, a popular referendum was held in which the candidate had to receive an absolute majority of votes to be elected for a six-year term. In February 2005, President Mubarak asked the parliament to pass a new election law incorporating more democratic principles and procedures, with provisions for direct popular participation, the fielding of multiple candidates, and numerous internal and external checks and balances to ensure the credibility of the voting process. Article 76 of the Constitution was subsequently amended to reflect these adjustments, establishing new procedural and regulatory mechanisms for presidential elections.

BOX 1. GOVERNMENT MINISTRIES IN EGYPT

- Ministry of Agriculture and Land Reclamation
- Ministry of Awqaf (Endowments)
- Ministry of Civil Aviation
- Ministry of Communications and Information Technology
- Ministry of Culture
- Ministry of Defence and Military Production
- Ministry of Education
- Ministry of Electricity and Energy
- Ministry of Finance
- Ministry of Foreign Affairs
- Ministry of Health and Population
- Ministry of Higher Education and Scientific Research
- Ministry of Housing, Utilities and Urban Development
- Ministry of Information
- Ministry of Interior
- Ministry of International Cooperation
- Ministry of Investment
- Ministry of Justice
- Ministry of Manpower and Migration
- Ministry of Planning and Local Development
- Ministry of Petroleum
- Ministry of Social Solidarity
- Ministry of Supply and Domestic Trade
- Ministry of Tourism
- Ministry of Trade and Industry
- Ministry of Transport
- Ministry of Water Resources and Irrigation
- Ministry of State for Legal and Parliamentary Councils
- Ministry of State for Administrative Development
- Ministry of State for Environmental Affairs
- Ministry of State for Military Production
- Ministry of State for Economic Development
- Ministry of State for Local Development

The Ministry of State for Administrative Development is responsible for the organizational and institutional aspects of administrative reform.

The Ministry of Investment coordinates government reform efforts aimed at strengthening investment in different sectors. In practical terms, the Ministry is responsible for boosting national competitive capabilities, promoting local and foreign investment (through privatization, the provision of incentives, and the establishment of public-private partnerships), creating a secure, enabling investment environment, implementing the country's asset management programme, strengthening institutional capacities (particularly in finance and banking), and supporting the mortgage finance market to promote home ownership.

Considerable attention is being given to the establishment of a comprehensive information and communication technology (ICT) infrastructure. The Ministry of Communications and Information Technology, in collaboration with other ministries, has undertaken a series of reforms aimed at improving the quality of public services and strengthening interaction with citizens. Establishing a system of e-government requires the digitization of all public offices and facilities and the development of a modern ICT network, combined with related efforts to simplify administrative procedures and increase efficiency and efficacy, with the ultimate goal of enhancing public service provision and accessibility. There are plans to make public information and documentation accessible to citizens at the nearest post office, or even within their own homes, 24 hours a day. In September of 2002 the Ministry of Planning and Local Development and the United Nations signed an agreement to launch a joint project to develop ICT skills within the framework of local community empowerment.⁸

Legislative branch

The People's Assembly is the lower house of Egypt's bicameral parliament and serves as the country's legislature. It is constitutionally responsible for drafting and approving legislation, reviewing and approving agreements and treaties and the State plan and budget, overseeing the work of the Executive, discussing the President's statement and the government programme, amending the Constitution, and approving declarations of war and emergency.⁹ The Constitution requires that the composition of the People's Assembly be regulated by ordinary law. The provisions of Law No. 38 of 1972 specify that the Assembly is to be composed of 444 directly elected members and 10 members appointed by the President, all of whom serve five-year terms. The 264-member Shura Council (the upper house) is the State's supreme consultative body and can propose new laws and regulations to the People's Assembly.¹⁰

Egypt has a multiparty system. Law No. 40 of 1977 regulates the formation of political parties, prohibiting the establishment of those based on religious ideologies. There

⁸ Information obtained in May 2003 from the Egypt State Information Service (<http://www.sis.gov.eg/public/yearbook96/YEARBOOK/INDEX.HTM>).

⁹ Various scholars contend that the People's Assembly is more an instrument for dialogue with the Government than an institution that can effectively oversee government policy. See P. Mirel, "Le Parlement égyptien, 1971-1979", *Revue Juridique et Politique* (1980), pp. 841-856.

¹⁰ Available from <http://www.assembly.gov.eg/EPA/en/Levels.jsp?levelid=2&levelno=1&parentlevel=0>.

are currently 14 active parties situated all along the political spectrum. The majority of seats in the People's Assembly are held by the National Democratic Party.¹¹

Judicial branch

Judicial authority is exercised within the framework of a four-tiered court system that includes summary courts in each district; seven courts of appeal at the governorate level; the Court of Cassation; and the Supreme Constitutional Court, which is the highest judicial body. The Supreme Constitutional Court is responsible for revising legislative and executive acts and determining the constitutionality of laws and regulations.

The Council of State is an independent judiciary organization authorized to issue decisions in administrative disputes and disciplinary cases. The Supreme Judicial Council, presided over by the President of the Republic, supervises the affairs of the judiciary.

The Socialist Public Prosecutor is charged with undertaking whatever judicial procedures are necessary to ensure the protection of people's rights, the safety and security of society and its political system, the preservation of socialist achievements, and the commitment to socialist principles and behaviour. In recent years this office has prosecuted a number of individuals involved in financial fraud.¹²

Local administration

Historically, Egypt's government institutions have been highly centralized.¹³ The State bureaucracy was modelled on Nasser's development and centralization plans and has changed little. Although Mubarak has undertaken efforts to streamline and localize public administration in recent years, progress has been very slow.

The system of local administration in Egypt has been in place for a very long time, dating back to the local councils established in 1883 during the British occupation. The system is based on the traditional French administrative model, whereby local powers are defined by national legislation, ensuring a certain amount of uniformity in administrative styles and functions and facilitating central government oversight.

Egypt is divided into 26 governorates, or *muhafazat*,¹⁴ plus the city of Luxor. Each governorate is administered by a presidentially appointed governor and executive

¹¹ The formal political groupings most active in Egypt are the National Democratic Party, headed by President Hosni Mubarak and currently the governing party; the Green Party, headed by Hasan Rajab; the Labour Party, headed by Ibrahim Shukry; the Liberal Party, headed by Mustafa Kamel Morad; the Misr al-Fatah (Young Egypt) Party, headed by Ali el-Din Salih; the Nasserist Arab Democratic Party, headed by Di'a el-Din Dawoud; the New Wafd Party, headed by Fu'ad Siraj Eldin; the National Progressive Unionist Rally, headed by Khalid Muhi Eldin; and the Umma Party, headed by Ahmad el-Sabahi.

¹² The Socialist Public Prosecutor also conducts political investigations; a 1980 law sponsored by President Sadat gives his office the authority to interrogate prisoners arrested after September 1981 (see Law No. 95 of 1980).

¹³ United Nations Development Programme, Programme on Governance in the Arab Region (POGAR), "Egypt" (available from <http://www.undp-pogar.org/countries/egypt>).

¹⁴ The governorates include Alexandria (El-Iskandariyah), Aswan, Asyut, Buhayrah, Bani Suwayf, Cairo (El-Qahirah), Ad-Daqahliya, Damietta (Dumyat), El-Fayyoub, El-Gharbiya, El-Giza, El-Isma'iliyah; Kafr esh-Sheikh, El-Qalyubiya, Qina, Matruh, El-Minufiyah, El-Minya, New Valley (El-Wadi el-Gadid), North Sinai (Shamal Sina'), Port Said (Bur Sa'id), Red Sea (El-Bahr el-Ahmar), Esh-Sharqiya, Sohag, South Sinai (Janoub Sina'), and Suez (Es-Suways); Luxor (El-Uqsor) is classified as a city rather than a governorate.

council. The governorates are divided into 126 administrative districts comprising a total of 4,496 village municipalities and 199 city municipalities. Municipalities are controlled by an executive council appointed by the central Government. They are responsible for infrastructure development and the provision of health, education and other public services. There are elected people's councils at both the governorate and district levels that, together with local administrative units, are responsible for local government; however, these bodies have very limited powers in comparison with the executive councils. Municipal elections for people's councils take place every four years; most of the members (95 per cent) belong to the National Democratic Party led by Mubarak.

As there are no constitutional provisions defining the role of local government and administrative authorities, their functions and responsibilities are regulated by ordinary law. Members of elected local councils may raise questions and engage in parliamentary-type discussion and debate among themselves or with members of the local executive authority. At both the national and local levels there is a clear separation between executive and legislative powers; however, the local councils have very limited authority, which is exercised under the supervision of the central Government, the governor, or the Supreme Council for Local Government and Administration (the latter two have absorbed many of the responsibilities formerly held by the central Government with regard to the local people's councils).

Subnational government bodies have limited financial autonomy. Central government funds are channelled by the Ministry of Planning and Local Development to the governorates for the implementation of targeted components of the five-year development plan. Once the central budget is approved by the State legislature, funds are disbursed to the governorates, districts and municipalities and typically account for 90 per cent of their budgets; other revenue is generated locally through the sale of urban real estate and arable land and the collection of vehicle registration and licence fees. Most local and regional funds are already earmarked for budget items such as salaries and debt management; often, the local government lacks sufficient resources for the implementation of development projects.¹⁵ Two important sources of local capital are the national special funds account and the budgets of the municipal people's councils.

The Government of Egypt, with international support, has undertaken various co-ordination programmes aimed at increasing local institutional capacities and improving administrative efficiency. Working together with the United States Agency for International Development¹⁶ and the United Nations, government officials have developed programmes to facilitate the devolution of authority to local government units and to increase their participation in rural development.

¹⁵ Ali El Sawy, *The Problems of Local Organization in Egypt*, (available from <http://www.parc.edu.eg/English/publications/administrative/theproblems.html>; accessed in May 2003).

¹⁶ Available from <http://www.usaid.gov/index.html>.

2. Governance and public administration challenges and reform strategies

Modernizing the system of public administration, reforming the civil service, and enhancing the effectiveness and efficiency of State institutions contribute significantly to the creation of an enabling environment for people-centred sustainable development, laying the necessary foundations for economic growth and the achievement of social justice.

At the beginning of the 1990s, Egypt embarked on a comprehensive programme of State institutional and policy reform as part of a much broader programme of economic reform undertaken in collaboration with the Bretton Woods institutions. These international financial institutions provided soft loans and debt relief in support of an economic reform and structural adjustment programme that entailed the privatization of public industries and enterprises, the elimination of protectionist trade barriers and labour laws, reductions in untargeted consumer subsidies, the development of export-oriented industries, and the downsizing of the State bureaucracy. Within the framework of this programme, the Egyptian Government maintained responsibility for national security, regulatory functions, the provision of basic services (including health and education), the preservation of the country's natural environmental resources and cultural heritage, and the planning and implementation of national development programmes. As the 1990s progressed, the Government of Egypt was able to improve its macroeconomic performance, reduce inflation, and attract increased foreign investment. Along the way, it became apparent that the country's modernization efforts would succeed only if all members of society were included in a process of development centred around improving human capabilities and the public welfare.

As implied above, economic growth, the equitable distribution of resources, and socio-political empowerment cannot be achieved in Egypt without the comprehensive reform of public institutions and administrative practices. First, however, it is necessary to undertake a careful assessment of existing State institutions and identify areas of weakness so that appropriate reforms may be implemented that will allow these institutions to fulfil their critical role and responsibilities in the process of national development.

2.1 The legal and institutional framework for public administration in Egypt

Egypt's legal system is based on the 1971 Constitution and derives from English common law, Islamic law, and the Napoleonic Code. The State is centralized and hierarchical in both structure and culture. Egypt is geographically and administratively divided into 26 governorates headed by governors directly appointed by the President of the Republic. Organizationally, the State comprises a central administration, local administrations, the service sector and the production sector, with central and local administrative organs constituting 80 per cent of the State apparatus. The mechanistic organizational structure of the Egyptian executive authority is characterized by centralized decisional authority, high horizontal differen-

tiation between levels of authority, rigid hierarchical relationships, and the highly formalized chain of command and channels of communication typical of public institutions and enterprises. The Prime Minister is the focal point; the assorted administrative organs, committees, supreme councils, governorates and other State entities are not organizationally linked to one another, reflecting a poor level of horizontal communication and coordination. All communication originates in the Prime Minister's office and flows vertically downward. The same mechanistic and hierarchical structure is replicated within all State institutions.

The Executive Authority in Egypt is disproportionately large and structurally complex. There are more than two dozen sectoral ministries and six ministries of State, as well as more than 100 general authorities (44 per cent operate in the economic sector and 56 per cent in the service sector). Among the ministries and other State authorities there is a high degree of overlap and duplication in roles, responsibilities and fields of operation. In some cases there is a clear structural overlap; examples include the Ministry of Water Resources and Irrigation and the Ministry of Agriculture and Land Reclamation, as well as the Ministry of Petroleum and the General Authority for Petroleum. There are many supervisory agencies and supreme authorities that oversee the centrally mandated activities undertaken at the lower administrative levels, providing further evidence of the hierarchical nature of the State apparatus. Many of these agencies and authorities have only a supervisory role and are not directly involved in policy and programme implementation, which is carried out by lower-level agencies that must often answer to more than one higher authority.

The hierarchical nature of the system and the high degree of structural overlap have created an environment characterized by procedural stalling, endless red tape, institutionalized bottlenecks, the blurring of responsibility, and the absence of administrative accountability. The many thousands of laws that regulate the hierarchical control of one level of bureaucracy over another have been instituted over time to systemize procedures and prevent corruption and favoritism. The fear of reprimand or allegations of corruption leads State officials to sidestep responsibility and delay taking any action until they receive clear orders from their superiors. The decrees, statutes and regulations meant to control corruption often contradict each other, leaving little room to manoeuvre and resulting in an institutionalized rigidity. This is likely one major reason why personal initiative is rarely shown, and why any move towards innovation in public administration is avoided or resisted.

2.2 Civil service reform in Egypt

A review of statements made by senior officials over the past decade indicates that priorities for administrative reform include reducing the State bureaucracy, improving service delivery, simplifying and streamlining administrative procedures, improving the status and working conditions of civil servants, facilitating ICT integration and upgrading in public administration, and establishing clear performance

standards with explicit lines of accountability.¹⁷ Such efforts require the elimination of redundancies and overlapping functions and responsibilities, particularly among those institutions with supervisory functions; the dismissal of unnecessary administrative personnel; and the devolution of authority and competence from the central administration to local administrative units.

These reforms require an enormous economic and political commitment, and there are some attendant risks. It is important to undertake a careful examination of the proposed changes in State and local government and administration, identifying the potential agents of change (internal and/or external to the civil service) and assessing the causes and effects of political and organizational resistance to reform.

Civil service reform has been on the government agenda for the past 20 years. In 1985, the Information and Decision Support Centre was established to guide the decisions of the Council of Ministers with regard to socio-economic development and government reform, and also to act as a catalyst for building Egypt's information infrastructure. In the early 1990s, the Ministry of State for Administrative Development formed an inter-ministerial committee for administrative reform. Supported by the United Nations Development Programme and the Canadian International Development Agency, the committee coordinated and oversaw the implementation of a national civil service reform programme aimed at improving State administrative efficiency in order to enhance public service delivery and support for ongoing economic and social reforms.

Following a period of relative inactivity, the Government reinstituted its administrative reform programme in 1997, again, to enhance the State's capacity to plan and implement social and economic development programmes and, within that context, to improve public service delivery. According to official statements issued by the Ministry of State for Administrative Development, the main objectives of the reform initiative are as follows:

- To reduce the number of civil service employees;
- To create fair and equal employment opportunities;
- To establish a more productive labour force;
- To improve the status of civil servants;
- To improve public service delivery;
- To simplify administrative procedures;
- To improve administrative training;
- To select and prepare top management;
- To improve managerial databases.

The Ministry maintains that in pursuit of the first four objectives, it has revised all existing administrative positions and job descriptions at the national level and has undertaken to assess the actual needs of each administrative area and region. On

¹⁷The Ministry of State for Administrative Development is largely responsible for the realization of these objectives.

the ground, the Ministry has endeavoured to redistribute labour among the various regions according to the assessed needs and capacities of local administrations, rationalizing human resources where possible; to fill vacant positions with top graduates of Egyptian universities based on an objective assessment of needs; to ensure transparency and equal opportunity in selection and recruitment processes (with particular attention given to candidates with special needs); and to freeze certain vacant positions so that others may be revaluated and upgraded. Other measures undertaken to improve the situation of civil servants include guaranteeing an annual increase of 10 per cent in basic salaries, facilitating job mobility and promotion, and creating part-time job opportunities for women.

In pursuit of the fifth and sixth objectives — simplifying administrative procedures and improving public services — the Ministry has conducted a review of all public services (728) and has introduced a number of important modifications, focusing on those services most frequently requested (450). In line with the various stipulations attached to these reforms, efforts have been made to unify the legal instruments governing service delivery and invalidate those that have become obsolete; to minimize the required procedures and documentation; to specify time limits for service provision; to clarify the procedures, costs and conditions of service delivery for citizens; and to improve physical work environments. Some government agencies have implemented a two-shift system in offices providing public services, and citizens that have taken advantage of the new arrangements report faster and better service.

The final three objectives, relating to skill acquisition among civil servants, the selection and training of top management, and the development of ICT applications to support managerial decision-making capacity, have also received considerable attention within the framework of the administrative reform programme launched in 1997. The training budget has increased significantly. The Ministry is also in the process of setting up a number of databases in order to strengthen its planning and decision-making capacity and to lay the groundwork for the eventual implementation of e-government through inter-ministerial cooperation and coordination. The databases created thus far include information on, inter alia, government administrative units, organizational structures, civil service jobs, experts, training consultants, and public services.

In spite of all these efforts, senior political figures, international development agency reports, foreign and local investors, the press, and individual citizens continue to lament the inefficiency of the Egyptian civil service. The government bureaucracy still needs to improve in order to provide a favourable environment for economic growth and social development.

Recognizing the need to effect change at the most fundamental levels, the Ministry of State for Administrative Development recently identified a new set of reform objectives, as follows:

- To facilitate decentralization and enhance the efficiency of the decision-making process through the restructuring of government agencies;

- To raise awareness about the concepts of modern administrative management and to provide relevant training that will ensure the adoption of a genuine public service orientation and principles of good governance among officials and leaders;
- To improve all aspects of the work environment in order to enhance efficiency and productivity;
- To establish and maintain the necessary technological infrastructure for public administration in collaboration with ICT providers. Priorities include the automation and ongoing development of financial and administrative systems, with particular attention given to customs, taxation, and other sources of State revenue generation. The aim is to simplify procedures and speed up administrative processes in order to facilitate decision-making and improve the quality and efficiency of public administration;
- To improve public service delivery and accessibility through all available means, including increased reliance on the Internet, telecommunications, regular mail, and service centres. These services should be tailored to all client groups, including local residents and domestic and foreign investors.

Agents of change versus political and institutional resistance

It has been possible, through in-depth interviews with national experts in administrative reform and organizational development, an assessment of the experience gained through the implementation of various reform projects, a thorough analysis of the documentation of the Ministry of State for Administrative Development, and a careful perusal of information provided on the Ministry's well-designed web site (www.edara.gov.eg), to draw two broad conclusions with regard to administrative reform in Egypt. First, national experts and consultants both inside and outside the State apparatus do not lack know-how or technical experience in administrative reform. Most of them have a clear and objective understanding of the main issues, concrete ideas on how to deal with the technical and organizational aspects of reform, and an open attitude towards innovation. Second, Egypt may not have sufficient capacity to deal with the challenges arising from the high economic, social and political costs associated with administrative reform.

A number of researchers have observed that members of top management, despite their opposition to the delegation of authority, frequently exhibit more positive attitudes towards innovation and change in public administration than do other civil servants. Analysts link this tendency to their higher levels of education, motivation and job satisfaction. Mid-level administrators and junior staff are often criticized for their direct or indirect resistance to reforms. However, national training consultants collaborating with the public sector on various training programmes maintain that they have come into contact with a number of hard-working, qualified individuals in the civil service whose potential is undermined by the poor working environment and negative organizational culture.

Low salaries impinge on the social status of civil servants and force many to seek second jobs. This is the major cause of poor productivity in the civil service. As previously mentioned, the Government made a commitment almost a decade ago to raise the basic salaries of public sector employees by 10 per cent every year; however, this increase has been offset by high rates of inflation and the devaluation of the Egyptian pound. The Government has acknowledged that the problem of low salaries cannot be resolved without a general reform of the salary structure.

A new civil service law currently awaiting parliamentary approval enhances workplace flexibility, provides for a new salary structure based on competence and qualifications, facilitates the development of a new retirement system, grants incentives for increased productivity, allows for objective performance assessment, and addresses issues surrounding corruption among lower-level staff within the public sector.

In spite of the Government's efforts to implement various confidence-building measures, a large number of civil servants are unwilling to buy into the reform process. Many mid-level bureaucrats and junior staff are indifferent or resistant to innovation because they feel that most of the reform policies laid down by top management involve cosmetic adjustments and do not reflect a genuine commitment to positive change. Excluding those at the lower levels of the bureaucracy from the decision-making process prevents the achievement of a consensus on reform priorities and acceptance of the values and administrative culture advanced by administrative reform.

2.3 Human resource management in the public sector

Human resource management is arguably the most critical aspect of State administrative management and is therefore a top reform priority. The Government is the country's largest employer; civil servants account for around one third of the Egyptian workforce, and those serving in the military or the police force are on the public sector payroll as well. All told, the State provides 35 per cent of the Egyptian population with a livelihood.

The Egyptian civil service has expanded enormously over the past half century, with the number of public sector personnel rising from 250,000 in 1952 to 5.6 million in 2006. During the time of Nasser, government decisions and policies were largely guided by interventionist socialist ideals. Within this framework, a policy was adopted in 1961 under which all university graduates were offered government employment to satisfy manpower requirements linked to the rapidly expanding role of the State. Graduates would register with the now defunct Ministry of Labour and would then be randomly assigned to various State ministries and agencies, with the selection process based on quantitative rather than qualitative criteria. The suspension of the graduate policy in 1984 failed to reduce the massive overemployment in the public sector. In the absence of strong, active industrial and investment sectors, the State still assumes direct responsibility for reducing unemployment.

As mentioned previously, civil servants have benefited little from State salary increases in recent years owing to high rates of inflation and the devaluation of the local currency. Market prices are linked to the United States dollar, which has appreciated considerably against the Egyptian pound, resulting in a sharp decline in local purchasing power. Poor remuneration has obliged many civil servants to take on second jobs in the informal economy. These circumstances, together with the structural and systemic deficiencies mentioned previously, have undermined motivation and productivity in the public sector. The low pay and poor working conditions make it difficult to recruit qualified individuals, who tend to seek employment in the private sector or in Arab Gulf countries.

2.4 Decentralization and reform at the local level

Since the 1952 revolution, the State has acknowledged the critical importance of democratization and decentralization to national development. Nonetheless, the State apparatus remains highly centralized. Decentralization does not necessarily lead to democratization, especially when central authorities transfer competence and functions but not authority or resources. Local administrations typically do not have the capital, administrative capacity or authority necessary to undertake independent action in support of national development goals.

Decentralization often occurs in successive stages, proceeding from deconcentration to delegation and finally to devolution.¹⁸ Deconcentration involves the redistribution of decision-making authority and financial and management responsibilities among different levels of the central Government. Delegation involves the transfer of functions and responsibilities to local administrations; local government offices and agencies may implement and oversee programmes and deliver services but may not be authorized to make decisions. This is the case in Egypt, where there are five layers of local administration: governorates (*muhafazat*), cities (*mudun*), centres (*marakiz*), districts (*ahiyaa'*), and villages (*quraa*).¹⁹ Directly elected local people's councils play a supervisory role with regard to local administration and determine areas of responsibility and competence. However, because of the internal contradictions characterizing council decisions and practices and because of the considerable control exercised by executive authorities over the election and membership of local councils, they are generally perceived as yet another ineffective and non-representative arm of the State.

Devolution involves the transfer of authority for decision-making, finance and management to quasi-autonomous units of local government with corporate status. The authority to revise laws and regulations at the local level, the transfer of sufficient resources, and the strengthening of local financing capacity are all necessary for the empowerment of local administrations. With the transfer of insti-

¹⁸ Definitions for the various stages of decentralization are taken in part from http://www.ciesin.org/decentralization/English/General/Different_forms.html.

¹⁹ The term "local administration" is used in reference to the implementation of central government decisions and services at the local level and is not synonymous with "local government", which implies political decentralization.

tutional authority, local councils are given the right to issue regulations governing the functions, responsibilities and areas of competence of local administrations, empowering them to collect local taxes and locally established service charges and to manage independent local budgets.

An approach to decentralization advanced by many national experts involves the streamlining of the centralized State apparatus — through the elimination of redundant supervisory agencies and obsolete ministries (such as the Ministry of Supply and Domestic Trade) and the merging of ministries with overlapping functions and fields of operation (such as the Ministry of Agriculture and Land Reclamation and the Ministry of Water Resources and Irrigation) — and the subsequent devolution of the functions, responsibilities, resources and authority of the top layers of the State administrative apparatus to implementing agencies. This would trim the long, overlapping vertical lines of command, empower local administrations, increase the ability and willingness of administrative units to improvise contingency plans and introduce innovations, and encourage broader local participation.

Little enthusiasm is shown for ideas such as these within the State bureaucracy, which seems inclined to preserve or even enhance its acquired status and its share of power and resources. There is a general desire to maintain the status quo, as reorganizing and streamlining the State apparatus and delegating authority and resources to local administrations would threaten the delicate balance of the overall system.

2.5 The challenge of electronic government

State initiatives

As stated in a final report issued by the Government Online Strategic Review Board in 1997, “public administrations and Governments are central to extending the information society into the fields of democratic decision-making, accountability, community building, economic development and support for civil society”.²⁰ In October 1999, the Government of Egypt established the Ministry of Communications and Information Technology with the aim of creating a knowledge-based society, streamlining public administration and service provision, and enhancing economic competitiveness. At the State level, the three main types of administrative interaction are government-to-government, government-to-citizen and government-to-business. An e-government project was initiated several years ago²¹ to facilitate the provision of online public services to individual citizens and enterprises through secure government networks, one-stop-shop portals, and service delivery centres located in post offices and other facilities offering public ICT access. The new system is also intended to facilitate intragovernmental communication and interaction and help streamline State operations. The e-government initiative is being undertaken specifically to improve citizen services, to create an investor-friendly

²⁰ Government Online Strategic Review Board, “Public administration and government: into the information society”, Strategic Requirements Board for the Fifth Framework Programme (Brussels: European Commission, 21 May 1997), p. 1.

²¹ The project implementation period extends from 2000 to 2007.

environment, to ensure the provision of accurate, up-to-date information to decision makers, to reduce government expenditure, and to enhance local competitiveness in a global economy.

The e-government sites www.egypt.gov.eg and www.edara.gov.eg exemplify both the achievements and challenges associated with the implementation of this long-term initiative. These pilot projects are quite impressive in that a serious effort has been made to introduce online public service delivery; citizens may, for example, order official copies of birth certificates, pay their telephone bills, or trace lost-and-found items (through the postal service) online. However, the actual provision of such services is often impeded by technical problems (such as the incompatibility of e-payment arrangements with some banking systems) or by legal or technological obstacles.

The impact of e-government is likely to be somewhat limited for the time being, as ICT access of any kind is beyond the reach of many Egyptian citizens owing to the high rate of illiteracy (35 per cent), the low penetration of information technology, and the limited use of credit cards. Clearly, the digital divide must be addressed.²² This is a critical consideration in assessing the feasibility and potential of e-government in Egypt and in identifying the financial and technical requirements for its achievement.

Statistics on telephone and personal computer (PC) density, Internet usage and the volume of e-commerce indicate that notable progress has been achieved with regard to the development of the telecommunications infrastructure.²³ Over a three-year period the Ministry of Communications and Information Technology succeeded in increasing the number of fixed telephone subscribers by 53 per cent and the number of Internet users by 433 per cent, providing Internet services virtually free of charge (with customers paying only the cost of local telephone calls). The Government also launched a "PC for every home" initiative in cooperation with local industries, facilitating the acquisition of reasonably priced personal computers through lease-purchase agreements. There have been some advances in legislation as well, with the People's Assembly having passed laws regulating e-signatures and Internet security. E-commerce is presently limited to commercial communications; no business transactions are conducted online.

Efforts to promote e-readiness are being undertaken on a number of fronts. The Government is engaged in the ongoing development of the technology infrastructure and has initiated projects aimed at increasing e-participation. For example, information technology (IT) clubs and national computer competitions have been set up to encourage youth involvement. ICT activities within the realm of public administra-

²²The digital divide is defined as the gap between those who can access and effectively use new information and communication tools, including the Internet, and those who cannot.

²³Telephone density reflects the proportion of people with access to telephone lines in a specific region, and PC density is similarly measured; the volume of e-commerce is estimated by calculating the number of commercial transactions conducted online over a given period.

tion have included back-office automation in government agencies, the launching of a secure communications network to facilitate the flow of work between ministries, and the establishment of electronic archiving systems and an updated national database. The State is also working on a project aimed at simplifying procedures and establishing systems to support online service delivery in individual governorates in order to spare rural residents costly and time-consuming trips to the capital. A number of ministries, State agencies and national universities have integrated ICT into their systems and have launched websites to enhance their interaction with the public. There have clearly been some notable advances made with regard to ICT and e-government penetration; however, the Ministry of Communications and Information Technology reports that the following obstacles remain:

- Credit cards are often required for e-payment, but in a developing country such as Egypt, which has suffered economic distress, many people are cautious about using credit cards, especially online;
- Full ICT integration in government offices is hindered by the absence of automation standards and specifications and by a general reluctance among civil servants to use automated systems owing to their unfamiliarity with information technology and uncertainty about security measures;
- Process workflows need to be re-engineered to correspond to the e-government model. However, the general inflexibility of governmental structures, the rigidity of the organizational culture, and the overlapping of authority among the various supervisory layers of government make this an extremely difficult task;
- There is no network linking State bodies and therefore no system in place for interaction or the exchange of information and documents necessary for the flow of work;
- E-government access among the Egyptian population is hindered by low PC and Internet penetration and by high levels of computer illiteracy.

Egypt is actively engaged in efforts to overcome these obstacles. The appointment of Ahmed Darwish, the Minister of State for Administrative Development, is a clear indication of the Government's commitment to the computerization of the State apparatus and to countrywide digitization. Darwish, a professor of computer science and engineering, was in charge of implementing the e-government programme at the Ministry of Communications and Information Technology before his appointment as minister. In recent years, the Ministry of State for Administrative Development has been working with the Ministry of Civil Aviation on the computerization and e-transformation of all internal and external interactions and on the establishment of a system that will allow the provision of all public services online.

Notable progress has been achieved in the development of the physical ICT infrastructure. However, technological advances represent only one aspect of the

establishment of a system of e-government. The ultimate objectives are to create horizontal lines of interactive communication between State agencies, to reduce bureaucracy, to increase the involvement of all levels of administration in governance, to ensure the more efficient allocation of resources, and to establish direct contact with the public for the provision of services. ICT integration is therefore not an end in itself but rather a means of achieving better governance and stimulating wider participation in the decision-making process. However, the existing hierarchical, paternalistic and authoritarian structure and culture of State institutions precludes the achievement of these goals; local actors are not only excluded from the decision-making process but are expected to bear the economic and social costs of reforms they have not chosen and to which they are not committed. The integration and use of ICT in State institutions is not necessarily a sign of participation or organic communication if the vertical chain of command remains in place and if compliance and obedience to superiors represent the most important values.

The role of e-government in promoting direct investment

Egypt's national income derives mainly from oil exports, Suez Canal revenues and tourism. The direct contribution of citizens to the State budget through taxation is very limited owing to low income levels and the weakness of the production sector. Because of the lack of available domestic capital for the much-needed production of export goods, economic growth and job creation is heavily dependent on foreign direct investment. Economists blame the rigid customs system, the inefficient and lax bureaucracy, unclear tax regulations, and cumbersome legal procedures for limiting foreign investment in Egypt. These observations have compelled the Government to review its policies and institutional set-up and to initiate reforms favouring foreign investment. Laws and decrees have been issued that offer multinational corporations considering investing in Egypt a range of incentives; for example, one presidential decree gives investors the opportunity to obtain free land in exchange for guaranteeing the immediate initiation of production activities.

Other reforms involve the establishment of single service points (physical one-stop shops) that will allow investors and small and medium-sized enterprises to obtain business permits and licences from one convenient location. These service points will be set up at the sites of local administrative offices and will be staffed by representatives from agencies dealing with investors and local entrepreneurs. Customers will be issued temporary permits and licences on the spot and will receive the permanent documents once they have been issued by the head offices. Many national consultants and government officials do not see these satellite service units as the ultimate solution to the problems of bureaucracy and maintain that they replicate the job of the General Authority for Investment and Free Zones, while others argue that the services provided by the various agencies are mutually supportive and complementary.

This idea has been taken one step further with the “virtual” one-stop shop for public service delivery developed within the framework of the Egyptian Information Society Initiative’s e-government project. The government services portal www.egypt.gov.eg provides an information network targeting both citizens and the business sector. As noted previously, online service provision is still at the developmental stage; users already have access to extensive information resources and a small number of services, and steps are being taken to establish a more comprehensive, interactive system of online service delivery.

There are other e-projects under way that are specifically aimed at local companies, foreign investors, and exporters:

- The National Taxation Information System Network links users to sources of financial information in order to improve the accuracy of tax statements and streamline the submission and processing of tax returns;
- The Industrial Product Information Network provides information and statistical data on all industrial products manufactured in Egypt;
- The Customs Information System Programme is a database of existing customs legislation and regulations;
- The Egyptian Investment Portal was recently set up to meet the needs of investors and potential investors.²⁴

These portals provide easy access to essential business information, but they do not address the fundamental problems investors and local entrepreneurs face in their everyday interaction with government authorities and their efforts to navigate the State bureaucracy. They do not offer interactive online services or provide a means of circumventing complicated legislative and bureaucratic procedures. However, these portals are only at the experimental stage, and many databases are still under construction.

It may be concluded that the role of ICT in strengthening domestic productive sectors and encouraging foreign direct investment is seriously constrained by the rigidity of the country’s institutional structures and the inflexibility of the organizational culture of State agencies. The effectiveness of e-government is determined by the overall institutional and administrative environment. Egypt’s technology infrastructure is taking shape, but it must be kept in mind that technical advances are only a means to achieving comprehensive development and not a final objective.

3. Priorities in reforming governance and public administration in Egypt

3.1 Civil servants: the main targets and agents of reform

Civil servants constitute the primary target of administrative reform and are critical to good governance. However, they are generally perceived to be resistant to re-

²⁴ See www.gd-ns-ict.com/Auto/objectives/ob2.

form, perhaps because they are professionally unprepared for any required adjustments, are demoralized by low wages and the poor intrinsic and extrinsic rewards of public sector employment,²⁵ or mistrust change and fear the unknown.

At present, Egypt has insufficient financial resources to provide civil servants with extrinsic rewards that reflect their market value. However, there is much that can be done to improve the work environment and enhance job satisfaction. Human resource acquisition and development policies, performance appraisal systems, organizational patterns of communication, the distribution of authority and responsibility, and leadership practices all require extensive revision. Efforts in these areas must be continuous, comprehensive, and internally consistent and complementary. Training consultants working with various State agencies have observed that when professional training reinforces values such as participation, productivity and creativity and these values are inconsistent with organizational structures and cultures and actual work duties, employees experience higher levels of professional frustration and demoralization.

Salaries, reward structures and promotion systems are generally perceived as inequitable and inconsistent. Wages and rewards in the Egyptian civil service are not based on merit or other market considerations. Employees are given fixed initial salaries that reflect educational qualifications and receive periodic raises based on seniority. Promotions are linked to seniority and an “excellent” rating in performance appraisals, which is given in most cases. No special awards or incentives are provided for exceptional achievement or initiative. Recognizing that expertise and productivity are not linked to professional promotion or rewards, employees tend to put forth minimal effort, particularly when they compare their job inputs and outcomes with those of others and become aware of possible inequities. The Government is hopeful that the new civil service law will address many of these concerns.

The training programme of the Ministry of State for Administrative Development is carried out by the Central Agency for Organization and Administration and the Sadat Academy for Management Sciences; the latter is affiliated with the Ministry. The overall scope of the programme is large, with training provided to a wide range of State employees, middle management and executives, and top management and senior officials. The Ministry develops annual broad-spectrum training plans to be implemented on a national scale, maintains a database of training centres, sets criteria for the recruitment of trainers, and administers training programmes and seminars.

Senior management is given special attention in the Ministry’s training programme, with efforts focused on developing leadership capacities and management skills and acquainting trainees with the latest ICT advances in their areas of responsibility. These training sessions last four to six weeks and constitute a prerequisite for promotion to the higher managerial posts. For top management, the Ministry re-

²⁵ Intrinsic rewards derive from job satisfaction and the increased self-esteem that comes with participation in decision-making, opportunities for personal growth, greater job freedom and other factors. Extrinsic rewards include direct and indirect monetary or in-kind compensation such as salaries, holiday overtime premiums or bonuses, and benefits such as assigned parking spaces and stock options.

cently set up a professional training programme with the Harvard Business School in conjunction with the Future Generation Foundation. The programme targets promising young executives with clear leadership potential and prepares them for positions of responsibility in the most vital sectors of government, ensuring that they will be placed in key decision-making circles.

In spite of these efforts, the government training programme draws a lot of criticism from management experts and trainers both inside and outside the State apparatus. It is commonly asserted that the training currently being offered is not based on an accurate needs assessment and is not linked to a comprehensive civil service reform programme. Training sessions generally involve lectures in a seminar format and are designed to convey information and build knowledge, giving little attention to attitude and skill development. Training programmes are typically ready-made packages with imported formats and are never linked to actual job requirements. Programme results are not carefully evaluated against objective criteria. Current training programmes are formalized instruments of promotion within the civil service and are not connected with comprehensive administrative reform efforts.

From in-depth interviews with senior officials, training consultants, and representatives of international aid agencies in Egypt, the following general conclusions may be drawn with regard to training and capacity-building in the Egyptian civil service:

- It is necessary to perform case-by-case needs assessments before designing and implementing capacity-building programmes for State agencies. Training should be based on the nature of the work and should be linked directly to actual job responsibilities and the work environment. Steps should be taken to ensure that staff members acquire relevant practical skills and develop appropriate attitudes;
- The various forms and methods of training — including seminars, interactive workshops, in-service training, foreign consultancies, role-playing, fieldwork, field visits abroad, and provocative interactive group therapies — complement each other and contribute in different ways to human resource development and motivation. Decisions to employ one or a combination of these approaches must be based on a careful assessment of the needs of trainees and a clear understanding of the effectiveness of each mode in particular situations. For example, field visits abroad provide trainees with important opportunities to observe innovations in practice and to improve their capacity to accept change, but such visits rarely contribute to the acquisition of specific skills. In addition, experience has shown that foreign experts and consultants are most effective when they are given specific objectives and team up with national counterparts to whom they transfer technical knowledge and skills;
- Capacity-building efforts within State institutions must extend to all areas of management, including strategic planning, quantitative analysis,

performance appraisal, fund-raising, budgeting, leadership, orientation towards public service, interpersonal communication, teamwork coordination, and ICT integration;

- In selecting trainees (especially those who are to participate in foreign training programmes), consideration must be given to each candidate's performance and attitude towards innovation so that human resource capacities may be optimally developed and exploited. It is wasteful to use foreign training as a reward for senior staff (many of whom are approaching retirement age) or as a means of authorizing promotion to higher levels.

Most agree that the highest priority with regard to capacity-building is linking professional development to an overall process of administrative reform that supports the application of the skills, knowledge, values and attitudes acquired through targeted training. Capacity-building should constitute a source of empowerment for civil servants, ensuring that they are not only targets of reform but also agents and beneficiaries of the administrative modernization process.

3.2 The political and economic costs of reform

Public sector employees and officials who are naturally inclined towards innovation are often not in decision-making positions or may be intimidated by the enormous economic and political costs associated with reform.

Those best placed to become agents of administrative innovation in Egypt are primarily top managers, as individuals in high leadership positions have the power to initiate and guide the transformation process. Recent trends indicate that there is growing recognition of the importance of good leadership in public administration, and considerable attention is being given to developing leadership skills and grooming promising candidates for government decision-making positions. It is now generally acknowledged that successful reform requires visionary leaders who are committed to change and willing to take risks, and who have sufficient expertise and personal integrity to invigorate the transformation process.

Within the broad context of public sector reform, special attention must be given to the development of human resources, and specifically to the transfer of relevant knowledge and skills and positive attitudes. However, there is little use in building a competent, motivated workforce unless parallel efforts are undertaken to develop a less centralized and hierarchical structure, a more flexible organizational culture, and a range of incentives that reward innovators and high achievers.

Senior State officials and policy makers have identified the following priorities for administrative reform in Egypt:

- Streamlining the State apparatus by eliminating institutions with redundant supervisory functions and, more generally, by addressing the duplication and overlapping of responsibilities and authority among State agencies;

- Establishing a timetable for eliminating unnecessary personnel and gradually reducing the size of the State bureaucracy;
- Improving service delivery by simplifying procedures and delegating authority and responsibilities to lower levels of administration;
- Improving the status and working conditions of civil servants;
- Increasing ICT integration and utilization in public administration;
- Setting well-defined standards for service performance with clear lines of accountability.

Government officials recognize that reforms such as these entail enormous economic and political costs. Since members of the bureaucratic elite are apparently more committed to maintaining stability than promoting change, and since civil servants and mid-level bureaucrats are rarely motivated to exert themselves beyond what is necessary to fulfil their basic functions,²⁶ it may be inferred that change is more likely to be stimulated by actors outside the bureaucratic apparatus. Therefore, it is essential that professional networks be established to facilitate the exchange of experiences, knowledge and expertise in the various fields of public administration. Such networks would allow the dissemination of contemporary ideas and practices and the application of successful models at both the central and local administrative levels. Mid-level bureaucrats and future leaders could form pressure and advocacy groups within the State apparatus, and a similar approach could be taken within the legislative system and by influential intellectuals. Creating a positive organizational and institutional culture that encourages change and promotes good governance throughout the State system would stimulate innovation, help reduce resistance to reform, and ultimately enhance levels of professional motivation and satisfaction among civil servants and the overall efficiency and effectiveness of public administration.

²⁶This assertion relates to the equity theory developed by J. Stacy Adams, which essentially addresses the balance between employee inputs (hard work and enthusiasm) and outputs (monetary compensation, appreciation and recognition) in a workplace. Egyptian government employees, who tend to receive minimal salaries and work under relatively poor conditions, assess their inputs and outputs relative to those of others, and their perceptions of overall inequities influence the amount of effort they are willing to put into their work.

Jordan

1. Political, institutional and economic context

The Hashemite Kingdom of Jordan has a total land area of almost 90,000 square kilometres, or around 35,000 square miles. Slightly more than one third of the country's 5.3 million residents live in the capital, Amman.¹ The population is mostly Arab, but there are also small communities of Circassians, Armenians and Kurds. Approximately 1.7 million individuals registered as Palestinian refugees and displaced persons reside in Jordan, most as citizens. Close to 95 per cent of the population are Sunni Muslims, and most of the remaining 5 per cent are Christians.

1.1 Historical overview

Around 2000 B.C., Semitic Amorites settled in the area called Canaan around the Jordan River. Subsequent settlers included Hittites, Egyptians, Israelites, Assyrians, Babylonians, Persians, Greeks, Romans, Arab Muslims, Christian Crusaders, Mamelukes, Ottoman Turks, and the British. At the end of the First World War, the League of Nations placed the area now comprising Israel, Jordan, the West Bank, the Gaza Strip, and the disputed city of Jerusalem under the mandatory control of the United Kingdom. In 1921 the British divided the area into two territories; the land to the east became the semi-autonomous Emirate of Transjordan and was placed under the nominal rule of Prince Abdullah ibn Al-Hussein of the Hashemite family, while the western portion of historical Palestine remained under the administration of the British High Commissioner. In February 1928 Transjordan achieved qualified independence in a treaty with the United Kingdom, and Abdullah became king. The mandate over Transjordan ended on 22 May 1946, and three days later the country became the fully independent Hashemite Kingdom of Transjordan.

Transjordan and some of the surrounding Arab countries,² together with Palestinian nationalists, launched a full-scale war against the newly established State of Israel in May of 1948 but were ultimately defeated. An armistice agreement signed on 3 April 1949 left Jordan in control of the West Bank, though it was understood that the terms of the agreement were not to prejudice, in any way, "the rights, claims, and positions of either party... in the peaceful settlement of the Palestine questions, the provisions of [the] agreement being dictated exclusively by military considerations". In 1950, Transjordan was renamed the Hashemite Kingdom of Jordan to include the portions of Palestine annexed by King Abdullah I. In July 1951 the King was assassinated

¹ Figures are taken from the 2004 national population census.

² Including Egypt, Lebanon, the Syrian Arab Republic and Iraq.

while attending Friday prayers in Jerusalem. His eldest son, Talal, reigned for less than one year, during which time he initiated the development of a new, liberalized constitution. The King abdicated in August 1952 for health reasons and was succeeded by his eldest son, 17-year-old Prince Hussein, who formally assumed power when he reached his majority in early May 1953.

Jordan signed a mutual defence pact with Egypt in May 1967 and the next month joined Egypt, Iraq and the Syrian Arab Republic in a six-day war against Israel. During the conflict, Israel gained control of the West Bank including Jerusalem,³ and many local residents fled to neighbouring Jordan; between 1966 and 1967 the number of Palestinians living in the Kingdom rose from 700,000 to 1 million. The Palestinian resistance movement in Jordan also grew and consolidated its power over the next few years, and in 1970 open fighting broke out between Palestinian militant organizations and Jordanian troops. What came to be known as the Black September conflict ended in July 1971 with the expulsion of the Palestine Liberation Organization.

During the October 1973 Arab-Israeli war Jordan sent a brigade to the Syrian Arab Republic to fight Israeli units deployed there. In 1988, Jordan renounced its claim to the West Bank in favour of the Palestinians, though it maintained an administrative role pending a final settlement. In 1991, representatives from Jordan, Lebanon, the Syrian Arab Republic and the Palestinian leadership met in Madrid and engaged in direct peace negotiations with Israelis for the first time, and in 1994 a bilateral peace treaty was signed by the Governments of Jordan and Israel.

After almost half a century as Jordan's monarch, King Hussein died in February 1999 and was succeeded by his eldest son, Abdullah.

1.2 Political and economic contexts

Political context

Jordan is a constitutional monarchy. Political power ultimately rests with the King but is also exercised by elected and appointed members of the Government. Since the early 1920s Jordan has been ruled by the Hashemite dynasty (King Abdullah ibn Al-Hussein and his descendents) based on a system of patrilineal succession. The King is the Head of State and Commander of the Armed Forces and possesses both executive and legislative authority. Within the executive branch, the Prime Minister is appointed by the King, and the Cabinet is appointed by the Prime Minister in consultation with the monarch. Legislative authority lies with the bicameral National Assembly, which includes the Upper House (also called the Senate or House of Notables), whose 55 members are appointed by the King, and the Lower House (House of Deputies), whose members are elected by popular vote on the basis of proportional representation. Both groups serve four-year terms. The parliament may be convened or dissolved by the monarch.

³ Notwithstanding the recent redeployment from some areas, Israel has occupied Jerusalem and the West Bank since the 1967 war.

Economic context

In 2004, Jordan's gross domestic product (GDP) totalled around US\$ 11.5 billion, with an annual growth rate of 7.7 per cent, while per capita GDP amounted to US\$ 2,164. Official statistics for the same year indicate that 13.4 per cent of the economically active population was unemployed. Education and literacy rates are higher in Jordan than in neighbouring countries with similar incomes. Population growth has traditionally been high but has declined somewhat in recent years and now stands at approximately 2.2 per cent.

Jordan has limited natural resources. The country relies almost entirely on external sources to meet its energy needs. Until the war began in 2003, Iraq supplied Jordan with the 5 million to 6 million tons of crude oil it required annually; for the past couple of years the Kingdom has imported oil from Arab Gulf States. Natural gas is brought in from Egypt through an underwater pipeline to the Jordanian port city of Aqaba. Exports of phosphates and potash, overseas remittances, and foreign aid are Jordan's main sources of revenue.

Over the past decade, Jordan has taken steps to enhance its economic competitiveness at both the regional and international levels. Efforts have been primarily focused on liberalizing and strengthening the economy and on promoting local and foreign investment and the transfer of technology. Law No. 16 of 1995 was adopted to attract private foreign companies to the Kingdom, offering greater financial openness and equal treatment to all investors, regardless of nationality. Specifically, the Law provides incentives such as streamlined approval procedures, exemptions from certain taxes and fees, unlimited transfers of business capital (including interest and profits) abroad, and direct entry to the Jordanian stock market. Projects in the agriculture, industry, tourism, health/pharmaceutical, and transport sectors have received priority attention. Other new legislation has simplified and updated norms relating to manpower, taxation and customs in line with World Trade Organization requirements. This legislative support and the implementation of reforms, described in some detail below, have succeeded in strengthening the role of the private sector, increasing national investment, and expanding foreign investment.

During the late 1990s, Jordan formally adopted a policy of economic liberalization that included extensive privatization and financial reforms. Agreements signed with the International Monetary Fund in 1999 for the monitoring and support of the Kingdom's structural reform programme expired in April of 2002 and were renewed in July for another two years. Within this framework, Jordan has implemented a series of structural reforms aimed at increasing productivity, private sector participation and international trade and at creating a favourable climate for investment and growth. The country's broad socio-economic development objectives include the following:

- Liberalizing trade and ensuring regional and global economic integration;

- Redefining the economic role of the State, particularly through comprehensive privatization programmes;
- Promoting productive investments, especially exports;
- Reducing unemployment and poverty.

Jordan has instituted a number of practical measures in pursuit of economic development. Over the past five or six years the Kingdom has made debt rescheduling and conversion arrangements with its external creditors (mainly Japan, Spain, France and Italy), freeing up public resources for development financing and investment. During this same period Jordan has strengthened its export relationship with Arab countries, the European Union and the United States in support of its economic diversification policy. In January 2001, Jordan established the Aqaba Special Economic Zone (ASEZ), a “liberalized, low-tax, duty-free, and multisectoral development area,”⁴ with the aim of promoting local and foreign private investment and stimulating employment, commercial production and trade. Aqaba is Jordan’s only port and is strategically located at the northernmost tip of the Red Sea, at the intersection of four countries. The Government is offering various fiscal incentives as well as land, infrastructure and service concessions to attract investment in the area.

To ensure fairness and transparency, the provision of affordable services, and the creation of a stable and competitive investment environment, Jordan has established a number of regulatory commissions to oversee activities in areas such as telecommunications, electricity, insurance, public transport and the stock market.

While the Government’s economic reform programme has caused some short-term imbalances and social frustration, a certain degree of macroeconomic stability has been achieved over the past decade. However, external factors and regional unrest continue to undermine Jordan’s development efforts.

1.3 Institutional framework

Jordan has been engaged in an ongoing process of institutional reform since 1921, but the most dramatic changes have occurred over the past decade as the country has sought to liberalize and strengthen its economy, streamline the State apparatus and achieve better governance. Such efforts have been made more difficult by the incessant economic and political crises in the region, but notable progress has been achieved owing to the strong commitment to reform at the highest levels of Government and the firm political will of King Abdullah II.

The government system

The Constitution of the Hashemite Kingdom of Jordan, promulgated on 8 January 1952, establishes the system of government. The reigning monarch is the

⁴ See <http://www.atlastours.net/jordan/asez/html>.

Head of State and retains ultimate authority over the executive, legislative and judicial branches of government. He appoints the Prime Minister, who assembles a Cabinet that must be endorsed by the King.⁵ The Prime Minister is answerable to both the King and the parliament and is responsible for ensuring ministerial coordination, attending to the domestic and foreign affairs of the State, and dealing with the general political affairs that come before the House of Deputies. Legislative authority lies with the bicameral National Assembly. The Senate (Upper House), comprising former high-level government officials appointed by the King, can veto decisions taken by the elected House of Deputies (Lower House). The King's legislative veto power can be overridden by a two-thirds majority vote in both Houses. The National Assembly is also responsible for approving international treaties. The Kingdom's judiciary comprises civil courts, special courts and religious courts; all judges and other high-ranking officials are appointed by the King.

Constitutional amendments in the mid-1970s strengthened the King's control over the legislature. Added to his original prerogatives were the right to dissolve the Senate or remove any of its members and the authority to postpone general elections indefinitely on the recommendation of the Council of Ministers.

The situation on the ground has improved somewhat over the past 15 years or so. King Hussein ended martial law in 1991 and legalized political parties (with some restrictions) in 1992. In 1989 and 1993, Jordan held free and fair parliamentary elections.

The ethnic, religious, economic and cultural heterogeneity of Jordanian society is reflected in the country's government and public administration. In the House of Deputies, nine seats are reserved for Christians, six for women, and three for Circassians and Chechens. Citizens of both Jordanian and Palestinian extraction are active at all levels of government.

The central administration, based in Amman, is responsible for planning, policy-making, programme coordination and supervision, performance evaluation, and external communications. It currently comprises more than two dozen ministries, a roughly equal number of central departments, and close to 100 autonomous or semi-autonomous public agencies and institutions.

⁵ Parliamentary approval is also required. If the Prime Minister does not receive the support of the House of Deputies, he and his Cabinet must resign. The Lower House also has the authority to force the resignation of individual ministers.

BOX 2. GOVERNMENT MINISTRIES AND MINISTERIAL OFFICES IN JORDAN

- Ministry of Interior
- Ministry of Awqaf and Islamic Affairs
- Ministry of Municipal Affairs
- Ministry of Environment
- Ministry of Energy and Mineral Resources
- Ministry of Water and Irrigation
- Ministry of Health
- Ministry of Transport
- Ministry of Agriculture
- Ministry of Foreign Affairs
- Ministry of Agriculture
- Ministry of Foreign Affairs
- Ministry of Political Development
- Ministry of Planning and International Cooperation
- Ministry of Finance
- Ministry of Labour
- Ministry of Public Works and Housing
- Ministry of Industry and Trade
- Ministry of Tourism and Antiquities
- Ministry of Social Development
- Ministry of Culture
- Ministry of Education
- Ministry of Higher Education and Scientific Research
- Ministry of Public Sector Development
- Office of the Minister of State for Parliamentary Affairs
- Office of the Minister of State for Prime Ministry Affairs
- Office of the Minister of State for Legal Affairs
- Office of the Minister of State for Government Performance
- Office of the Minister of State for Public Sector Reform

Local administration

Jordan is divided into 12 regional governorates,⁶ each headed by a governor appointed by the King. Every governorate has an executive council and a consultative council operating under the authority of the governor. The governorates are further divided into administrative subdistricts, including municipalities, townships, and villages/towns. The towns and larger villages have elected municipal councils and

⁶ Ajloun, Amman, Aqaba, Balqa, Irbid, Jerash, Kerak, Ma'an, Madaba, Mafrq, Tafileh and Zarqa.

are each headed by an elected mayor⁷ who oversees day-to-day affairs; smaller villages are run by a traditional headman, or *mukhtar*. Local administrative institutions at all levels are essentially extensions of the central Government and operate under the authority of the Ministry of Interior. They are responsible for carrying out centrally mandated policies, overseeing local projects, and providing public services.

2. Governance and public administration: challenges and reform strategies

2.1 The institutional framework and a summary of public sector reform efforts and objectives

Public administration in Jordan is characterized by a number of deficiencies. There is little conception of or commitment to public service, and the State administrative apparatus is poorly organized. There is extensive overlap and duplication and weak coordination between government agencies. The numbers of ministries, central departments and public institutions have steadily increased, and the lack of procedural clarity creates difficulties in the delegation of responsibility. Administrative procedures and processes are complex and convoluted. It is difficult to attract and retain qualified staff, and existing personnel have relatively little interest in training or professional development. Serious revenue-expenditure imbalances exist in some areas of public administration, and there are a number of accounting irregularities. Finally, modern information and communication technology (ICT) has not been sufficiently utilized in public administration or public sector management.

Public administration reform constitutes part of a broader plan for economic and social reform in Jordan. The primary objectives are to modernize and streamline the bureaucracy and improve public service delivery through restructuring and rationalization, human resource development, and the creation of an efficient system of electronic government (e-government).

The following is a short chronology of the major milestones in public sector reform over the past quarter of a century:

- The Royal Committee for Administrative Reform was established in 1984;
- From 1989 to 1992, a project to develop public sector management was implemented with the support of the United Nations Development Programme;
- The Royal Committee for Modernization and Reform was given primary responsibility for instituting reforms between 1989 and 1996;
- The Government carried out a service delivery, leadership, training and Ministry of Health staffing analysis project in 1995 with support from the World Bank;
- The Public Sector Reform Committee initiated reform plans and activities in two phases (phase I in 1999 and phase II in 2002); between 1999 and

⁷ The single exception is Amman, whose mayor is appointed directly by the King.

2002 the Ministry of Administrative Development was responsible for reform coordination and supervision;

- Since 2004, the Public Sector Development Administration, formed within the Prime Ministry to provide institutional support, has been responsible for the actual implementation of the reform programme. The Ministry of Public Sector Development provides overall coordination and oversight, but the Public Sector Development Administration is in charge of carrying out the reform programme in close collaboration with the ministries of finance, justice, and information and communications technology, and with government agencies and institutions involved in civil service, training, and other administrative affairs. Within this framework, the Prime Minister has assigned overall responsibility for the implementation of the large-scale 2004-2009 public sector reform programme to the Minister of State for Government Performance and the Minister of State for Public Sector Reform.

It was recognized very early on that bureaucratic obstacles could seriously undermine the success of the country's economic reform and structural adjustment programme, initiated in the late 1990s. King Abdullah II and high-ranking public officials have adamantly supported the need for comprehensive administrative reform, and two major reform programmes have been undertaken in the past five years. The first, approved in June 2002, incorporated the following objectives:

- Increasing productivity and efficiency;
- Rationalizing spending and optimizing the use of available resources;
- Enhancing competitiveness between departments and ultimately achieving international competitiveness;
- Improving public service delivery.

This programme focused on resource optimization and service improvements and produced visible results; in the years following the initiation of reforms, annual public sector income rose from between 32 million and 36 million Jordanian dinars (JD) to JD 50 million.

The most recent reform initiative, introduced in 2004, is backed up by a strong government commitment and is quite ambitious, as evidenced by the establishment of several new ministries and departments to facilitate its implementation. The primary objectives of the new programme are as follows:

- At the most fundamental level, to ensure the steady and consistent implementation of the programme in collaboration with all stakeholders;
- To strengthen capacities and streamline procedures in the public sector with the aim of improving performance, productivity and service delivery;
- To formulate effective human resource development and management policies and ensure their implementation on a sustainable basis;

- To provide incentives to change the administrative culture and attitudes within the public sector.

The reform initiative comprises eight components, set out in a policy statement entitled “Better Government: delivering better results — public sector reform, 2004-2009”.

In terms of approach, the Government is endeavouring to apply internationally recognized standards and best practices in both administrative and socio-economic development and reform, maintaining a high degree of flexibility to allow adaptation within the national and local contexts. There is also a commitment to efficiency and sustainability in reform implementation.

A more detailed description of the current public sector reform programme is provided in section 3 of this chapter.

2.2 The reconfiguration of the role of the State

The most notable feature of the administrative reform programme is the shift in focus from the public sector to the private sector. The structural and procedural simplification and streamlining, human resource development, technology upgrading and other improvements are aimed at ensuring that the country can achieve international competitiveness in a private-sector-driven global economy and that local businesses and citizens can be effectively served. During the past decade, through their participation in the qualifying industrial zones and other government-supported projects and programmes, private sector enterprises have created new job opportunities and contributed to reducing unemployment. Improved social service provision is another component of the increased emphasis on satisfying the needs of private citizens. A particularly promising development in recent years is the Government’s insistence on private sector involvement in the reform process. Individuals outside the Government have been encouraged to participate in discussions, offer their critiques, and help formulate legislation aimed at modernizing the public sector and the legislative process itself.

2.3 Decentralization and reform at the local level

The ultimate goal of any administrative reform programme is to establish a system of good governance. The Government is currently working to ensure that at least 95 per cent of the Kingdom’s population have access to public services. It is recognized that public administration and service provision must be tailored to the needs of area residents, and steps are being taken to implement a programme of decentralization involving the gradual delegation and devolution of authority and responsibility to local administrations. An official document was issued in 2002 that gives local institutions the authority to make independent administrative, financial and technical decisions on issues within their purview and also guarantees them access to the financial resources needed to implement local development projects and administrative reforms. Local authorities are even being asked to help identify investment projects in their

areas so that adequate budget provisions can be made for their implementation. Other financial concessions, such as debt forgiveness,⁸ are being offered as well in order to ease the chronic financial burdens on local administrations.

Merging municipalities: an example of local administrative reform

The number of municipalities in Jordan increased significantly over the course of the twentieth century owing to the high rate of population growth and various political considerations. State resources had to be distributed among an ever-increasing number of local administrative bodies, and the country's poorly organized system of public administration was further weakened by the fragmentation of local administrative units. It became increasingly clear that the municipalities lacked sufficient financial and administrative capacity to carry out their designated responsibilities and provide public services to citizens in an effective manner.

During the 1980s and 1990s successive Governments devised various strategies aimed at strengthening local administrations, even transferring certain responsibilities from municipalities to line ministries and other public institutions. Concessions were also introduced to ease their debt burden. While providing some relief, these measures essentially constituted short-term solutions and did not address the deeper crisis in local administration.

Several years ago a comprehensive survey was undertaken to assess the situation, and in September 2002 the Ministry of Municipal and Rural Affairs and the Environment⁹ amalgamated selected municipalities, reducing their overall number from 328 to 99. A holistic strategy for municipal reform focused on organizational restructuring, administrative development and capacity-building, redefining and optimizing the role of municipalities, the provision of adequate financial resources for project execution and administration, and the updating and harmonization of relevant legislation.

The decision to merge municipalities was also connected with the move towards decentralization and the redistribution of power. Over the years, the number of local public officials appointed by the central Government had grown steadily, while the number of directly elected local functionaries (mayors and town councillors) had declined. The consolidation of local entities was intended not only to streamline administrative operations at the subdistrict level, but also to place a certain amount of authority back in the hands of local communities and their elected representatives, in line with the Government's policy of decentralization. The city councils were entrusted with overseeing administrative operations for the 99 municipalities until municipal elections were held in 2003.

Under this merger programme, the country's 16,000 municipal employees (only 3 to 4 per cent of whom have a university education) are granted the same status as

⁸ Over the years, a number of municipalities have faced severe financial crises, particularly in southern Jordan. In the 1970s the City and Village Development Bank (CVDB) was set up by the World Bank to provide investment funds for municipalities, but the resources were used instead to pay public sector salaries, and local authorities accumulated sizeable debts. In 2002 the Government adopted measures to ease this burden, exempting the municipalities from paying half of their CVDB debt.

⁹ Now the Ministry of Municipal Affairs and the Ministry of Environment.

central administration employees. Another positive change has been the increased participation of women; the Government has appointed at least one to every municipal council.

Combining municipalities is considered a positive move overall, though there has been a certain amount of resistance, and various challenges remain. Some opposition parties feel that the merging of municipalities negatively affects their political positions and will ultimately exacerbate the already grave financial and administrative difficulties the country is facing.

The new role of governors and other local administrators

Development policies implemented during the past decade have improved living standards in some low-income areas of the Kingdom, but there are still major obstacles impeding development efforts in these and other areas.

The Government has acknowledged the need to reform and revitalize local administration, as it is at this level that decisions are carried out and public services are provided. Towards this end, a comprehensive, integrated strategy has been adopted to develop the country's governorates. Each governor is charged with the direct supervision of all public sector activities undertaken within his area. Recent efforts have been made to replace the traditional authoritarian approach to governance at this level with a more participatory form of leadership. Governors are increasingly being assisted by qualified staff responsible for assessing, identifying and addressing local needs.

The Kingdom's mid-term National Social and Economic Action Plan for the period 2004-2006 called for strengthening the institutional capacity of local administrative and development units and improving overall service provision. Specific objectives within this context included the following:

- Enhancing the quality of public services;
- Redistributing responsibilities and tasks among the central, district and municipal authorities to ensure more effective service provision;
- Strengthening the role of cooperatives and voluntary organizations providing social services;
- Establishing a dedicated governorate budget to address clearly identified local needs and development priorities;
- Creating a favourable investment climate;
- Accelerating socio-economic development in remote areas.

2.4 Human resource management in the public sector

Various government budget sources place the number of civil servants at around 139,000 in 2004. As mentioned previously, the country's ethnic and religious diversity is reflected in the public sector at all levels. Jordanians of Palestinian origin make up about 43 per cent of the population and a significant proportion of govern-

ment employees and public officials. Most senior officials and executives hail from the private sector and have been educated and trained abroad.

In August 2000, human resource management was identified as one of the top administrative reform priorities. Plans centred around the adoption of a new civil service by-law, the updating and improvement of training programmes, and the introduction of an early retirement and pension policy.

In June 2002, the Cabinet approved a new law on public employment that introduced mechanisms to ensure transparency and the application of merit-based employment practices. Within this framework, a system incorporating incentives, workshops and training is being implemented for the selection and promotion of qualified personnel. A modern personnel evaluation system is also a key component of administrative reform in Jordan.

Various government ministries and agencies have worked together to establish an official database of public employees that may be easily updated. With the administrative restructuring and other reforms that are under way, new positions are being created and others redefined. There are new training programmes to train trainers and to address evolving needs in basic administration and management at all levels.

Important reform objectives relating to human resource management include rationalizing and optimizing employment by freezing some public posts and attracting qualified personnel for the implementation of socio-economic development programmes; evaluating staff needs as they relate to a recently published study on work volume, with particular attention given to the issue of mobility; clarifying and systematizing positions and functions; reorganizing and streamlining departments; and addressing salary policies as they relate to economic performance.

Other reforms are focused on specific sectors, in particular education and health. New legislation and some structural reforms have been introduced to streamline operations and ensure continuous updating and improvement. Further, a number of public agencies are being privatized to reduce the number of civil servants and cut salary costs.

Job classification

A new personnel system is being developed that incorporates well-defined job descriptions and classifications. This system represents part of a larger effort to establish more objective criteria for hiring, promotion and performance evaluation. Further work is needed to apply new scientific classification concepts for promotion.

Promotion policies

Promotion within the public sector is currently based on seniority; secondary consideration is given to factors such as job performance and professional training and qualifications. Qualified employees are unable to compete for vacancies on the basis of skills, competence or initiative.

The Civil Service Bureau is looking into these problems and endeavouring to establish a system whereby promotion is linked to performance and advancement can be accelerated for qualified individuals. To further these goals, the Government plans to introduce competitive exams and select the best candidates to fill vacant supervisory posts.

Human resource development

As early as 1993, the Government introduced a national training plan to improve employee skills and attitudes at all levels. A fast-track leadership programme was set up to prepare promising candidates for high-level posts. Some public organizations have their own training centres. As noted previously, strengthening human resource capacities and creating an administrative culture oriented towards public service are top priorities within the current reform framework.

2.5 Public service delivery

Improving public service provision

To promote better public service delivery, Jordan has worked to identify and correct administrative deficiencies and gaps; to simplify and streamline the organizational structure and administrative procedures; to clarify and improve the supervisory capacities of the different levels of management; to strengthen interdepartmental interaction, integration and cooperation; and to better assess the actual needs of citizens and create mechanisms to meet those needs.

There has been increasing emphasis placed on strategic long-term planning within the public sector. Training has been provided to those involved in planning and development, and new programmes for ongoing performance monitoring and control have been adopted to objectively measure the progress made towards achieving strategic goals.

Each government department and agency has been asked to set internal priorities. Increased ICT access has allowed the dissemination of information on departmental procedures and expectations to all members of staff, encouraging employee ownership and commitment. There is inevitably internal resistance to change, so civil servants have been encouraged to become involved in the reform process and have been made aware of how they will benefit, both personally and professionally, from an improved administrative infrastructure and a modern personnel management system. Employee satisfaction and dedication have a direct bearing on the quality of public services.

Encouraging private investment

Economic reforms have constituted perhaps the most important national development priority. Efforts have been made to create an enabling environment for private investment, with particular emphasis placed on building a strong and supportive administrative infrastructure; promoting inter-agency cooperation; establishing a

facilitative legal environment; ensuring transparency and accountability to establish credibility and client trust; eliminating red tape and excessive bureaucracy; creating a competent workforce and ensuring strong management and leadership in all government departments; setting up sound, modern financial systems; instituting an efficient system of ICT and e-government (including one-stop shops for investors); and creating investment opportunities. Efforts have begun to pay off, with sizeable investments made in the tourism, telecommunications, manufacturing and health sectors over the past few years. In manufacturing, the qualifying industrial zones and the Aqaba Special Economic Zone have had an enormous impact, creating job opportunities and helping to raise national income levels.

Citizen-centred service

Public satisfaction is the ultimate measure of the quality of public service delivery. The Government has undertaken detailed surveys to assess public needs and to identify areas requiring improvement, pinpointing the problems or obstacles preventing various agencies from providing citizens with efficient services. These surveys have made top officials aware of the need to review policy decisions and institute mechanisms to improve performance. A number of corrective actions have been taken, and field visits have been set up to ensure implementation. The results of the surveys have been made public.

Another important development has been the clarification and dissemination of public service procedures. Manuals and brochures (some with step-by-step flow charts) have been produced to ensure that citizens know how best to obtain public services. Websites have also been set up to provide readily accessible public service information to the general population.

A programme has been instituted to address citizen concerns. Efforts are under way to establish institutional focal points and mechanisms for submitting and dealing with complaints. Many public institutions have “hot lines” or call centres to respond to citizen inquiries or complaints, and corrective actions are often undertaken and followed up by public officials or their designated representatives.

Legislation has been updated or adopted to simplify and streamline administrative functions and procedures, with the ultimate goal of improving public service provision. Again, emphasis has been placed on the direct involvement of stakeholders. The agencies affected by the various public service reforms have been encouraged to provide their input and support. This participatory approach has produced a general consensus on the actions required to meet the service needs and expectations of the public and private sectors.

This consultative process is being applied more broadly within public institutions. Participatory management styles have created a team spirit, which is having a positive effect on employee job satisfaction and responsibility for achieving organizational goals.

Efforts are being made to establish a modern system of knowledge management, as the rapid and efficient transfer of data and information is vital to effective public service provision; this has become a criterion for public sector performance. Organizations have been requested to demonstrate how explicit, tacit and implicit types of knowledge are documented, deployed, interpreted and shared so that a harmonized system can be developed.

2.6 Administrative development

Administrative reform programmes over the past decade have focused on the following:

- Institutional and organizational restructuring consistent with the growing trend towards decentralization and the delegation of authority;
- Redefining institutional functions and job descriptions to expand, enrich and clarify responsibilities and improve job selection and placement processes;
- Gradually moving towards management by objective and eventually towards results-based management, and establishing norms for staff at all levels, including accountability for results;
- Recognizing and rewarding good practices, and motivating civil servants to carry out their work in accordance with international standards of quality and excellence;
- Updating legislation to institutionalize the pursuit of innovative goals and enhance current practices, with appropriate steps taken to ensure that the administrative reform process is characterized by trust, stability and legislative flexibility;
- Assessing organizational and individual performance on the basis of pre-defined, objective indicators and taking whatever action is necessary to improve performance;
- Eliminating duplication and overlap in institutional functions and fields of operation and achieving a more advanced level of integration and coordination in public administration;
- Strengthening the sense of citizenship and ownership that contributes to nation-building and development;
- Encouraging public and quasi-governmental institutions to intensify their capacity-building efforts.

Many of these goals have been identified as priorities in the current reform programme. Typically, individual or multiple ministries and/or agencies assume responsibility for the various reform components. Over time, the Government has come to recognize the need for a comprehensive, integrated approach to administrative reform, both to ensure the optimal utilization of funds and manpower and to achieve greater overall uniformity in establishing, implementing and following up on reform objectives.

Anticipating cynicism and resistance to change among civil servants and the general public, the King has emphasized the need to produce immediate, visible results in order to ensure widespread support and involvement. As mentioned, civil service employees at all levels and individuals from the private sector and civil society are being encouraged to participate in the reform process.

Some achievements

One set of key objectives in administrative reform is structural and procedural simplification and streamlining. Efforts have recently been undertaken to harmonize legislation relating to State government and administration and to reduce the volume of such legislation. Internal bureaucratic procedures are also being simplified and harmonized through various means. The Government has instituted 37 Charter Marks,¹⁰ one for each public agency, and has drafted manuals detailing functions and working methodologies. To reduce duplication and overlap, a number of ministries, departments and public agencies have been restructured or reorganized; examples include the ministries of education and culture; the tax, customs, and land and survey departments; and the Free Zone Corporation. There has also been a merging of offices and functions relating to public auditing, inspection and control, and steps have been taken to develop a new regulatory system in the realm of public accounts and financial control.

The Government is committed to the digitization of the State apparatus and the establishment of an efficient, networked system of e-government; this represents one of the most direct and effective means of achieving administrative simplification and improved service provision. While much remains to be done, some notable progress has already been made in this context. A number of service facilities (such as those issuing driving licences and passports, for example) are now computerized, and processes that once took days or weeks are now often completed in a matter of hours. Even the judicial system is being updated through ICT integration.

2.7 The challenge of electronic government

Serious efforts have been undertaken over the past several years to introduce new technologies and establish a system of e-government. Ministries and public agencies and departments are being linked through a complex ICT network, and dozens of “information points” are being established to ensure public access to e-services provided by these institutions. Legal and administrative frameworks are being created to accommodate the integration of new technologies, and civil servants are gradually receiving the necessary ICT training. Other areas of focus within the State apparatus are e-procurement and e-budgeting. Attention has also been given to the establishment of a national ICT institution to provide technical support and review pertinent legislation.

¹⁰The Charter Mark is the British Government's national standard for excellence in customer service. It represents a powerful, easily applied tool for directing and measuring improvements.

ICT applications are being introduced gradually. Steps have been taken to identify those services requiring automation, new operations and procedures have been developed to ensure efficient service provision, and information has been widely disseminated to ensure that civil servants and citizens are able to make optimal use of the e-services available.

The e-government programme is designed to improve the performance of public agencies by increasing accuracy and efficiency and reducing waiting times and costs, with the ultimate goal of achieving citizen satisfaction. This initiative represents an important contribution to the building of an information society. Within the civil service, it will contribute to the upgrading of skills and broader human resource development. An important external focus of ICT and e-government efforts in Jordan is investment promotion and facilitation.

Priorities for ICT integration in public administration

Some of the most important priorities within the context of the e-government initiative have included the following: the reorganization and further development of internal information networks; the establishment of modern systems for electronic archiving and the documentation of data and statistics; the creation of direct electronic linkages with the ministries of health and education, which together account more than 70 per cent of the volume of civil service activity; and the establishment of a civil service website that offers ready access to information about vacancies and electronic application procedures, interview results, and scholarship and training opportunities.

Challenges and achievements

Jordan faces a number of challenges in the implementation of its e-government initiative. The most notable problems include the low level of Internet penetration, the digital divide, privacy and security concerns, limitations in terms of ICT skills, the inconsistent pace and implementation of public sector reform efforts, and the absence of an enabling legal framework. Notwithstanding such challenges, the following has been achieved:

- Three portals have been set up for the e-services programme;
- A solid ICT infrastructure is being established, and the cost of Internet service provision is steadily declining, while the quality of equipment and service provision is improving;
- Relevant legislation has been reviewed and updated, with particular attention given to e-commerce and the handling of data and information;
- An action plan has been adopted for the implementation of pilot e-government initiatives by seven agencies;
- Information and knowledge management has been established as a category considered for the King Abdullah II Award for Government Performance and Transparency, which rewards excellence in public service;

- ICT development has been fully integrated into the public sector reform programme, with particular emphasis on procedural simplification and the acquisition of ICT-related skills.

3. Priorities in reforming governance and public administration in Jordan

Addressing public officials in the fall of 2003, King Abdullah emphasized the vital importance of establishing good governance in Jordan. He stressed the need to undertake sweeping reforms that would involve institutional restructuring, the introduction of new processes and methods, and the establishment of mechanisms that would allow the Government to identify clear objectives, “self-correct” as necessary, and evaluate progress and performance according to established guidelines.

The Government heeded the King’s call and came up with the following interrelated strategic initiatives for administrative reform:

- A comprehensive public sector reform programme to be implemented during the period 2004-2009;
- A national agenda for the period 2005-2015;
- A regionalization programme, initiated in 2005;
- A judicial reform programme, also initiated in 2005.

The King has asserted that good governance can be achieved only with the consent and participation of those directly affected by government policies. Consequently, an essential element of the reform movement is the involvement of members of the public and private sectors and civil society both in establishing goals and mechanisms for reform and in overseeing implementation. The emphasis is on transparency and partnership.

3.1 The public sector reform programme, 2004-2009

The public sector reform programme being implemented during the period 2004-2009 is guided by four important principles. As mentioned, objective measures are being established to ensure a fair assessment of government performance; the focus is on instituting a *results-based approach*, through which the achievement of measurable results serves as the main indicator of progress in the areas of policy, institutional, procedural and human resource development. Processes and procedures are to be characterized by *transparency*, which requires the establishment of mechanisms for public accountability at all levels. Efforts are being stepped up to ensure decentralization; authority is gradually being transferred from the central to the local authorities, which must be empowered to execute decisions through the provision of sufficient financial resources and other forms of support. In all public sectors, the *optimal utilization of financial resources* is essential; transparent accounting and accountability mechanisms are required to ensure compliance, and again, results-based criteria are to be used to judge whether taxpayers are receiving the best possible value for their contributions.

The five main dimensions of the current reform programme are as follows:

- Enhancing policy- and decision-making. A commitment has been made to provide whatever support is necessary to facilitate and improve the work of the executive branch of government. A number of new ministerial committees with specific mandates have been created for this purpose;
- Organizational restructuring and institutional streamlining. Efforts in this regard are aimed at achieving greater transparency, simplicity, efficiency and effectiveness;
- Developing service delivery and assessing performance. Elements of this dimension include the ongoing identification and correction of problems and the regular evaluation of public sector performance at multiple levels. Gaps and deficiencies in government performance are to be pinpointed, remedial measures developed and instituted, and monitoring mechanisms put in place to objectively assess progress. Efforts will focus on bureaucratic simplification and on addressing corruption and favoritism in order to ensure greater integrity, quality and efficiency in public service provision;
- Managing human resources. The goal is to ensure that civil servants are qualified, competent and productive. There are plans to offer better salaries and incentives to attract qualified individuals, to objectively assess performance, and to reward merit and productivity. Training will be provided to build human resource capacity. Greater autonomy and responsibility will come with increased decentralization and devolution;
- Managing financial resources. The main goals are to increase revenues and to rationalize expenditures. A modern government financial information system is being designed to ensure greater efficiency and transparency in accounting and the monitoring of expenditures. The broader objective is to achieve economic growth and financial stability and sustainability.

Specific units, directorates and other institutional mechanisms have been established under the authority of the Public Sector Development Administration to address targeted reform needs in the areas of service delivery, institutional streamlining, human resource management, programme management, and communications (enhancing awareness and understanding of the programme aims, challenges and achievements to gain internal and external support).

3.2 The National Agenda for 2005-2015

The National Agenda, a new policy framework for the period 2005-2015, was produced by a committee comprising a diverse group of professionals including politicians, economists, sociologists, administrators, businesspeople and NGO representatives. The aim has been to establish clear national priorities for the next decade with regard to economic, social and political development.

3.3 The regionalization programme, 2005

Efforts are under way to divide the country into three development regions; each will have an elected local council to oversee regional economic and social development. Strong emphasis is placed on the participation of citizens in this process. The involvement of the local population and elected representatives ties in closely with the move towards greater decentralization, delegation and devolution. It is felt that residents within a particular area can best identify and address those issues most important to them.

3.4 The judicial reform programme, 2005

The aim of this programme is to ensure that the court system and other aspects of the judiciary are characterized by transparency, accountability, integrity and justice. Activities in this context are being undertaken within the framework of the UNDP Programme on Good Governance in the Arab Region (POGAR), in partnership with the Organization for Economic Cooperation and Development.

This component is, more precisely, part of an initiative on Good Governance for Development in the Arab Countries (GfD), launched in early February 2005. The initiative focuses on the three interrelated areas of administrative, financial and judicial reform and incorporates the following six thematic groupings: civil service and integrity; e-government, administrative simplification and regulatory reform; governance of public resources; the role of the judiciary and legal enforcement (described above); civil society and media; and public service delivery and public-private partnerships.

Lebanon

1. Political, institutional and economic context

1.1 Historical overview

The French Mandate and early independence (1920-1975)

The Republic of Lebanon, broadly modelled on the Third Republic of France, was established during the French mandatory period (1920-1943). The laissez-faire government administration was small and concerned itself more with keeping order and regulating political conflicts than providing public services or undertaking national development. In the first few decades of the country's independence (1943-1975) the political environment was shaped by the unwritten National Pact between Maronite Christian and Sunni Muslim leaders. According to the terms of this covenant, the President of the Republic was to be a Maronite, the Speaker of the National Assembly a Shiite Muslim, and the Prime Minister a Sunni. Representation in the Lebanese parliament was to be shared based on a ratio of six Christian seats for every five Muslim seats.

When Lebanon was granted independence in 1943, it inherited from the French mandatory authorities a constitution, a parliament, a government infrastructure and administrative procedures, a gendarmerie, a police force and an educational system, all of which are still in place. The country's laissez-faire government policy and the weak public sector are also remnants of the colonial period and remain dominant features of the Lebanese State today. Though there has been something of a shift since the end of the civil war, the government administration has traditionally been viewed more as an arena for political manoeuvring than as an apparatus for policy development and the provision of public goods and services.

The first significant administrative reforms were initiated and overseen by President Camille Chamoun (1952-1958) with the support of the Ford Foundation. Chamoun's efforts to expand and modernize the system of public administration were successful in many respects. The service sector was developed and strengthened, and Lebanon experienced an economic boom described by economists at that time as the beginning of "the Lebanese economic miracle". Unfortunately, the country's successes were undermined by growing sectarian tensions, which culminated in a national revolution in 1958.

President Fouad Chehab (1958-1964) initiated a large-scale administrative reform programme with the aim of establishing the foundations of a modern

State, achieving transparent administration and political stability, and facilitating countrywide socio-economic development. A number of new agencies, including the Civil Service Council, the Central Inspection Board and its Directorate for Research and Guidance, and the Court of Account, were set up to implement and oversee the ongoing process of government reform. The President's primary objective was to transform the State into a modern apparatus capable of managing national development and ensuring equality and justice in a modernizing society.

The civil war period (1975-1990)

A number of different presidents held office during the country's 15-year civil conflict. Elias Sarkis (1976-1982) was a veteran public official that had served as Administrator of the Central Bank of Lebanon, a post created within the framework of the reform programme undertaken by Chehab more than a decade earlier. President Sarkis shared Chehab's commitment to government reform, though his efforts were necessarily focused on reducing the negative effects of the civil war. During his tenure, Sarkis established the Council for Development and Reconstruction and attempted to expand and improve public services. However, the ongoing conflict undermined efforts to ensure administrative and socio-economic stability. The public sector revenue base declined, and central planning, reform and control mechanisms deteriorated. Bashir Gemayel was elected President in 1982 but was assassinated before assuming office; his brother Amin took his place. In 1984 the Lebanese Army collapsed and sectarian militias were formed. Amin Gemayel stepped down in 1988, and the presidency remained open until 1990.

During the civil war, the successive Lebanese presidents held a certain amount of power but not the centralized national authority the presidency would ordinarily confer. The Lebanese State and the government administration lacked popular legitimacy, and internal problems were made worse by regional and international interference. The country's political regime was effectively in the hands of sectarian militia leaders. However, there remained a sizeable gap between political leaders and their constituents. No parliamentary or municipal elections were held from 1972 to 1992. A state of relative anarchy prevailed, and Lebanon's once solid socio-economic foundations began to crumble. National unity was destroyed as both civilians and members of the military formed alliances along sectarian lines. The Lebanese economy grew steadily weaker; instability discouraged investment and undermined productivity, and the Lebanese pound (LL) lost most of its value relative to the United States dollar, declining from LL 2.3 to LL 2,400 between 1975 and 1992.

The post-civil-war period (1990-2004)

In October 1989 the League of Arab States and the United States succeeded in bringing Lebanese leaders together for negotiations to end the civil war. The Ta'if Agreement, signed in Saudi Arabia by the surviving members of Lebanon's 1972

parliament, addressed a number of critical priorities, including political reform and restructuring, the cessation of hostilities, and the establishment of special relations between Lebanon and the Syrian Arab Republic and a timetable for Syrian troop withdrawal. Particularly relevant within the conflict resolution framework was the transfer of power from the Maronite Christian minority, which had held privileged status, to a more balanced, representative mix of Christians and Muslims. The Prime Minister had previously been appointed by and accountable to the President alone but would now be jointly selected by the President and the legislature and answerable to the latter, as in a traditional parliamentary system. “By basing national reconciliation on a more equitable confessional formula, the Agreement ‘ratified’ the unwritten National Pact of 1943, consolidating and formalizing sectarianism in Lebanese politics”.¹

Lebanon’s Second Republic was formally established based on the provisions of the Ta’if Agreement. Within this framework, a number of actions were taken to restore national stability, the most important of which included the renewal of the constitutionally based political system, the establishment of equal representation among Christians and Muslims in both the Council of Ministers and the National Assembly, the restoration and strengthening of the State’s administrative and security apparatus, and the holding of parliamentary elections following a 20-year hiatus.

The national Constitution, revised in 1990, established the institutional foundations for a series of government reforms. Within the present context, the most significant bureaucratic shift came with the President’s sharing of executive power with the Council of Ministers and with the establishment of the Office of the Minister of State for Administrative Reform in 1993. Over the past 15 years, the Cabinet and individual ministers have presented a number of major proposals for administrative reform.

The National Pact and the sectarian political regime in Lebanon

Lebanon is a relatively small country with a population of approximately 4 million. Though statistics vary widely, it is estimated that roughly two thirds are Muslim and the remainder are Christian; the relative proportions of each group have changed over the years, often creating internal tensions. There are around 18 sectarian communities in Lebanon. The National Pact of 1943 defined the proportional distribution of parliamentary seats and high-level government and administrative posts among the largest communities, establishing a sectarian political formula that allowed the leaders of the more prominent groups to consolidate their power in the early period of independence and during the civil war. The system is intended to ensure a confessional balance between Maronite Christians and Shiite and Sunni Muslims (the three largest groups); the leaders of the 15 minority groups cannot achieve a rank higher than minister or deputy and are unable to play a decisive role in terms of national leadership or policy-making.

¹ See <http://www.mideastinfo.com/documents/taif.htm>.

The main challenge for the Lebanese State in terms of administrative reform and innovation is reconciling the well-entrenched conservative sectarianism in society and politics, dating back to the middle of the nineteenth century, with the need to strengthen and further develop the country's very modern private sector.

1.2 Political and economic context

Economic system

The long tradition of laissez-faire governance makes Lebanon unique in the Arab world. The country has always had a free-market economy. In the decades before the civil war Lebanon attracted substantial private capital flows from other Arab countries; the tourism, transportation and banking sectors flourished, and the economy grew rapidly. A stable middle class emerged, and Beirut and its suburbs enjoyed an extended economic boom. Lebanon's sectarian character and open economic policies were well coordinated, producing a relatively liberal and modern society in and around Greater Beirut and within a small, central portion of Mount Lebanon; other parts of the country remained tied to old traditions.

During the war, the tertiary (service) sector was virtually destroyed, leaving much of the urban population in dire straits; in the countryside, the agricultural sector sustained a large part of the local population. The cost of production was very high, and most industrial and commercial enterprises suffered extensive losses; many were forced to close. Inflation and unemployment reached 40 per cent during the conflict and in the post-war period, and the dollar value of the local currency plummeted, dropping from LL 3.5 in 1985 to more than LL 2,000 in 1992.

The Ta'if Agreement established the foundations for socio-economic changes in Lebanon. Gross national product rose sharply in 1991 (by 15 to 20 per cent) owing to the resumption of normal economic activity after 15 years of violence and destruction; GNP growth was much slower over the succeeding years. Huge investments have been required to rebuild the devastated public infrastructure, finance reconstruction, and relaunch economic activities. Since 1991, the Lebanese Government has borrowed heavily from domestic and foreign banks, paying high rates of interest, and the State has run up massive budget deficits and public debt; debt servicing has accounted for an enormous chunk of public expenditure. At times, the budget deficit has been equivalent to around 50 per cent of GNP.

Although Lebanon is known for its laissez-faire approach to governance and its support of free enterprise, the public sector still plays a dominant role in the economy, and all the main utilities (including electricity and telecommunications) and the transportation sector (Beirut's airport and seaport and the aqueduct) remain under State management. Privatization and economic liberalization are relatively high on the Government's agenda.

Lebanese reformers tend to oppose the laissez-faire policy, emphasizing the need to create a modern, efficient administration, achieve balanced regional development, and ensure the equitable distribution of economic and social resources among all citizens and regions. Within the framework of a comprehensive reform policy, Lebanon would benefit from increased administrative decentralization and the establishment of regional authorities. It is also important for the State to provide an enabling environment for increased public and private investment.

The institutional framework and system of government

The Constitution of Lebanon, revised in 1990 in accordance with the terms of the Ta'if Agreement, affirms the principle of the separation of powers and of balance and cooperation between the three branches of Government. The President of the Republic is elected by a two-thirds majority of the National Assembly (parliament) for a six-year term² and serves as Head of State, sharing executive powers with the Council of Ministers. It is at this level that national policy is established, laws are drafted, and top public administrators are appointed or removed; in most cases, parliamentary approval is required for executive decisions. The Prime Minister, who is also the President of the Council of Ministers, is the Head of Government and is appointed by the President in consultation with the National Assembly. Most official decisions are made on a consultative basis; for example, virtually all presidential acts must be signed by the Prime Minister, and the parliament and the Council of Ministers are involved in the process of proposing and approving laws and decrees.

Legislative power rests with the unicameral National Assembly.³ The elected parliament is made up of equal numbers of Muslims and Christians, with proportional representation among confessional groups within each religious community and between geographical regions. As mentioned, the Assembly can propose laws, and legislation cannot be promulgated by the President until it is approved by the Assembly. All Lebanese citizens are eligible to vote once they reach age 21.

The Constitutional Council determines the constitutionality of laws and of high-level electoral procedures.

The judicial branch of Government operates independently and is organized hierarchically, with multiple trial courts, six courts of appeals, and a Court of Cassation. The Supreme Judicial Council, headed by the First President (Chief Justice) of the Court of Cassation, is responsible for appointing and transferring judges, providing training, and overseeing internal disciplinary proceedings.

The central administration

Lebanon has a strong central administration, with around two dozen ministries that delegate little or no authority to local administrations. Municipalities represent the

² After the first ballot a simple majority is sufficient. A President may not be re-elected until six years after the expiration of his last mandate.

³ The Arabic name of the country's parliament (Majlis an-Nuwab) translates as "Chamber of Deputies"; in English the term "National Assembly" is used, after the French "Assemblée Nationale".

only level of local government; individual districts (mouhafazat) have no political role, receive no financing, and do not provide public services.

BOX 3. GOVERNMENT MINISTRIES AND MINISTERIAL OFFICES IN LEBANON

- Ministry of Foreign Affairs and Emigrants
- Ministry of Social Affairs
- Ministry of Interior and Municipalities
- Ministry of Public Works and Transportation
- Ministry of the Displaced
- Ministry of Labour
- Ministry of Tourism
- Ministry of Agriculture
- Ministry of Environment
- Ministry of Economy and Trade
- Ministry of Education and Higher Education
- Ministry of Electricity and Water Resources
- Ministry of Industry
- Ministry of Information
- Ministry of Culture
- Ministry of Defence
- Ministry of Justice
- Ministry of Public Health
- Ministry of Finance
- Ministry of Telecommunications
- Ministry of Youth and Sports
- Office of the Minister of State for Administrative Reform

Local administration

Although the Constitution is silent on the subject of local government, Lebanon has historically made provisions for local authorities. During the civil war, economic and decision-making powers were increasingly centralized. The Ta'if Agreement emphasizes the need to return to a more decentralized form of public administration, but there has been little actual progress made on this front.

As mentioned, municipalities constitute the only level of local government, but they have virtually no autonomy. Local authorities implement national development policies, and even local projects and initiatives are developed and overseen by the central administration — usually by the Ministry of Interior and Municipalities, and more specifically by the Council for Development and Reconstruction, one

of the more than three dozen government agencies operating in Lebanon. Budget analyses of Lebanese municipalities indicate that they are still engaged primarily in post-war reconstruction, including infrastructure rebuilding and the repair and restoration of the electricity grid and the water supply system.

Law No. 118 of 1977 includes provisions establishing the fiscal autonomy of local government authorities. However, municipalities are desperately short of financial resources owing to the weak local tax base and insufficient national revenue support. Lebanon has a relatively small population, so tax revenues would be somewhat limited even under the best of circumstances. At present, ICT systems are inadequate for identifying taxable subjects and tax obligations; it is difficult to confirm taxable income and enforce payment.

2. Governance and public administration: challenges and reform strategies

2.1 Reform strategies and priorities in Lebanon: an overview

The need for administrative reform was recognized as far back as 1959, and responsibility for overseeing the process was delegated to the Central Inspection Board's Directorate for Research and Guidance. The Directorate is still in charge of promoting and managing administrative reform and of developing and modernizing the public sector.

The Office of the Minister of State for Administrative Reform (OMSAR) was established by the Council of Ministers in 1995 to rebuild and strengthen the country's war-ravaged public administration and lead it into the twenty-first century. It was charged with facilitating institutional and ICT development to create a more responsive, transparent and accessible administration and to increase productivity within the civil service. OMSAR, working in collaboration with international partners, has been involved in a number of reform efforts over the past decade and continues to play a leading role in the identification of reform priorities and the implementation of relevant programmes.

The evolution of administrative reform objectives over the past decade

The comprehensive Recovery and Development Programme was initiated in Lebanon not long after the end of the civil war. Recognizing that a strong, efficient public administration was needed to carry out essential functions within this context, the Government launched the National Administrative Rehabilitation Programme with the support of UNDP in 1995. The main strategic objectives of the Programme were to eliminate corruption and strengthen the sense of accountability, to draw a clearer distinction between political and administrative functions, to secure sufficient resources to attract and retain competent staff, and to shift from the bureaucratic and control-oriented public management approach to one focused on service and results. The Programme was to be carried out in two phases. Over an initial three-year period emphasis would be given to addressing the urgent needs of

key administrative units, ensuring their capacity to carry out day-to-day operations, and laying the groundwork for the second phase, which would involve a more comprehensive, all-encompassing reform of the entire public administration.

During the first phase, the Lebanese Government was able to establish a basic, functional administrative and ICT infrastructure and to more precisely identify reform priorities. Specific objectives within this context included restructuring the ministries and revising their mandates, revising human resource management policies including job and salary classifications, applying measures to rationalize and control spending and ensure financial accountability, raising awareness of international administrative standards and encouraging internal discussion, and further developing the ICT infrastructure and providing relevant training, particularly to promote increased communication, coordination and the exchange of information.

Over the years, it has become increasingly apparent that highly ambitious reform objectives are unlikely to be met owing to the inconsistent commitment to reform, the lack of external incentives, and the firm entrenchment of an ageing cadre of traditional bureaucrats who appear united in their resistance to change. Acknowledging these obstacles, the Government has defined more modest reform objectives that are closely tied to the original objectives but have a better chance of being implemented.

Rebuilding the physical infrastructure and streamlining operations have been given priority. The Government is focusing on strengthening human resource capacities and organizational structures in order to improve efficiency and motivation and build a network of agents for change from within.

Lebanon currently faces the following administrative reform challenges:

- The Government is still in charge of key sectors that would benefit from increased private sector and civil society involvement and management;
- The structure of public administration is not consistent with the actual needs of citizens. Major administrative decentralization is required, and agency missions and mandates must be redefined and revised;
- The civil service is experiencing a human resource crisis. An estimated 10,000 of the 22,000 classified posts in the civil service are currently vacant. There are indications that the shortage is especially acute in the upper ranks, which include junior, middle and higher-level managers. Improved hiring policies, job classification and description, incentives and training are required to attract qualified personnel and upgrade the skills of existing employees.

Reform strategies have been and are being developed in line with these and other recognized priorities within the overall framework of the OMSAR mandate. Foreign agencies often provide financing and technical support for reform projects, and OMSAR serves as the coordinating and implementing body, allocating funding, delineating project parameters, and overseeing programme execution and fol-

low-up. The Office is equally involved in nationally funded projects. The OMSAR intervention strategy focuses on three “action areas” requiring the most urgent attention; details relating to each are provided below.

State functions

Reform efforts under this heading centre around the following:

- Clarifying and strengthening the State’s core functions (formulating strategies, and planning, coordinating and implementing public policies and activities), and similarly addressing its subsidiary functions;
- Assessing financial and human resource requirements for achieving administrative reform goals and, if necessary, identifying means of securing these resources;
- Redefining State objectives and revising the roles of government agencies and staff, as necessary; there should be a parallel acceleration of the privatization process and the creation of executive agencies relying increasingly on public-private contracting arrangements;
- In pursuit of the above, strengthening the role of the Higher Privatization Committee (composed of five ministers supervising the privatization programme), and developing, testing, fine-tuning and implementing multiple privatization measures;
- Modifying the political context so that the necessary support is available for the implementation of privatization processes and the adoption of legislation that will ensure sustained administrative transparency and accountability;
- Establishing and maintaining constructive dialogue and cooperation between the State administration, civil society and the private sector to better evaluate and address actual needs.

Structural and organizational aspects of the State apparatus

Actions within this context primarily involve examining and assessing existing structures and processes to identify gaps, deficiencies and redundancies, and undertaking remedial measures that are likely to involve organizational restructuring and the revision and redistribution of tasks and functions within and among State agencies. Specific priorities include the following:

- Examining the internal organization and institutional mandate of every government department and agency, and revising the organizational structure of each in order to eliminate the duplication and overlap of functions and responsibilities in public administration. This may involve the elimination, merging or expansion of existing structures and the transfer or revision of tasks and functions;
- In support of the preceding objective, clearly defining organizational assets, identifying essential functions, and assigning responsibility for those functions to specific bodies;

- Reviewing ministry roles and functions with the aim of facilitating progressive decentralization and the devolution of responsibilities; the goal is to transform ministries from service providers into entities that develop strategies and establish criteria for monitoring and evaluation;
- Creating a virtual organization that would allow employees from various public sector agencies to engage in collaborative efforts to improve and modernize public administration;
- Strengthening policy-making and strategy implementation capacities through ongoing human resource development and the establishment of a national decision support system for officials at the highest levels of Government. Relevant objectives incorporated within the OMSAR framework include the following:
 - Setting up organizational units within ministries to facilitate the formulation of plans and strategies and the evaluation of their effectiveness;
 - Dividing and distributing policy-making functions to ensure optimal effectiveness, defining strategic priorities and allocating sufficient resources for implementation, assigning relevant activities to different bodies and in each case establishing a specific mandate and time frame for completion, and evaluating results;
 - Developing a statistical culture, which requires database creation and maintenance and the application of appropriate analytical tools for optimal information processing;
 - Encouraging debate, discussion and the sharing of expertise; discourse must extend beyond the internal administration to include representatives from academia, the private sector and international organizations;
- Ensuring high-quality public service provision.

The last item listed above is a key goal requiring fundamental internal changes that will shift the focus of public administration from managing the government bureaucracy to meeting the needs of citizens. Human resource development is one of the most critical components within this context. New approaches to personnel management should be adopted, with internationally accepted norms and procedures established to create a more positive and productive organizational culture. Some of the more important steps to be taken to achieve these aims include the following:

- Defining management philosophies and strategies for human resource development both for the State administrative apparatus as a whole and for individual ministries;
- Establishing common standards for the entire public sector, including a single job classification system and criteria for inter-ministerial mobility;

- Introducing an exclusively merit-based system for employee selection and advancement;
- Offering flexible incentives linked to the attainment of goals or establish performance standards;
- On an experimental basis, offering higher pay (market rates) for certain key professional and technical posts in order to attract the most highly qualified candidates;
- Actively recruiting promising candidates from the outside labour market, particularly for higher-profile positions, and considering the possibility of temporary exchanges of personnel between the public and private sectors;
- Investing in targeted, up-to-date training to strengthen employee competence and promote career advancement;
- Developing an objective, transparent performance evaluation system to assess the efficiency and productivity of public sector employees.

Improving public service provision also requires modernizing and streamlining operational systems and procedures. It is essential to develop new sets of rules that ensure greater transparency, responsibility and accountability; allow flexibility in responding to the evolving needs of citizens; and focus on the achievement of measurable results. Careful assessment is required to identify those areas requiring direct, immediate attention, with appropriate remedial actions devised to address priority issues. Emphasis should be given to the following:

- Simplifying and streamlining administrative methodologies and procedures;
- Developing a procedural code based on the principles of efficiency and integrity and focused on the achievement of measurable results;
- Ensuring comprehensive ICT integration at all levels of administration;
- Maintaining a commitment to client satisfaction. OMSAR is developing mechanisms to ensure quality control, including surveys to gauge perceptions of service provision, analyses of customer satisfaction, and an ombudsman's office. Sector benchmarks are being introduced to evaluate performance.

Information and communication technology and e-government

ICT integration represents a cornerstone of administrative reform in Lebanon. ICT options offer opportunities for organizational and procedural streamlining and modernization. Many of the ICT and e-government objectives adopted are based on successful Western models of administrative digitization. Lebanon's plan may be summarized as follows:

- First, a legislative framework must be established for ICT development within the State administrative framework. Parameters must be defined for ensuring data security, protecting the exchange of information, and guaranteeing the validity of electronic transactions (especially digital signatures). These and other preconditions must be met to lay the foundations for the successful development and utilization of technical applications;

- Once the legal framework has been defined, it is necessary to identify which technical options are most appropriate for the establishment of the ICT infrastructure and networks required for efficient public service provision;
- Some e-government services are already operational, though most are still in the research and planning stages. There are four main areas of operation within this context, including citizen-focused services, business-related transactions, internal administrative operations, and civil service activities (personnel affairs).

2.2 The reconfiguration of the role of the State

The dynamic private sector has been primarily responsible for the modernization of Lebanon. The Government has undeniably played a critical role in creating a favourable environment for private investment in the finance, tourism, trade, services, health and education sectors over the course of the country's history, with the laissez-faire system of governance and the openness of the Lebanese economy allowing private investors and entrepreneurs to flourish. Overall, however, the Government tends to act conservatively, largely preferring to maintain the status quo in terms of national policy, public sector development and internal State administration. It is generally agreed that major political and administrative reforms are needed, as a country such as Lebanon, with its dynamic free-market economy, active private sector, and sociocultural complexities, requires strong and decisive leadership and an efficient State apparatus to facilitate social and economic development and ensure national stability.

Real improvement in the quality of governance is needed to establish a secure future for Lebanon's younger generation. Without extensive public sector reform, the socio-economic crisis that is slowly building as a result of excessive unemployment will soon undermine the country's political stability, which has been only tenuously maintained through the delicate sectarian balance and the assurance of basic freedoms for all citizens. With gradual reforms, Lebanon can build a stable, modern State that promotes tolerance and democratic values and facilitates economic opportunities.

It has been argued that the sectarian political formula needs to be further revised to allow the comprehensive reform of public institutions. This might prove enormously difficult.

The Council of Ministers retains formal control over the bureaucracy. In many cases sectarian leaders who support the bureaucratic elite oppose reforms planned by the Cabinet. Since senior bureaucrats are permanent while cabinet membership changes frequently, and since these bureaucrats are primarily responsible for policy formulation and implementation, radical reform efforts have never succeeded. The public sector continues to suffer from bureaucratic inefficiency. The institutional structure is partly to blame, but the quality of the civil service represents one of the

most serious underlying problems; within the public sector there is a disproportionate number of unqualified, poorly paid workers, and rates of absenteeism and corruption are relatively high.

Lebanon's progressive intellectual elite has contributed enormously to private sector development and could play an equally dynamic role in the process of State building — provided the members of this group are allowed to participate in decision-making based not on their confessional identity but on their shared status as Lebanese citizens. Fundamental government reforms are needed to create an enabling environment for administrative modernization and national development. Such radical changes are best implemented gradually within the framework of a comprehensive, well-thought-out reform strategy. Specific priorities include the following:

- Eliminating sectarian restrictions and the tradition of dividing administrative seats among the leaders of sectarian communities;
- Allowing the new “modernizing” elite to assume key leadership positions in the Government;
- Modifying the traditional institutions and legislative framework of the State to promote positive change;
- Further developing the political system and democratic institutions;
- Devising a comprehensive strategy to eradicate illiteracy, sharply reduce unemployment, and halt the massive brain drain.

2.3 Decentralization and local administrative reform

The Ta'if Agreement emphasizes the critical importance of administrative decentralization. Lebanon is divided into six governorates, but the administrative and political components of local government remain highly centralized owing to the country's small size and the nature of the confessional system. Internal rural-urban migration and massive wartime emigration created a population vacuum in many villages and rural areas and a disproportionately large urban population (around 92 per cent).

The Ministry of Interior and Municipalities is in charge of overseeing municipal infrastructure reforms. Recent efforts have focused on promoting legislation aimed at strengthening the role of municipalities and investing them with greater decision-making power; on easing eligibility requirements for local political positions, including mayor, deputy mayor and council seats; and on setting up training centres for municipal employees and local police personnel.

OMSAR has collaborated with the Ministry in developing a project entitled Assistance to the Rehabilitation of the Lebanese Administration. One of the most important interventions currently under way is the establishment of an information network linking municipalities as part of a broader, national-level ICT initiative. In addition, a number of training programmes have been launched for municipal employees.

Notwithstanding these limited efforts to facilitate local administrative development, resistance to decentralization remains high at the central level. Municipalities are caught in a vicious circle: because authority is so centralized, there has been little opportunity to develop local institutional capacities; consequently, most municipal projects are carried out by the central Government (and in some cases by the private sector).

2.4 Human resource management in the public sector

The Civil Service Board is responsible for public sector hiring and personnel management at both the central and local levels. A law has been proposed that would transform the agency into an integrated resource management unit. In the meantime, a number of organizational reforms have been undertaken, with ICT integration representing one of the most important programme components. Comprehensive digitization has enhanced the efficiency and sophistication of civil service processes and procedures. Detailed information on all public sector employees, including personal and professional profiles and data on meritorious service or disciplinary actions, may now be easily stored and accessed, and certain applications are being tested that may facilitate personnel evaluations during the hiring process.

Legislation has been drafted that would allow the Central Inspection Board to play a more active role in civil service valorization and performance evaluation at both the central and municipal levels.

OMSAR is involved in many of these reform efforts and is itself the focus of administrative reform. An ambitious draft law has been proposed that redefines the role of this Office based on certain essential reform priorities, which broadly include increasing the administrative autonomy of State agencies at all levels while also facilitating greater coordination and procedural harmonization — a task made much easier by ICT integration. OMSAR has devised strategic plans for strengthening the central ICT infrastructure, and these plans include a human resource development component focused primarily on improving data access and protection capacities and enhancing forecasting abilities. Reform efforts have also been undertaken to improve public sector accounting capacities, with attention given to planning, supervision, accounting procedures, reporting and evaluation within this context.

Public sector employees

The sheer size of Lebanon's public sector is an indication that comprehensive political, socio-economic and administrative reforms are in order. The number of individuals on the government payroll rose from around 120,000 in 1992 to nearly 180,000 in 1998.⁴ Public administration in Lebanon has become highly politicized owing to persistent sectarian tensions, a legacy of the long civil war. Furthermore, over the past several years, older and more experienced bureaucrats have been

⁴ This figure includes all public sector employees (civil servants as well as military and security personnel).

increasingly marginalized, and the weakness of State monitoring mechanisms has become apparent. Post-war Governments have frequently talked about streamlining and modernizing the public sector, and the Office of the Minister State for Administrative Reform was established with generous financial support from the World Bank and the European Union; however, concrete measures have been limited and largely ineffective.

In spite of the internal resistance to administrative reforms, and particularly to changes in the civil service system, a number of measures have been taken to enhance human resource management in the public sector, including the following:

- An employee code of conduct approved in February 2002 emphasizes the ethical aspects of public employment and service provision, requiring adherence to principles such as equality, impartiality, and justice and a commitment to act in the public interest;
- A new performance evaluation system has been adopted that lays some of the groundwork for the introduction of a results-based system of career advancement;
- A computerized system has been developed to monitor the attendance of public sector employees and is currently at the experimental stage.

Improving public sector management

Personnel development within the civil service currently centres around ICT and management training. The general directors within the central administration have conducted a series of meetings to share experiences and discuss reforms based on modern principles of public management and international best practices. These workshops, funded by the European Union and attended by the highest administrative officials, have focused on the following themes:

- Trends in administrative reform;
- Public administration and the citizen;
- The use of a common assessment framework to measure performance in public administration;
- Key aspects of human resource management;
- Regulation and deregulation;
- The social development budget and control systems in public administration.

2.5 Restructuring and reorganization

Reforming the central authority

Over the past decade OMSAR has conducted a number of studies on the organization and structure of the State administrative apparatus. Based on its findings, the Office has proposed legislation to streamline operations through structural and procedural reorganization and the redefinition of tasks and objectives.

Law No. 247 of 2000 provided for the reorganization of a number of ministries and government agencies. The following year, the organizational regulations of certain ministries were reviewed; improvement and simplification programmes were developed and are now being tested in selected ministries.

A task force for the simplification and streamlining of administrative procedures was created within OMSAR in June 2001 and has proposed a number of specific reforms for various general directorates.

Other public entities are involved in testing the Performance Improvement Plan (PIP) programme.

Local administrative reform

Lebanese municipalities have participated in the national post-war recovery and reconstruction programme, an essential component of which is improving the efficiency of public administration. Since 1998, municipal authorities have been working in conjunction with OMSAR and various ministries to strengthen local government structures. The current programme has been implemented in three phases, as follows:

- The testing of a series of pilot interventions in a single municipality (Choueifat);
- The evaluation of results, the implementation of corrective measures, and the extension of the programme to another 80 municipalities;
- The application of the programme in all of Lebanon's remaining municipalities.

This programme has focused primarily on organizational restructuring, human resource development, procedural simplification, the development of accounting systems, and the establishment of modern tools (including ICT-based mechanisms) for strengthening communication with the citizenry.

Overall, local administrations have responded positively to the interventions already undertaken. One of the most encouraging indicators of success is the increase in fiscal revenues, which in some cases have almost doubled. Visible progress has also been made in establishing better communication with the public, primarily through the creation of websites and ICT offices.

Fostering a public-private partnership to promote national economic development

A number of government ministries and agencies have engaged in ambitious efforts to facilitate economic cooperation between the public and private sectors.

The most structured initiatives are those designed to encourage private investment. Several years ago the Investment Development Authority of Lebanon (IDAL) established the One-Stop Shop on its premises to circumvent "lengthy bureaucratic and administrative procedures and provide investors with a single point of contact for all dealings with the Lebanese Government".⁵ The One-Stop Shop guides investors step-by-step through project approval, development and implementation, and even

⁵ See <http://www.idal.com.lb/OurServices.aspx?ID=5>.

provides follow-up services. Its licensing directorate comprises the Department of Permits and Incentives and the Department of Post-Investment Services.

IDAL offers other valuable services as well. It is actively involved in bringing business investors together for joint projects, favouring domestic-foreign partnerships. Its Investor Support and Information Centre is a computerized service facility providing comprehensive investment information and assistance.

OMSAR has organized a series of educational activities aimed at encouraging non-governmental organizations to play a more active role in promoting public-private partnerships.

2.6 Public service delivery: responding to citizens' needs

OMSAR has drawn up legislation aimed at strengthening the relationship between public administration and the needs of citizens. Following the lead of Western nations, the legislation defines and regulates the right of citizens to access administrative records and introduces mandatory controls with regard to public acts and the availability of public information. A logical preliminary step would be to distinguish confidential records from those not subject to access restrictions. There are also legislative provisions for the creation of an institutional commission within the Council of Ministers in charge of overseeing access to records and maintaining public administration archives.

Ensuring quality public service provision

In November 2001, the Council of Ministers approved the introduction of Charter Marks⁶ as an indication of the Government's commitment to strive for excellence in public service provision. This initiative and similar schemes adopted in more recent years have collectively provided a set of international standards for service delivery in the health, education, environment, public works, justice, public finance, and local administration sectors and a means of guiding reforms and measuring improvement. One of the most important features of this process is its transparency. Progress is publicly monitored, and relevant information on quality control and quality assurance is made available to all. Such mechanisms serve as a constant reminder that citizens must remain the central focus, and in fact are the *raison d'être*, of public administration. These initiatives also offer a way to publicize innovations and reforms and tie in with the mass media publicity campaign undertaken by OMSAR to create a different image for the public service sector.

Among the concrete steps taken to respond to citizens' needs, one of the most important has been the creation of the Central Office for Administrative Information. Accessible through its website or call centre, this Office serves as a point of reference for citizens wishing to find out more about public services and how to take

⁶ The Charter Mark is the British Government's national standard for excellence in customer service. It represents a powerful, easily applied tool for directing and measuring improvements in service provision.

advantage of them. Efforts to establish a more direct connection with citizens are currently limited to information provision but have already succeeded in reducing bureaucratic red tape and expediting services.

2.7 The challenge of electronic government

In 2002, published a comprehensive e-government reform strategy for Lebanon. National priorities were defined, and key players in both the public and private sectors were identified. The strategy encompasses three major components, as follows:

- A comprehensive assessment of requirements for modernizing the national telecommunications infrastructure and establishing a system of e-government. Efforts have already been undertaken to determine levels of national ICT access, to evaluate information systems and applications, to identify training and capacity-building requirements, and to develop a legislative framework for the ICT sector;
- The identification of technical and strategic requirements for expanding e-government operations at the national level, and of the necessary steps for programme implementation;
- The development of several priority pilot projects and the presentation of a detailed executive plan for their completion over a period of seven years, provided sufficient funding is available.

The e-government initiative revolves around the achievement of strategic objectives linked to citizen- and business-centred ICT development. As implied above, it is first necessary to ensure the full integration and extensive utilization of appropriate information and communication technologies within both the State apparatus and Lebanese society, and to establish effective legal and institutional frameworks for e-government. The strategic objectives may be summarized as follows:

- To provide all citizens and investors with easy access to information through multiple channels, including the Internet and public service centres;
- To make all public services available online so that the physical distance separating citizens/investors and public agencies is no longer a consideration;
- To simplify bureaucratic procedures and improve the speed and efficiency of public service delivery;
- To establish single public service points for citizens;
- To implement a harmonized commercial coding system so that all government procurement processes may be carried out online. This is to serve as a leading example of e-commerce at the national level and represents a first step in promoting and facilitating e-trade and other electronic business transactions;
- To establish and maintain a comprehensive intragovernmental ICT network and support system that allows most internal administrative interaction to take place online.

Lebanon has always endeavoured to keep up with the latest developments and currently ranks second in the Middle East, after Jordan, in terms of e-readiness. Widespread Internet use has allowed Lebanese society to become relatively well "e-educated" and connected to the national information infrastructure.

Internet users make up 11.7 per cent of the Lebanese population. An annual increase of 3 per cent over a period of six to seven years would raise the overall usage rate to more than 30 per cent by the end of 2009. A reasonably high level of Internet penetration is essential to the success of the e-government initiative.

State revenues from services provided through e-government applications are growing by an average of 15 to 20 per cent per year. Government operations and procedures are being simplified and streamlined at an annual rate of 10 to 15 per cent; at this rate the process should be completed by the end of the decade. In 2007, Lebanon won the prestigious United Nations Public Service Award for its online taxpayer services initiative.

3. Priorities in reforming governance and public administration in Lebanon

3.1 Identifying problems and priorities

During the civil war, government administrative operations were carried out largely on an ad hoc basis, as it was virtually impossible to retain qualified staff or ensure operational stability or consistency. The following factors contributed to a serious deterioration in public administration:

- Beirut was a divided city and a dangerous war zone, and key ministries and public agencies were often located in different sectors and/or weakened by serious internal divisions;
- Civil war violence damaged or destroyed many government buildings and facilities;
- Militias took over key administrative establishments;
- The ability of high-level administrators and central control agencies to identify, investigate and punish corruption declined sharply;
- Many top managers and administrators left their jobs, emigrated, or were killed;
- Absenteeism became a widespread phenomenon within the civil service;
- One third of the professionally qualified Lebanese workforce left the country.

Today, more than 15 years after the end of the civil war, the Lebanese public sector remains understaffed, underequipped and poorly organized. The public debt and budget deficit are massive, and economic growth remains unimpressive, as regional instability has discouraged Arab and foreign investment in Lebanon.

Nonetheless, considerable progress has been achieved in certain areas of administrative development, most notably with regard to ICT integration. Since the mid-

1990s, the Government of Lebanon has undertaken a significant number of ICT-based modernization projects. Initially, international organizations were actively involved in the planning process, often providing specific ministries or government agencies with grants or loans for targeted project development. This approach has gradually been replaced by a demand-driven process of project selection based on predefined criteria. Funds may be more flexibly and efficiently allocated to projects through which targeted reform objectives are most likely to be achieved. Over the past decade this planning modality has guided the selection and implementation of a number of successful projects within the government administration. Modern telecommunications and database systems have been installed in government offices, ministries and autonomous public agencies, and thousands of civil servants have been provided with relevant ICT training. Capacity-building programmes have been aimed at ensuring staff proficiency in the use of personal computers, productivity tools, advanced network and database systems, and tailored software applications for specific administrative systems. Many government offices now have more highly skilled personnel able to operate, maintain and upgrade information systems.

3.2 Challenges and sources of support in administrative reform

Sectarianism has effectively undermined the modernization of public administration in Lebanon. State institutions are not representative of Lebanese society, which on the whole is dynamic and progressive. Government and administrative officials are a mix of modern, democratic leaders and political party members, on the one hand, and feudal, sectarian and traditional tribal and family leaders, on the other hand.

The educational system has actively contributed to the modernization of society. Public and private institutions of higher learning have produced a highly qualified, multilingual workforce, enhancing the quality of public administration and private enterprise in Lebanon. The diversity within the Lebanese social structure is reflected in the diversity characterizing the educational system, which prepares members of all communities for the challenges associated with diversified public administration and a dynamic, modern private sector involved in local and international commerce.

Lebanon requires substantial foreign assistance to rebuild the State infrastructure and strengthen administrative capacities. The European Union has provided considerable financial, economic, technical and cultural development support. Within this context, full advantage must be taken of the opportunity to apply recognized international standards and best practices, particularly in developing human resources and establishing accountability mechanisms. One of the most critical priorities, required for its own sake and to create a framework for State modernization, is the comprehensive democratization of State institutions including executive, legislative and judicial bodies, municipal and other local authori-

ties, public social and economic agencies, media and educational institutions, and other public sector entities.

It is also important to establish networks to allow national and international experts and administrators to share knowledge and experience so that best practices may be applied in public administration. Involving all stakeholders in the planning and implementation of administrative reform fosters a sense of ownership. In 2004, the Office of the Minister of State for Administrative Reform, the Delegation of the European Commission in Lebanon, and the Lebanese Council for Development and Reconstruction signed an agreement aimed at enhancing the participation of civil society in inter-communal dialogue and strengthening its role in public service support, particularly in the areas of citizenship development and assistance to vulnerable social groups (including poor and marginalized populations, migrant labourers, refugees, ex-detainees, substance abusers, and the elderly).

3.3 Administrative reform efforts in Lebanon: an overview

The modernization of public administration represents an integral component of the Lebanese Government's national recovery and reconstruction programme. The gradual process of reform has been guided by the need to establish viable democratic institutions and processes, increase public and private sector efficiency, establish a liberal and stable economy, facilitate the strategic development of national resources, and ultimately improve the standard of living.

As mentioned previously, international donors have provided substantial financial and technical assistance for administrative reforms, focusing primarily on improving public sector performance and rationalizing the use of resources in order to control budget deficits and reduce the debt burden.

The Government and citizenry are still trying to reconcile their desire to preserve the pluralistic sectarianism that has long dominated Lebanese society with the need to develop a shared national identity as a necessary step towards achieving good governance and national stability. This represents one of the most difficult and fundamental challenges in Lebanon today, as sectarian and ethnic traditions and priorities are always given precedence over the interests of Lebanese society as a whole.

In spite of these and many other obstacles, Lebanon has consistently taken a proactive approach to social and economic development and modernization. Its strong sense of initiative, strategic geographical location, and extensive historical, cultural and economic ties with other Mediterranean and Arab countries have allowed Lebanon to become one of the first "globalized" countries in the Middle East. Lebanon has long been actively involved in the international exchange of goods and ideas.

These important features give Lebanon almost unlimited potential for growth and development. Greater advantage must be taken of the country's enterprising spirit and resourcefulness, geographical position, established global linkages, and dynamic civil society to enhance the quality of governance, encourage private investment and promote exports. All social and economic forces, both public and private, must be more actively engaged in the process of strengthening the economy, social cohesion and public administration.

A certain amount of government regulation and facilitation is required to ensure balanced economic development. Lebanon's open trade policy tends to benefit large exporters and investors rather than the small and medium-sized enterprises that form the backbone of a strong economy, and the gradual weakening of smaller businesses can lead to widespread bankruptcy, wage reductions, agricultural and industrial crises, and ultimately economic stagnation. Such developments contribute to increased unemployment and the emigration of large numbers of highly qualified young people.

Various economic policies adopted by successive Lebanese administrations since the end of the civil war have negatively affected purchasing power and the availability of funds for social development, undermining the stability of the middle class and exacerbating the difficulties faced by lower-income groups. The Government has directed most of its attention and development resources towards structural reforms centring around trade liberalization, privatization and global economic integration, sharply reducing budget allocations for social services and environmental sustainability. The State must take concrete steps to mitigate the adverse consequences of these policies and pursue a more balanced, sustainable development strategy.

The long civil war destroyed Lebanon's once favourable economic climate and created serious structural imbalances. Over the past 15 years the State has tried and failed to re-establish its dominant role in public service provision and economic development. The process of modernization has been supported primarily by the private sector and the country's liberal elites.

The weakening of public administration between 1975 and 1990 led to the stagnation of the public sector, which has remained virtually paralysed as a result of the ongoing power struggles between sectarian political leaders. The failure of the State to exercise strong and creative leadership in the economic, social and educational spheres has negatively affected the private sector and overall national growth and development. Fiscal policy in Lebanon is not based on any comprehensive plan or strategy. Far more attention is focused on tax collection than on socio-economic investment and public sector reform. Public institutions remain ineffective and inefficient, and overall development efforts have largely failed to bear fruit.

The modernization of the public sector requires the active participation of central and local government, civil society and the private sector. To achieve economic

growth, the Government could benefit from serious structural reforms, extensive fiscal policy adjustments, reduced and controlled public debt, and increased economic and social investment. At the institutional level, action could be taken to establish solid legislative foundations for national development, reorganize and modernize the country's productive sectors, develop State administrative capacities, promote the transfer of state-of-the-art technologies and practices, and develop markets for Lebanese exports.

Administrative reform is fundamental to Lebanon's reconstruction and recovery programme, as an efficient State infrastructure is needed to facilitate all other forms of national development. An innovative strategy for administrative modernization must be actively pursued in order to improve governance and promote public sector rehabilitation.

The privatization of certain public sector industries and institutions would allow the Government to reduce its expenditures and would create new opportunities for employment, investment, and external development assistance. Privatization is not an end in itself, however, as private monopolies are as unlikely as public monopolies to bring the country's economic recession to an end. Innovative business support programmes are needed to encourage the development of small and medium-sized enterprises, which are essential to long-term national stability.

Within the current political framework, major public sector reforms cannot be undertaken without a consensus among traditional sectarian leaders. It is important to find a way to integrate larger numbers of Lebanon's modernizing elite into the higher levels of government, as they would be far more likely to open the door to innovation in public administration and move ahead with extensive reforms. Innovators could make use of Lebanon's open and dynamic mass media and communications sector to cultivate social support for government reform. Beirut represents the potential source of synergy: it is a cosmopolitan, forward-looking city known for its openness and diversity, free press, top-rated educational institutions, and diffusion of liberal ideas — and it is also the seat of government. It is hoped that the dynamism found within this milieu, exemplified by the country's energetic private sector and proactive civil society, will influence the still largely traditional bureaucratic apparatus and propel the reform process forward in the years to come.

Syrian Arab Republic

The Syrian Arab Republic has around 19 million inhabitants¹ and a land area of approximately 185,000 square kilometres (km²), which translates into a population density of 88 people per km². The Golan Heights, occupied by Israel since 1967 but formally a part of Syrian territory, has a population of 38,000; 18,000 are Arabs, and the remaining 20,000 are Israeli settlers. The country's annual population growth is 2.6 per cent, and nearly half of the population is under 20 years of age.

1. Political, economic and institutional context

1.1 Historical overview

The present-day Syrian Arab Republic constitutes only a small portion of ancient Syrian lands. Until the twentieth century, the whole of the settled region at the eastern end of the Mediterranean Sea was known as Syria.² Often called the Cradle of Civilization, this area has a rich history. It has been inhabited for tens of thousands of years, but settled communities first appeared around 9000 B.C. with the development of agriculture. Food security and diversification contributed to the emergence of economic activities.

The strategic location of Syria as a historical crossroads for trade between the Mediterranean and the East made it the centre of one of the most ancient civilizations on earth. However, the area's geographical position and natural resources, especially water and arable land, also made it vulnerable to conquest. A long succession of diverse civilizations gave Syria its rich cultural heritage. The phonetic alphabet was invented in ancient Ugarit during the time of the Great Kingdoms of Ebla and Mari (around 3000-2000 B.C.). The conquering Akkadians were the source of Semitic language, which became the basis for the Phoenician, Aramaic, Arabic and Hebrew languages. Over the next several thousand years, others were responsible for the establishment of excellent road networks, flourishing trade and commerce, and efficient systems of government.

From about 1600 B.C. onward, Syria was occupied successively (and sometimes concurrently, in different areas) by the Hittites, Canaanites, Phoenicians, Hebrews, Aramaeans, Assyrians, Babylonians, Persians, Greeks, Romans, Nabataeans, Byzantines, a series of Islamic caliphates, Crusaders, Ayyubids, Mamelukes, and Ottomans. When the area was divided into separate countries after the First World War,

¹ These statistics are for 2002; current figures may be slightly higher.

² Syria is the name given by the ancient Greeks to the land bridge that links three continents.

France occupied Lebanon and the substantially smaller Syria, while the United Kingdom occupied what was then Transjordan and Palestine.

In the seventh century, following the death of the Prophet Muhammad, the Rashidun Caliphate began to spread Islam through battle and the preaching of the faith. The Rashidun, who stayed in Syria for a relatively short period (632-661), were followed by the Umayyads (661-750) and the Abbasids (750-1199). The Crusaders arrived in 1098 and gained a foothold in some areas but were never able to achieve hegemony; they were defeated by Salahadin in 1187, and the Ayyubids ruled until 1250.

The Egyptian Mamelukes occupied the area until the Ottoman Empire assumed control in 1517. The Ottomans remained for the next 400 years — except during the period 1832-1840, when the area came under the occupation of Ibrahim Pasha of Egypt. During his brief tenure, Ibrahim Pasha established Damascus as the centre of government for Syria, founded schools, reorganized the judicial system, reformed taxation policies, and encouraged education. He also placed Christians and Jews on equal footing with Muslims. Under the Ottomans, many souks (markets) were built in both Aleppo and Damascus, and trade was initiated with Europe. Aleppo once again became the leading city in the Middle East for East-West trade. With the end of the First World War, Ottoman control declined sharply, and in 1922 the Empire came to an end.

Up until the twentieth century, Syria was geographically defined by natural boundaries extending from the Taurus Mountains in Turkey to the Sinai Peninsula in the south. In 1916, however, the secret Sykes-Picot Agreement divided Syria into four parts. Unaware of the long-term implications of this development, Faysal ibn Al-Hussein of the Hashemite family, who had helped lead the Arab Revolt against the Ottomans, became head of an Arab military administration in the area in October 1918. In March of 1920, Faysal was crowned king of an independent Arab Kingdom of Syria. When the Sykes-Picot Agreement was put into effect the following month, Palestine and Transjordan went to the United Kingdom, while Lebanon and a much smaller Syria were given to France. The French soon took possession of their mandated area, refusing to recognize the new Arab Kingdom, and over the next couple of months Faysal's Syrian Arab forces clashed with the regular French forces, leading to the King's exile to Iraq, where he assumed the throne a year later.

With the fall of France in 1940, Syria came under the control of the Vichy Government until the British and Free French occupied the country in July 1941. Continuing pressure from Syrian nationalist groups forced the French to sign a declaration of independence and evacuate their troops in April 1946, leaving the country in the hands of a republican Government that had been formed during the mandate. With most of the Arab States gaining their independence around this time, hopes of Arab unity were revived.

Although rapid economic development followed independence, the Syrian political situation was characterized by turmoil until the late 1960s. A series of military coups were carried out during the period 1949-1954. The country's political in-

stability in the years following the 1954 coup and the parallelism of Syrian and Egyptian policies led to the formation of the United Arab Republic in 1958. The union between Syria and Egypt was dissolved four years later, however, following a military coup on 28 September 1961, and the country was renamed the Syrian Arab Republic. In 1963, the Syrian Baath Party took control.

In May 1964, President Amin Hafiz of the National Council of the Revolutionary Command promulgated a provisional constitution establishing the National Council of the Revolution (NCR), an appointed legislature, a presidential council, and a Cabinet. However, following an intra-party coup carried out on 23 February 1966 by a group of army officers, President Hafiz was imprisoned, the Cabinet and the NCR were dissolved, the provisional constitution was abrogated, and a regionalist, civilian Baath Government was put in place.

The losses suffered by the Syrians and Egyptians in the 1967 Six-Day War with Israel weakened the radical socialist regime established after the 1966 coup. Conflict developed between a moderate military wing and a more extremist civilian wing of the Baath Party. The 1970 retreat of Syrian forces sent to aid the Palestine Liberation Organization during the “Black September” hostilities with Jordan reflected the political disagreement within the ruling Baath leadership. On 13 November 1970, Minister of Defence Hafiz al-Assad staged a bloodless military coup, ousting the civilian party leadership and taking on the role of Prime Minister.

Upon assuming power, Hafiz al-Assad moved quickly to create an organizational infrastructure for his Government and to consolidate control. In March 1971, the Party held its regional congress and elected a new 21-member Regional Command headed by Assad. The same month, a national referendum was held to confirm Assad as President for a seven-year term. In March 1972, in order to broaden the base of his Government, Assad formed the National Progressive Front, a coalition of parties led by the Baath Party, and elections were held to establish local councils in each of the country’s 14 governorates. In March 1973, a new Syrian constitution entered into force, followed shortly thereafter by parliamentary elections for the unicameral People’s Assembly; these marked the first such elections since 1962.

After 30 years in power, Hafiz al-Assad died on 10 June 2000. The following day, the parliament amended the Constitution, lowering the mandatory minimum age of the President from 40 to 34 years so that his son would be legally eligible for nomination by the Baath Party. On 17 July 2000, Bashar al-Assad was elected President by referendum.

1.2 Political and economic context

Syrian society comprises a number of different ethnic and religious groups. Sunni Muslims make up around three quarters of the population and are concentrated in the two main cities of Damascus and Aleppo. They hold most of the economic power in the country. The Alawites, who constitute the poorest segment of Syrian society, com-

prise around 10 per cent of the population and are concentrated in rural areas along the coast. However, they have held political power since 1971 because President Assad's family belongs to this Islamic sect. The Druze account for well under 5 per cent of the population and live in the mountainous areas near the borders with Jordan and Lebanon. Christians (8-10 per cent of the population) and a few Jews own businesses in Damascus and Aleppo. There are Kurdish, Palestinian, Armenian and Turkish minorities, as well as various Bedouin tribes who often refer to themselves as Arabs.

While Syrian nationalism runs deep, there is no well-developed Syrian national character or consciousness, as both Arabs and minorities maintain a reasonably strong attachment to their social and religious traditions. Repeated attempts to "Arabize" the country failed, and the strategy was eventually abandoned altogether.

Syrians often feel a proprietary connection with ancient Syria, whose borders were far wider than those currently in place. This mindset still influences certain aspects of the country's relationship with its neighbours. Notwithstanding the tendency towards pan-Arabism that characterized the Government's domestic and foreign policies between the late 1950s and early 1960s, and in spite of the strong group identification along ethnic and religious lines, Syrian nationalism is keenly felt among the population and has helped the country overcome its internal divisions. The Syrian Arab Republic also takes great pride in its national cohesion and autonomy and is consequently facing some difficulties in attempting to reconcile its tradition of independence with the need for foreign development assistance. The country's protective, inward-oriented nationalist position has constituted something of an obstacle to modernization and increased openness to the outside world, from which it stands to benefit enormously.

Hafiz al-Assad's pro-Western stance during the first Gulf war opened the door to the possibility of increased involvement in an international community led by the United States. Initiated in the early 1990s, this tentative "opening up" also included careful but deliberate movement towards economic liberalization.

Soon after Bashar al-Assad assumed power in 2000, he began to lay the actual groundwork for political and economic liberalization. He established a number of goals, with particular emphasis given to reforming the bureaucracy and the banking and foreign exchange systems and promoting foreign investment. In his first speech to the People's Assembly, the new President stated that while a Western-style democracy was not suitable for the Syrian Arab Republic of today, there was nonetheless a need for the country to move forward with modernization while also safeguarding the stability it had enjoyed since 1971.³

³ This commitment to safeguarding stability reflects not only the Syrian tendency towards cautious self-preservation but also an acknowledgement of various external threats that have emerged in recent years, particularly within the international context. During the last couple decades of the twentieth century the Syrian Arab Republic received very little attention from the international community, as the strategic centre of gravity in the Middle East had shifted from Palestine to the Persian Gulf owing to the revolution in the Islamic Republic of Iran (1979), the Iran-Iraq war (1981-1987), and the Gulf war (1991). Regional developments over the past several years have directed international attention northward once again, placing the Syrian Arab Republic and other countries in the area in the spotlight and exposing them to increased risk of criticism and outside interference.

Over the past few years, the country has strengthened its political and economic relations with the European Union within the framework of the Euro-Mediterranean Partnership; negotiations for an association agreement between the Syrian Arab Republic and the EU were concluded in late 2004, and its ratification is pending.

These initial steps signal an important commitment to national development. The road ahead is likely to be somewhat long and difficult, however, as there are a number of serious socio-economic challenges to be addressed. Although the Syrian Arab Republic is a relatively rich country in comparison with neighbouring States, a quarter of the population lives below the poverty line. Living conditions remain generally unsatisfactory. The availability of electricity, health services and drinking water is very limited in rural areas. In the cities, hospitals, schools and other public facilities are in better condition, but there is a very serious housing shortage. The establishment of a modern telecommunications system is still at an embryonic stage. Macroeconomic indicators provided by the Syrian Government and published by the International Monetary Fund show an inflation rate of 8 to 10 per cent. Unemployment is 12.5 per cent, according to 2005 estimates.

Economic context

The Syrian economy is dominated by the State, often to the exclusion of all others. Private companies are not allowed to participate in the petroleum, construction or electricity sectors; only recently have they been allowed to participate in the agricultural sector, though not in the production of cotton and cereals, the country's only agricultural exports. The agricultural sector accounts for the largest share of the labour force (32 per cent), followed by the industrial sector (25 per cent), public administration (more than 22 per cent), and services (20 per cent).⁴

Agricultural production is vital to the economy and remains a dominant economic sector, despite its diminishing contribution to GDP. Around one third of the country's surface area is cultivated, mostly along the coast and on the central plateau. However, there are serious agricultural transportation and distribution problems owing to the vast distances between the countryside and the cities. Public and private ownership have always coexisted in this sector. Land ownership is almost entirely in private hands, but the State plays an important role in resource allocation and the provision of agricultural credit.

The petroleum sector is the country's main source of wealth and foreign currency and is the driving force behind Syrian industry. Oil production has held steady since the mid-1990s, generally ranging from 500,000 to 550,000 barrels of crude per day; exports account for roughly three quarters of the total (around 400,000 barrels per day). The Organization of Petroleum Exporting Countries predicts that known oil reserves in the Syrian Arab Republic will last only until 2015 or 2020. This has pushed the Government to search for new oil and natural gas fields.

⁴ Syrian Arab Republic, Central Bureau of Statistics, *Syrian Statistical Yearbook* (n.d.).

The Syrian Arab Republic has enormous phosphate reserves totalling about 1 billion tons and exports around 1.2 million tons annually.

Cement production is an extremely important industry. The State currently holds a monopoly in this sector, but the Government is considering opening it up to private investment, since internal demand already exceeds supply. The building industry has been booming since the 1970s, largely because land prices are not under State control and capital investment possibilities are very limited. However, the residential building sector is still poorly developed because rents are State-controlled.

Syrian industry is largely protected from competition by high tariffs or bans on imports, and much of the manufacturing sector is in the hands of the State. Law No. 10 of 1991 was adopted to foster private investment in certain sectors, with tax exemptions, import licences and special monetary regimes to be approved by the Higher Investment Council; the Law was amended in 2000 to further liberalize investment, which is being pursued cautiously. The textile, food, paper, chemical and pharmaceutical industries are well developed, and there are some interesting examples of mixed ownership within these subsectors. However, the overall level of industrial development in the country is quite poor, and the Syrian Government is making an effort to rationalize resources and introduce limited improvements, though consideration is not being given to any form of large-scale industrial privatization at the moment.

Foreign companies do not have the same rights, duties or responsibilities as national companies in terms of business ownership and management. Syrian legislation stipulates that foreign investment cannot be directed towards certain strategic sectors, including agriculture (staples and cash crops), transportation (railways and airlines), communications and telecommunications (including mass media), the military (the production and sale of weapons and other military equipment), insurance, and cement. Investment restrictions are officially regulated and apply to particular activities; nevertheless, the law allows for a certain amount of facilitation. Many of the legal obstacles to foreign participation in commercial ventures are gradually being removed, especially in the light of the country's desire to join the World Trade Organization.⁵ Recent legislation allows exporters to retain up to 75 per cent of their profits.

The Syrian Arab Republic has traditionally registered a positive trade balance, though statistics for 2004 indicate a trade deficit of around US\$ 1.5 billion; experts believe the deficit may grow as the country opens its markets to foreign goods and oil production continues to decline. The country's main suppliers include the United States (chemical and steel products), Germany (pharmaceuticals, plastics and machinery), and Italy (machinery and chemical and synthetic products). Italy is the main importer of Syrian goods (accounting for as much as 85 per cent of its exports

⁵ The Government of the Syrian Arab Republic submitted a formal request for WTO membership to the Organization's General Council in 2001 and is awaiting a decision to start accession negotiations.

of oil and oil products), followed by France, Turkey, Saudi Arabia and Lebanon. Trade between the Syrian Arab Republic and the EU is currently regulated by a trade convention dating back to 18 January 1977; the adoption and implementation of the EU-Syria association agreement will greatly strengthen the economic relationship between these two entities.⁶ The Syrian Arab Republic is also part of the Greater Arab Free Trade Area (GAFTA); the corresponding Agreement, which entered into full effect on 1 January 2005, guarantees duty-free trade between all participating countries.

The service sector accounts for a significant proportion of GDP in the Syrian Arab Republic.

The Government is presently engaged in a large-scale effort to modernize the telecommunications sector. The telephone network has been linked to Cyprus and Europe via Beirut using submarine cables. Since 1998, contracts have been signed with Ericsson, Siemens and Samsung, and free public telephones have been made available in the main cities. A major goal of the Government is to develop the information and communication technology (ICT) infrastructure and ensure that Syrian society is brought fully into the information age. There are currently five Internet service providers operating in the country. The State-owned Syrian Telecommunications Establishment was the first to offer Internet services, but a number of private companies have also entered the market in the past few years.

Foreign tourism increased significantly during the 1990s but remains negligible in comparison with that in neighbouring countries such as Turkey and Jordan. The Government has put together plans to improve hotels and other tourist facilities in Damascus and Aleppo, along the coast, and around the most important archaeological sites.

In the financial sector, the Syrian pound enjoys a certain stability owing to the existence of a multiple exchange system. The banking sector includes the Central Bank, which does not have decision-making autonomy, and five specialized banks, the largest and most active of which is the Commercial Bank of Syria, the only credit institution allowed to engage in international transactions and hold foreign exchange deposits outside the country. Most financing is directed towards the public sector. During the past several years, a number of new laws have been passed to open up the sector to private banking.

The Syrian Government has authorized the establishment of private banks and a stock market, as well as the adjustment (but not the liberalization) of the local currency to reflect market realities. In March 2002, a monetary commis-

⁶ According to an overview published by the European Commission, "the agreed text on the association agreement is similar in pattern to other Euro-Mediterranean agreements, but has more far-reaching and substantial provisions on a number of areas, such as tariff dismantlement on agricultural products, technical barriers to trade, trade in services, government procurement, intellectual property rights and trade dispute settlement mechanisms" (http://ec.europa.eu/external_relations/syria/intro/index.htm).

sion was set up to study the potential problems deriving from the new banking laws and their implications for the exchange rate, and also to provide some ideas on better organizing the activities of the Damascus Stock Exchange. The European Union has offered to provide substantial support through the MEDA programme to finance the restructuring of the banking sector. Over the past three or four years, around half a dozen private banks have begun operating in the country.

Economic overview

Although there have been some promising signs of change over the past 15 years, the Syrian economy is presently characterized by stagnation. A full-fledged recession occurred between 1998 and 2000 owing to a combination of the country's reluctance to undertake reforms and the effects of what was perhaps the worst drought in 40 years. Foreign debt has also undermined efforts to strengthen the Syrian economy. As indicated above, extraordinary economic measures have recently been approved by the Government to stimulate investment and the development of non-petroleum exports and various service sectors.

1.3 Institutional framework

The central administration

The Permanent Constitution of the Syrian Arab Republic, adopted on 13 March 1973, is similar in content to the provisional constitution of 1 May 1969, which was amended in February and June 1971. There have been three amendments to the present Constitution, including one in March 1980 to standardize the Syrian State seal on official documents, another in July 1991 to modify the third point of article 84, establishing new rules for calling for presidential elections, and the last on 11 June 2000 to lower the minimum age for presidential eligibility to 34 years.

The Syrian Constitution establishes a republican form of government within the framework of a "democratic, popular, socialist and sovereign State" (article 1, para. 1). The preamble and the first article include repeated references to the importance of achieving Arab unity, emphasizing that the country is part of a single, indivisible Arab nation. The Constitution stipulates that the President of the Republic must be a Muslim and establishes *fiqh* (Islamic jurisprudence) as the main source of legislation. The Baath Party is assigned a dominant role in politics and society.

The Council of Ministers, headed by the Prime Minister, is appointed by and answerable to the President and constitutes part of the executive branch of government. The 25 ministries currently comprising the central administration are listed in the box below. A number of vice-ministers are appointed to deal with specific sectoral priorities including local administration, domestic trade, and Syrian expatriates.

BOX 4. GOVERNMENT MINISTRIES IN THE SYRIAN ARAB REPUBLIC

- Ministry of Foreign Affairs
- Ministry of Interior
- Ministry of Justice
- Ministry of Health
- Ministry of Labour and Social Affairs
- Ministry of Culture
- Ministry of Tourism
- Ministry of Transportation
- Ministry of Communications and Technology
- Ministry of Economy and Foreign Trade
- Ministry of Supply and Internal Trade
- Ministry of Petroleum and Mineral Resources
- Ministry of Electricity
- Ministry of Education
- Ministry of Higher Education
- Ministry of Industry
- Ministry of Agriculture and Agrarian Reform
- Ministry of Building and Construction
- Ministry of Irrigation
- Ministry of Housing and Utilities
- Ministry of Defence
- Ministry of Religious Endowments
- Ministry of Information
- Ministry of Finance
- Ministry of Expatriate Affairs
- Ministry of Local Administration and Environment

The 250-member People's Assembly (Majlis al-Shaab) is the country's highest legislative organ. Its members are elected to four-year terms by direct secret ballot; all citizens aged 18 years or over are eligible to vote. There are 15 electoral districts. The Constitution requires that at least half of the Assembly seats be filled by "workers and peasants", but this clause has long been ignored. The primary responsibilities of the People's Assembly include nominating presidential candidates, approving laws, debating government policy, approving budgets and development plans, and ratifying international treaties. The Assembly is also authorized to vote on a no-confidence motion against the Cabinet or one of its ministers if at least one fifth of the members request such a vote. The President of the Republic can dissolve the Assembly even before its term expires, but only with strong justifi-

cation, and it cannot be dissolved twice for the same reason. In reality, the People's Assembly does not have the same legislative power as that exercised by Western parliamentary bodies. It essentially discusses the legislative proposals provided by the executive branch and transforms them into laws, occasionally amending them in the 12 parliamentary committees.

The Syrian judicial system is rooted in Islamic, Ottoman and French legal traditions. The civil, commercial and penal codes are largely the same as those promulgated in 1949 and are based on the French model. There are special laws for religious communities and for the nomadic Bedouins of the desert. Islamic courts apply Qur'an-based sacred law (sharia) and still exercise limited functions in the realm of civil affairs, dealing with issues such as marriage, divorce, paternity, child custody and inheritance. The Personal Status Law promulgated in 1953 and modified in 1975 remains valid today; this law improved the situation of women and clarified certain procedures relating to inheritance. The country's judicial system comprises the Supreme Constitutional Court (with justices appointed for four-year terms by the President), the High Judicial Council, the Court of Cassation, and the State Security Courts. The High Judicial Council is made up of senior civil judges and is in charge of appointing, transferring and expelling magistrates. The President of the Republic presides over the Council, whose independence is guaranteed.⁷ Judges act autonomously and are not subject to any authority outside of the law.⁸ In reality, the President exerts considerable power over the judicial branch.

Local administration

The Syrian Arab Republic is divided into 14 provinces (*muhafazat*).⁹ Each province is divided into districts (*manatiq*), which are further broken down into subdistricts or counties (*nawahi*) comprising groups of villages.

Each province is headed by a governor nominated by the Minister of Interior and appointed by the central Government. The governor is responsible for overseeing public administration, health and social services, public education, tourism, public works, transportation, domestic trade and commerce, agriculture, industry, civil defence, and the maintenance of law and order. The Ministry of Local Administration and Environment coordinates the work of the governors and oversees local development projects. Each governor is assisted by a provincial council made up of both elected and appointed members. There is also a provincial cabinet of sorts that includes between six and ten officials appointed by the central Government from among the council's elected members; each officer is charged with specific functions.

Districts and subdistricts are run by officials appointed by the provincial governor with the approval of the Ministry of Interior. They work together with elected

⁷ In line with article 31 of the Constitution of the Syrian Arab Republic.

⁸ Ibid., article 133.

⁹ Halab (Aleppo), Dimashq (Damascus), Dar'a, Dayr az-Zawr, Hamah, Al-Hasakah, Hims, Idlib, Al-Ladhiqiyah, Al-Qunaytirah, Ar-Raqqah, As-Suwayda, Rif Dimashq and Tartus. The capital, Damascus, was once administered separately but became the country's 14th province in 1987. The singular/plural forms of the various local administrative units are *muhafaza/muhafazat*, *mantiqa/manatiq*, and *nahia/nawahi*.

local councils to address area needs and serve as intermediaries between the central authorities and village leaders such as tribal chiefs and councils of elders. In the main urban areas municipal councils play an essential role, issuing building and commercial permits, overseeing public services, and collecting local taxes. Some council members are elected, while others are appointed. The mayor always serves as head of the council and in smaller towns also acts as a delegate for the provincial governor.

The Baath Party

The Baath Party plays a very important role in the Syrian Arab Republic. It has never been a party of the masses; admission is highly selective, with membership largely limited to the political elite. All political, economic and administrative officials are members. One of the main internal party organs is the National Command, whose power is more symbolic than real. At least half of its members — many of whom are retired political officials appointed to honorary posts — must be Syrian nationals, but the other half may be Lebanese, Jordanians, Iraqis and Palestinians residing in Syria and devoted to the pan-Arab cause. The 21-member Regional Command, the real centre of Party power, includes the State's highest officials, leading Party bureaucrats from the country's various regions, and representatives from schools, universities, labour unions and State-owned enterprises.

The Central Committee, which was established in 1980 to serve as a link between the local branches and the national leadership of the Party, has close to a hundred members and is subordinate to the Regional Command. Further down the chain of authority are 19 local party sections, or branch commands—one for each province plus one for the city of Aleppo and four for the country's universities. These sections include provincial governors, mayors, chiefs of police and other local officials, all of whom are Party members. The local sections are further broken down into divisions, which can be made up of as many as seven circles comprising at least three members each.

The Party maintains a strong presence within the universities and among the political, cultural and intellectual elites. It has its own educational entities, foremost among which is the Higher Political Institute, a graduate department of the University of Damascus. Baath Party influence extends to the Armed Forces, which play a key role in the organization of the State, exercising considerable political, social and military power. The highest posts in the army have always been held by members of the Alawite minority, to which the Assad family belongs.

A number of other political parties enjoy legal status in the Syrian Arab Republic as well. The National Progressive Front is a coalition of various socialist, communist and Arab nationalist parties that are allowed limited participation in government affairs; leadership of the Front lies with the Baath Party, however.

2. Governance and public administration challenges and reform strategies in the Syrian Arab Republic

Over the past several decades, the Syrian Arab Republic has gradually strengthened its commitment to achieving social and economic development. Some innovative programmes and institutional restructuring have been undertaken, and statistical indicators reveal that progress has been made in a number of areas. Though the Government has shown extreme caution in the pursuit of reforms, there has been clear evidence of the growing political resolve to effect positive change that will improve the domestic socio-economic situation and bring the country into the international mainstream. Public support for this trend is widespread.

Some of the earliest changes were initiated in the 1970s, shortly after Hafiz al-Assad assumed power. In particular, constitutional rights were confirmed, and material and social conditions were improved.

The fear of an internal coup led the President to launch a series of moderate reforms beginning in the late 1980s. Changes were made primarily in the economic and financial sectors rather than in the political, institutional or administrative spheres, as the country was facing a serious economic crisis (which abated somewhat by the early 1990s) and also needed to deal with the impact of the collapse of the Soviet bloc, which up to that point had been the country's main political, economic and military partner. These reforms, which led to improvements in the exploitation of agricultural resources and an increase in foreign trade, allowed the regime and the country to weather the crisis. The Syrian Government then addressed the question of Lebanon by occupying part of its territory, turning it into a de facto protectorate. During the mid-1990s, the Syrian Arab Republic embarked on an ambitious programme aimed at developing the ICT infrastructure in order to accelerate social, economic and administrative development at all levels; these efforts continue today.

At the dawn of the new millennium, the new President of the Syrian Arab Republic pledged to undertake comprehensive, wide-ranging reforms in a number of areas, with particular attention given to administrative reform at all levels. In his inaugural address, President Bashar al-Assad stated that the country's administrative shortcomings constituted one of the greatest obstacles to development and prosperity and negatively affected all sectors, without exception. He stressed the importance of immediate action, calling for studies to determine the best ways to improve administrative structures and processes, to develop human resources through appropriate administrative and vocational training, and to eliminate the widespread apathy towards achieving the country's development goals. The President also stressed the importance of enhancing public sector performance, primarily through the application of new, innovative methodologies, increased transparency and accountability, and the involvement of all citizens in the process of reform and the promotion of good governance.

During a formal meeting with the Council of Ministers in 2002, the President noted that all ministries and other government entities would be targeted for administrative restructuring and reform. He emphasized the need for new technologies and processes to effect the “e-transformation” of all government institutions. To achieve that goal, administrative structures and processes would have to be reconfigured to ensure e-readiness and accessibility, and all internal and external processes and procedures would have to be harmonized and synchronized so that citizens could enjoy fast, direct service. Following this speech, every ministry conducted a comprehensive assessment and identified the necessary changes to be undertaken. The structural and procedural changes were approved in early 2003 and are now under implementation at various levels.

As indicated above, significant attention has been focused on administrative reform since President Bashar al-Assad took office. Plans for improving public administration are extensive and very broad in scope, focusing on multiple sectors within the public domain, including education. The overarching objective is to improve public sector performance so that the necessary support infrastructure is in place for broader sustainable national development. For now, the Government has opted to concentrate on the following general reform priorities:

- Fighting corruption in order to improve administrative operations and rationalize resources;
- Providing the public administration sector with greater resources to allow increases in spending and salaries, while also ensuring that such resources are rationalized;
- Modernizing systems and methodologies, with particular attention given to the implementation of a comprehensive ICT programme to achieve the digitization of public administration, following the example of developed countries;
- Obtaining financial and technical assistance from regional and international organizations in order to improve the Syrian system of public administration.

Internal debate among the country’s top officials indicates that administrative reform efforts should be guided by the following considerations:

- Human resource development is critical;
- Reforms must be clearly specified but adaptable to individual contexts;
- Similarly, reform should be planned around specific but flexible deadlines and schedules;
- Public administration reform should not be limited to simple technical adjustments, but should constitute a “global” effort that incorporates input from a multitude of sources and has a positive impact on society as a whole;
- Persistence is necessary in order to overcome any temporary difficulties, including resistance to the reform process;

- Reform objectives must be identified within the limits of available resources;
- Political organizations must become involved in the reform process;
- All skills, and not just those of experts in management and administration, should be mobilized to ensure that the reform effort is as comprehensive as possible;
- Citizens should be informed and consulted about the reform process, and made aware of any progress achieved within this context, to ensure widespread public support. For example, salary increases should be well-publicized (without creating any false expectations);
- The role and status of women in public administration constitute a particular challenge. At present, only 20 per cent of civil servants are female, and 90 per cent are employed as secretaries. Over the past decade, various reforms have been undertaken to achieve gender parity. In 1995 the Government set up an ad hoc commission that was to work closely with the United Nations Division for the Advancement of Women to facilitate and monitor the implementation and enforcement of legislation promoting equity and equality between women and men. The recently established Equal Employment Opportunity Commission works closely with the Government and receives State funding. Thanks to the efforts of this Commission, women employed in the public sector were recently awarded the right to take eight weeks of paid maternity leave.

The preceding paragraphs provide an indication of the Government's genuine commitment to reform. However, there does not appear to be a detailed, comprehensive blueprint for national reform in place. Efforts are presently focused on particular areas, including (moderate) economic and financial liberalization and international integration; administrative reforms are given somewhat lower priority but are nonetheless considered crucial, as an efficient government apparatus is essential for the achievement of the primary reform objectives and ultimately overall development.

The country's participation in the Euro-Mediterranean Partnership and its integration into international political and economic institutions are likely to have a positive impact on national reform efforts. Global integration and the process of opening up can increase a country's socio-economic vulnerability. However, it is believed that the Syrian Government will be able to maintain effective control over the State apparatus and public opinion and should not experience excessive economic or financial instability as a result of these reforms.

The Syrian national reform programme for 2001-2005 focused mainly on the economic and financial sectors. Priorities identified in the reform plan included the complete reorganization of national economic institutions; the strengthening of relations with Arab countries; the development of the Syrian-European partnership; the establishment of a normative framework favouring foreign investment;

the development of the banking sector, including a moderate opening up to foreign banks; the stabilization of the national currency; the creation of special economic zones; the reform of the national organizations supporting tobacco and cotton production; and the organization of important trade fairs in Damascus and Aleppo. As noted above, administrative development and reform are to be undertaken with an eye to achieving these defined objectives and overall national development. Within this context, particular attention is being given to strategic reforms within the legislative and executive branches of Government.

Thus far, administrative reform efforts have largely focused on identifying areas of concern, establishing an ICT framework for e-government, and developing human resources. A national task force has been set up to determine the current state of affairs in public administration and to assess reform and development needs within the public sector. A national plan for administrative reform identifies the obstacles that are likely to be faced in the transformation process and addresses priorities such as administrative restructuring and modernization, eliminating the duplication of functions and tasks, and improving the efficiency of human resources, especially at the executive levels. As mentioned previously, the Government has made ICT infrastructure development a priority. There are broad efforts focused on countrywide ICT integration and more targeted efforts aimed at the digitization of public administration and a gradual shift towards e-government. This subject is addressed in greater detail below.

The administrative reform strategy for the first half of the present decade was implemented in conjunction with the country's Ninth Five-Year Plan for Economic and Social Development (2001-2005). The main objectives incorporated in the administrative reform plan included the following:

- Updating investment laws and regulations and eliminating all bureaucratic obstacles to national and foreign investment;
- Training and rehabilitating human resources within the public sector;
- Creating administrative information centres for decision support systems in all ministries;
- Establishing a central committee or higher committee to formulate an e-transformation strategy;
- Updating laws and procedures relating to the banking system;
- Modernizing systems of education and higher education, with particular emphasis on e-learning and continuing education programmes;
- Enhancing the role and involvement of all information media (public and private) in the process of good governance.

A number of initiatives have been undertaken during the past several years within the context of public sector development. A project being carried out in cooperation with the United Nations Development Programme (UNDP) focuses on strengthening the institutional capacity of the People's Assembly, with particular attention given to de-

cision-making, oversight and legislative processes, in order to ensure the adoption of sound public policies contributing to sustainable development and poverty reduction. A project partially financed by the Government of Japan and implemented by the Syrian Government and UNDP centres around the development of an e-strategy for the country. Steps have been taken to create a platform for analysing national needs and establishing a strategic ICT framework to deal with the challenges and opportunities arising in connection with the globalization process. A strategic ICT programme for socio-economic development has been undertaken within the same context. An e-village has been set up as an incubator for small ICT businesses, providing an optimal environment for companies wishing to invest in the Syrian ICT sector. This is treated as a free zone and benefits from its strategic location near Damascus.

Within the framework of a programme financed by the European Commission to support economic reform and institutional modernization in the Syrian Arab Republic, a Project Implementation and Coordination Unit is assisting the Government in the development and execution of its reform programme and in the processes surrounding the preparation and implementation of the association agreement with the EU.

2.1 The reconfiguration of the role of the State

The main objective of the Syrian Government is to ensure that the country achieves prosperity. In pursuit of this goal, the country is guided by the need to participate more actively in the global arena while also protecting its national interests, particularly in the light of its relative status within the international community.

In the 1970s the Syrian Arab Republic achieved impressive economic growth (ranging from 7 to 10 per cent annually) owing to massive investments on the part of the public sector, which was receiving assistance from the wealthy Arab Gulf States. In the early 1980s, however, the Syrian economy entered a period of stagnation that lasted until the beginning of the 1990s. This downturn occurred largely as a result of the failure of the Syrian Government to efficiently manage the activities it had launched over the previous decade. Thanks to reform efforts undertaken between 1987 and 1991 and an increase in petroleum exports during the period 1991-1995, the Syrian economy achieved annual growth rates approaching 7 per cent by the mid-1990s. The reprieve was brief, however; by the late 1990s economic stagnation had returned.

The main macroeconomic indicators remained relatively positive even during the periods of recession. The rate of inflation stayed within an acceptable range, and the national currency remained stable until 1996, when a monetary crisis and a sudden shortage of valuable foreign currency forced the Government to initiate targeted reforms, as it had done in the 1980s.¹⁰

¹⁰ It should be noted that Law No. 24 of 1986, which imposed serious penalties for disregarding Central Bank regulations on currency-related matters, has been suspended; today it is possible for both private parties and the Bank itself to purchase foreign currency in different financial markets at variable exchange rates.

The dramatic fluctuations in the economy were indicative of the overall weakness of the prevailing economic system. By the early 1990s the Government recognized the seriousness of the situation and proceeded to introduce a series of measures aimed at increasing the role of the private sector, especially in industry and foreign trade.

Law No. 10 of 1991 was adopted to promote private foreign investment in selected areas, and important changes were effected in public administration in support of this new policy. In May 2000 a new law¹¹ was passed that strengthened and clarified various aspects of Law No. 10, reaffirmed its validity, and introduced measures to facilitate its implementation.¹² Among other things, the revisions to Law No. 10 eased restrictions on foreign private investment and encouraged greater capital mobility.¹³

The economic transformation process has picked up speed since Bashar al-Assad took office. As indicated earlier, the President includes among his priorities comprehensive economic and administrative reform that will facilitate the integration of the Syrian Arab Republic into the global political and economic system.

Special committees have been established to implement the most urgent reforms. One of the reform committees recently introduced a bill that would allow public sector enterprises to operate free from central government interference. These companies would be restructured and transformed into public holdings following the Egyptian example from the early 1990s.

A law was passed in March 2001 that, for the first time since the 1960s, opened up possibilities for the establishment of private banks, including both domestic facilities and branches of foreign banks.¹⁴ Under this law, private banks must be at least 51 per cent owned by Syrian investors; foreign entities may participate, but their equity share cannot exceed 49 per cent. Although their presence is currently limited to duty-free zones, several Lebanese and Jordanian banks have decided to take advantage of these recent reforms. Banks jointly owned by the public and private sectors may also be established, provided the Government's share is at least 25 per cent. Various sources indicate that there are currently six private banks operating in the Syrian Arab Republic.

New monetary and credit laws are being planned, but no other concrete initiatives have arisen out of the recent banking or investment legislation.

The establishment of a Syrian stock exchange has long been under discussion. Progress on this front has been slow, however; a few years ago, analysts were arguing that the Syrian market was still not well developed enough for such an institution. Furthermore, there were no effective rules to ensure that such a market would conform to international standards, nor were there many public or mixed-ownership companies that were sound enough financially to be listed on a national

¹¹ Law No. 7 of 2000.

¹² Available from <http://www.moi-syria.com/iis.html>.

¹³ Law No. 8 of 2007 was recently issued, abolishing Law No. 10 of 1991. The new legislation further eases investment restrictions and expands incentives in a number of areas.

¹⁴ Law No. 28 of 2001.

exchange. Various steps have been taken to address these and other concerns. On 1 October 2006, the Securities and Exchange Law was adopted, and recent projections indicate that the Damascus Stock Exchange will be launched sometime during the first quarter of 2008.

Within the economic sector, the State plays an important role not only in regulation, but also in support and facilitation. Reforms are required to ensure that all entities providing assistance within this framework are able to meet the evolving needs of society; presently, major deficiencies exist at the most fundamental levels. For example, though there is a well-established Federation of Chambers of Commerce and Industry, the country lacks human resources with the qualifications necessary to run such an institution effectively — particularly within a rapidly changing economic environment.

2.2 Legislative and institutional activity relating to administrative reform

Legislative and institutional developments advancing the reform process include the following:

- The labour law has been amended and updated;
- Ordinance No. 22 of 2002 revises the responsibilities and authority of deputy ministers;
- Law No. 24 of 2003 provides for the restructuring of the Council of Ministers and the establishment of a general secretariat for the Council;
- Ordinance No. 60 of 2002 includes provisions for the establishment of the Advisory Council, an administrative body that is to provide the Council of Ministers with consultative support and recommendations;
- Several ordinances and proclamations have been issued that transfer the authority and responsibilities of the various higher committees (established to address needs in fields such as agriculture, business, health and literacy) to the concerned ministries;
- Ordinance No. 349 of 2003 provides for the merging of some ministries and the elimination of others. The decree also eliminates the position of deputy prime minister;
- A ministerial decision-support committee was established in 2002 to oversee and assess administrative and other reforms undertaken by ministries. The committee has provided analytical support in the revision of charters and internal procedures and has facilitated the integration of new processes and best practices within the new ministerial framework.

2.3 Human resource management in the public sector

As mentioned previously, the lack of an overall reform programme undermines government efforts to pursue national development objectives; another important challenge relates to the financing of reform efforts. The Syrian Arab Republic is not

among the poorest countries in the Arab world, nor is its financial and economic situation particularly dire; however, many aspects of economic and administrative reform are quite costly.

One reform initiative with important financial implications is a project developed by a ministerial committee to transform the human resource component of public administration. The programme incorporates provisions for career development, but by far the most popular aspect of the reform is the salary increase of up to 25 per cent for all civil servants — particularly since this represents the first raise for public sector personnel since 1994.

2.4 The challenge of electronic government

The ICT infrastructure: a general overview

The ICT infrastructure and rates of access to relevant technologies are acceptable, but further expansion and development are required. The number of telephone lines rose from 2.1 million in 2003 to more than 2.4 million in the first quarter of 2004. Mobile telephone services were introduced in 2000, and by the end of 2003 there were 1.1 million subscribers. Mobile access in the Syrian Arab Republic is well below regional and international levels; there is a plan to increase the usage rate to 30 per cent by 2013. The country currently has five Internet service providers.¹⁵ With the recent completion of the public data network (PDN), the number of ISPs and the rate of Internet use are likely to increase sharply.

The language issue, though not directly related to ICT development, is considered one of the most critical problems requiring attention. There are currently very few websites offering Arabic content, and such content is in any case generally very poor, with the exception of that offered through news services, university portals and a small number of technical sites. Furthermore, there is relatively little Arabic software available. Hosting websites and portals are thin on the ground owing to the limited number of ISPs and hosting services in the country. Domains ending in “.sy” are used mainly to serve government and educational establishments.

Estimates place the number of personal computers (PCs) in the country at between 600,000 and 1 million. The wide margin of uncertainty derives from the fact that more than 90 per cent of the PCs are assembled locally.

E-strategy and the development of e-government

E-strategy objectives necessarily depend on the status and sophistication of the ICT infrastructure and on the general level of socio-economic development. While the process of ICT integration can be accelerated, the rate of social and economic development is far more difficult to control. The Syrian e-strategy is focused primarily on the achievement of national development objectives rather than on tech-

¹⁵There are both public and private sector companies offering Internet services; those currently operating include Aloola (formerly SCS-NET), the Syrian Telecommunications Establishment, Tarassul, Best Italia Holding, and AYA.

nology acquisition, reflecting a balanced approach consistent with the overall goal of sustainable development.

ICT in the Government: achievements

The Government has undertaken several initiatives in the ICT sector. One of the highest priorities is an ambitious project launched by the Ministry of Interior involving the issuance of national identification numbers and the automation of civil registration, which will greatly facilitate the provision of public services to all citizens and eliminate redundancies. This project was initiated in 2002 and should be nearing completion. A Ministry of Health project involving the creation of electronically stored health records using smart card technology will serve a double purpose, providing each citizen with an up-to-date health report that can be accessed immediately anywhere in the country and also providing an accurate real-time health map that may be used as a decision-support tool within the Ministry. This project has been implemented on an experimental basis at two of the largest hospitals in the Syrian Arab Republic.

3. Challenges and priorities in reforming governance and public administration in the Syrian Arab Republic

The Syrian Government has made some notable progress in its efforts to achieve socio-economic and administrative development and modernization. However, there is much yet to be done, particularly as the Government is committed to building a knowledge-based society and utilizing ICT in the process of achieving sustainable development. Appropriate laws must be adopted to create a strong framework for ICT integration and application, and for socio-economic development in general. Within the ICT context, special attention should be given to legislation relating to intellectual property, trade in software and hardware, and relevant tariffs and taxes. With regard to social and economic development, efforts should be made to finalize and implement the new labour law and to adopt legislation aimed at encouraging investment and reducing bureaucratic red tape.

3.1 Internal administrative reforms

Requirements for the establishment of e-government

The development and implementation of the country's ICT strategy, and particularly its objectives with regard to e-government, must be given top priority, as this constitutes the framework within which the development and reform of all sectors will take place. The e-transformation process will involve major changes at many levels; it is important that all the components of ICT reform are integrated into a coherent overall strategy with clearly defined targets and that a unified vision exists with regard to the pursuit of the stated objectives. To facilitate this process, e-government should be developed in line with international standards and experience, and every effort should be made to take advantage of local, regional and

international expertise in this field. Individual specialists should be consulted as necessary, and independent national and international organizations involved in ICT development should be asked to participate in the formulation and application of e-government and e-transformation strategies.

Special priority should be given to the needs of rural and remote areas. ICT infrastructure development should be accelerated so that residents have access to telephone, Internet and other basic services and technologies that will contribute to improving social and economic conditions. Building such foundations will ensure the successful implementation of e-services (including e-government) in the future.

Public sector reform and development

Administrative decentralization is an essential component of public sector reform. Within the contemporary context, this requires the development of a network-based structure. Current processes and procedures must be studied and analysed and new systems and methods of administration created. Prior to the implementation of any reforms, it is necessary to quantifiably measure and assess the efficiency of administrative processes and the system of public administration as a whole. The findings of such an investigation should guide reform efforts, indicating how the system could be streamlined and redundancies eliminated. This transformation is obviously dependent on the integration of ICT in public administration and service provision. System requirements should be clearly identified to ensure appropriate infrastructure development. Within this context, information systems should be activated to facilitate transparency and accountability.

One of the most critical aspects of administrative reform is human resource development. Personnel management systems and procedures must be modified and modern standards applied. Executives and managers must be provided with comprehensive training to ensure the appropriate implementation of new processes and technologies that will revolutionize the system of governance. Training must also be provided to public sector employees at other levels to allow them to take advantage of the new technologies and to fulfil new or revised functions. There is bound to be a certain amount of resistance to change, and ways must be found to ensure that civil servants at all levels are convinced of the benefits of administrative reform.

3.2 The role of the State in facilitating broader socio-economic development

Administrative reforms are designed to improve the functioning of the State apparatus, with emphasis given to internal restructuring, reorganization, streamlining and simplification, human resource development, ICT integration, decentralization, and increased transparency and accountability in service provision and governance. As the bureaucracy is modernized and better able to address the evolving needs of society, the focus must shift increasingly outward; more precisely,

stronger administrative foundations should facilitate the development of effective government support mechanisms for broader social and economic development. The paragraphs below highlight areas of priority in which the State can play — and in many respects already is playing — a critical role.

Economic and financial sector reform

ICT integration and comprehensive digitization are essential for economic development.

Banking sector reform constitutes a key element in achieving the overall goal of sustainable development. The banking infrastructure and banking operations must be thoroughly modernized. New technologies are available to enhance administrative efficiency, and new and revised legislation must be clearly oriented towards encouraging investment. In particular, laws must address the issues of lending and extending credit, as investment loans must be made more accessible for project financing. Investment opportunities should be identified within the country and marketed to potential investors. Because a key element of economic reform is international integration, steps should be taken to promote legislative and functional cooperation between financial institutions inside and outside the Syrian Arab Republic.

Education, training and other forms of capacity-building

Demographic realities represent a major challenge in national development efforts and modernization. Children between the ages of 0 and 14 constitute 39.6 per cent of the population, 56.8 per cent are between 15 and 64 years of age, and only 3.6 per cent are over 65. The fertility rate currently stands at 3.8, and the population is growing by 2.6 per cent annually. Education represents the greatest challenge for the Government at all economic and social levels; providing a decent education and adequate training for all is one of the highest priorities for development. Education in the Syrian Arab Republic is compulsory up to the ninth grade (the end of the preparatory stage) and is free at all levels. Education spending accounted for 15 per cent of the State budget in 2003. Illiteracy declined from 23.1 per cent in 1990 to 14.2 per cent in 2003. Literacy rates have improved throughout the country, but particularly in rural areas. Special programmes have targeted rural women, providing vocational training and capacity-building in conjunction with adult education.

Reforms aimed at encouraging private participation in the public education and higher education sectors have been planned but not yet implemented. The Ministry of Higher Education has established close ties with universities and other institutions of higher learning in a number of countries, mainly within the Arab world, and has signed several agreements to promote cooperation in the fields of culture, science and art. Law No. 58 of 2001 allows the Ministry of Higher Education to set up scholarships for foreign students.

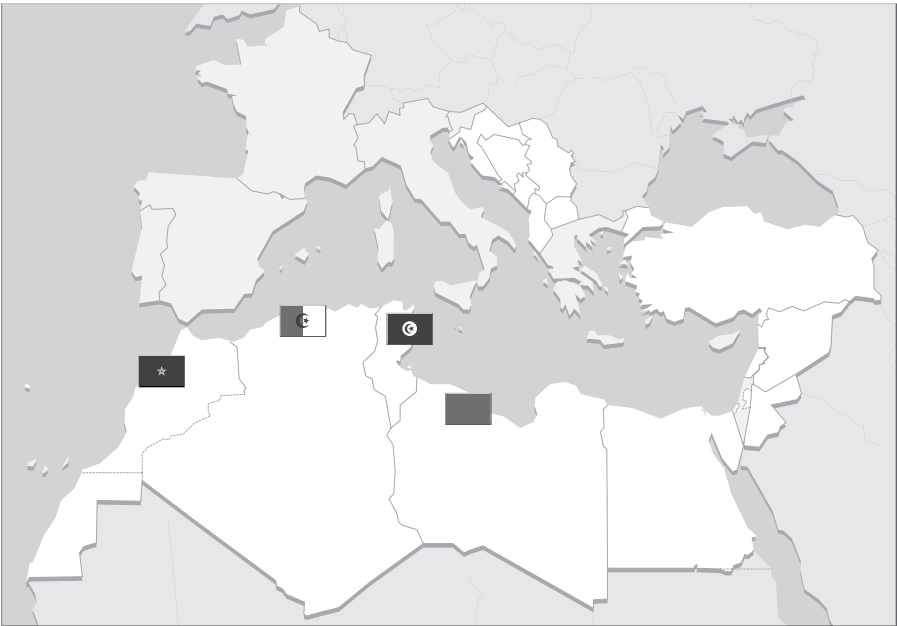
Reforms promoting gender equality

A specialized gender information centre could serve as a starting point for identifying areas in which reforms are needed, and could also contribute to the implementation of these reforms. The centre's responsibilities would include, inter alia, compiling and analysing relevant data and information on gender issues; providing consultation on gender-specific issues and ensuring the integration of a gender perspective in all reform and development processes; and administering special training programmes for females, with priority given to rural women. It is essential to support the initiatives and programmes undertaken by various governmental and non-governmental organizations to improve the education and economic situation of women, especially in rural areas. One such initiative, referred to as the Healthy Villages Project, provides rural women with special funding to implement income-generating projects, encouraging them to benefit from financial reforms.

3.3 Conclusion

There is considerable high-level government support for reforms contributing to national development and modernization, and notable progress has been achieved in a number of key areas over the past decade. Unfortunately, however, there has been some resistance to the proposed changes that derives from the particular social and institutional characteristics of the Syrian State. Consequently, overall progress has been slow. Many reforms have been approved, and much of the preliminary work has been done; however, full implementation has only been achieved in a few areas. It is essential that every effort be made to strengthen support for the country's reform programme within both the government bureaucracy and society as a whole, as little will be achieved until all stakeholders feel a sense of ownership and responsibility for building a better future.

Map 3. **Countries in North Africa highlighted in part two**

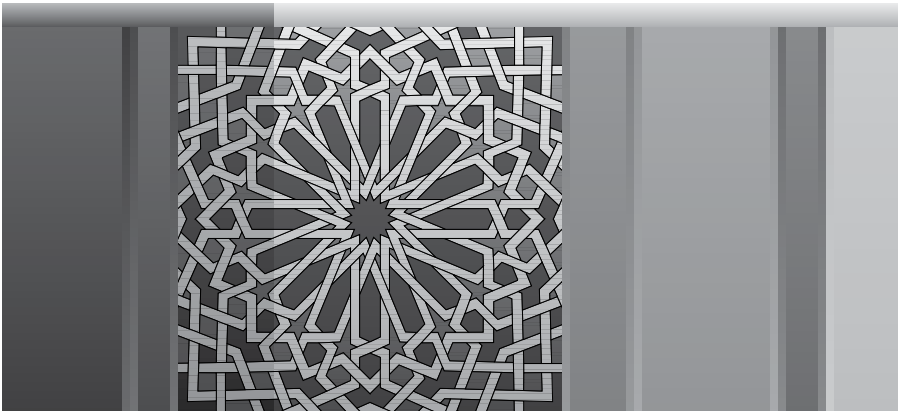


Part Two:
North Africa

- **Algeria**
- **Libyan Arab Jamahiriya**
- **Morocco**
- **Tunisia**

Part Two

Governance and public administration
challenges and priorities in North Africa



Algeria

1. The political, institutional and economic context

1.1 Historical overview

The history and institutions of Algeria were profoundly influenced by the Arab invasion more than a thousand years ago and by French colonization, which began in 1830. In 1879 Algeria fell under the complete control of France, which used the country as a launching pad for the colonization of the rest of North Africa and encouraged the settlement of French citizens on lands confiscated from the local population. Over time, tensions escalated. An Algerian nationalist movement began to take shape around the middle of the twentieth century as the desire for autonomy grew, and in November 1954 a revolution was launched by indigenous Algerians, led by the National Liberation Front (FLN). The Battle of Algiers was fought in 1957.

The collapse of the Fourth Republic in France, brought on largely by the crisis in Algeria, led to General Charles de Gaulle's return to politics in 1958. The following year, de Gaulle granted Algeria the choice between integration with France and independence. Extremist French settlers openly rebelled against de Gaulle in 1960, and in 1961 a group of French generals, who had created the Secret Armed Organization, engaged in a failed attempt to oust French government authorities in Algiers. The Algerian war ended in 1962 with the signing of the Evian accords, which recognized Algeria's independence.

In Evian, Algeria and France concluded an agreement with provisions for the restitution of land occupied by France as well as special aid to compensate for the devastation caused by eight years of war. In exchange, representatives of the FLN pledged to protect the civil rights of European settlers, who were given three years to choose between Algerian and French citizenship. In spite of internal divisions, nationalist leaders approved the resolution that proclaimed Algeria an independent socialist republic.

In 1963 the first Algerian constitution was adopted, establishing a single-party system for the new nation and recognizing the FLN as the only source of political identification.¹ The party controlled all aspects of political participation, including the activities of trade unions and other civil organizations. Ahmed Ben Bella was elected President of the Republic, and Houari Boumedienne was appointed Minister of Defence and Com-

¹ The adoption of the single-party system was justified by the FLN assertion that the party had served as a source of national unity during French colonization and that, together with the Armée de libération nationale (ALN), had been responsible for securing national independence.

mander-in-Chief of the Armed Forces. The latter deposed Ben Bella in a coup d'état in 1965. During his rule, Boumedienne nationalized the petroleum sector, launched agrarian reforms, encouraged greater independence and self-management among private sector companies, and facilitated the development of heavy industry. Boumedienne was officially elected President in 1976, and he approved a new constitution that further emphasized the socialist character of Algerian politics. When Boumedienne died in 1978, Chadli Bendjedid became President. He abandoned policies stressing accelerated industrialization, decreased State control over the economy, and tried to dismantle the political monopoly held by the FLN. Bendjedid was re-elected in 1984.

In 1988, the fundamentalist Islamic Salvation Front began to assert itself. A series of violent protests led to the abolition of the single-party regime and the adoption of a new constitution in 1989 that introduced a multiparty system and enshrined the separation of party and State. In 1990 and 1991, the Islamic Salvation Front won a majority of all votes cast in municipal and national legislative elections. On 11 January 1992, once it became clear that the Islamic Salvation Front was likely to achieve a parliamentary majority, Bendjedid was forced to resign by a group of military officers. Three days later, the High Security Council appointed a five-member High State Council under the presidency of Mohamed Boudiaf² to act as a collegiate presidency and immediately cancelled the second round of elections. The Islamists responded with unrestrained violence, carrying out assassinations, bombings, and massacres throughout the country; on 29 June, President Boudiaf was killed. A state of emergency was declared and the Constitution was suspended; the Islamic Salvation Front was banned, and the running of the Government remained in the hands of the army-controlled High State Council until 1994, when the Council's chairman, General Liamine Zéroual, was appointed President of the Republic. Elections held in 1995 were boycotted by the opposition parties and Zéroual was re-elected, provoking a strong reaction on the part of the fundamentalists and aggravating the ongoing civil war.³ In 1996, Zéroual made some changes to the Constitution that strengthened the powers of the Head of State, giving him the right to nominate one third of the members of the legislature's lower house.

In February 1999 Zéroual resigned, and in April of that year Abdelaziz Bouteflika won the elections with the support of the army. Opposition parties boycotted the elections, their candidates withdrawing in protest on the eve of the vote. In 1999, the Parliament approved the National Reconciliation Law, which granted amnesty to Islamic activists not involved in the rapes, massacres or other politically motivated attacks in public places. For the members of armed groups that had committed such crimes, the Law called for reduced sentences and parole for those willing to turn themselves in to the authorities and provide a detailed account of their past activities. In 2001, Bouteflika was forced to deal with popular revolts in Kabylia, an area with a Berber majority, and during the elections in 2002, strong tensions surfaced again.

² Mohamed Boudiaf returned to Algeria after 28 years of exile in Morocco to serve as Algeria's fourth president.

³ Violence and terrorism continued throughout much of the 1990s in Algeria. Government sources estimate that 100,000 Algerians died during this period.

Arabization and foreign relations

Algeria has steadily pursued a policy of arabization, as reflected in its adoption of a number of relevant laws over the past several decades, though government officials have typically been French-trained Algerians representing the technical and scientific elite in almost all administrative sectors.

Algeria is a member of several regional organizations including the Arab Maghreb Union⁴ and the Organization for African Unity (OAU). During Bouteflika's presidency in 1999/2000, the OAU pursued a policy of African pacification, both in the Congo and in the war between Eritrea and Ethiopia; the latter ended with the signing of agreements in Algiers in 2000.

Franco-Algerian relations have improved in recent years. During an official State visit to France in June 2000, Bouteflika convinced the French Government to forgive US\$ 60 million worth of Algeria's foreign debt and managed to secure large investments by French firms in Algeria in exchange for the easing of restrictions on the entry of French nationals into the country.

1.2 The central administration

Historical overview

The first democratic elections in Algeria were held in September 1962, a few months after the country gained its independence, and a provisional assembly was elected with a one-year mandate to draft a national constitution. The Constitution of Algeria, promulgated on 10 September 1963, established the country's single-chamber Parliament. In 1965, after the President of the Republic assumed full authority, the assembly became inactive and was replaced by the Revolutionary Council. A new constitution⁵ promulgated on 22 November 1976 retained the single-chamber system, with article 126 providing for the creation of the National People's Assembly to serve as the country's legislature. The first Assembly was elected to a five-year term on 25 February 1977.

The Constitution was revised on 3 November 1988 and again on 23 February 1989; the National People's Assembly and the single-chamber system remained in place, but the legislative, judicial and executive branches of government were formally separated.⁶ Assembly elections were interrupted by the resignation of the President of the Republic; the resulting void in executive leadership was filled by the High State Council and subsequently by the High Security Council on a transitional basis. Constitutional revisions in 1996 established a bicameral parliament made up of the National People's Assembly and the National Council, which met for the first time in January 1998.

⁴ Other members of the Union include the Libyan Arab Jamahiriya, Mauritania, Morocco and Tunisia.

⁵ Officially referred to as the Constitution of the People's Democratic Republic of Algeria.

⁶ See article 92 of the Constitution, as amended in 1989.

The three branches of government

The President and the ministerial Cabinet exercise executive authority, the Parliament serves as the country's legislature, and the courts represent the judiciary.

The executive branch

The Prime Minister is appointed by the President, and together they select the other ranking members of the Government, who are then appointed by the President. As at 1 May 2005 the central administration included 30 ministries, along with eight departments operating under the direction of associate ministers (*ministres délégués*).

BOX 5. GOVERNMENT MINISTRIES IN ALGERIA

- Ministry of the Interior and Local Authorities
- Ministry of Foreign Affairs
- Ministry of Defence
- Ministry of Justice
- Ministry of Finance
- Ministry of Energy and Mining
- Ministry of Water Resources
- Ministry for Investment Participation and Promotion
- Ministry of Commerce
- Ministry of Religious Affairs and Religious Endowments
- Ministry of Veterans' Affairs
- Ministry of Regional Planning and Environment
- Ministry of Transportation
- Ministry of National Education
- Ministry of Agriculture and Rural Development
- Ministry of Public Works
- Ministry of Health, Population and Hospital Reform
- Ministry of Culture
- Ministry of Small and Medium-Sized Enterprises and Handicrafts
- Ministry of Higher Education and Scientific Research
- Ministry of Postal Services and Information and Communication Technologies
- Ministry Parliamentary Relations
- Ministry of Vocational Training and Employment
- Ministry of Housing and Urban Affairs
- Ministry of Industry and Restructuring
- Ministry of Labour and Social Security

- Ministry of Employment and National Solidarity
- Ministry of Fisheries
- Ministry of Youth and Sports
- Ministry of Tourism

Sources: Algeria, Office of the Prime Minister (<http://www.cg.gov.dz/gouvernement.htm>); and the Permanent Mission of Algeria to the United Nations (<http://www.algeria-un.org/>).

The legislature

The Parliament includes a 389-member lower chamber referred to as the National People's Assembly (Assemblée Populaire Nationale or Al-Majlis al-Sha'abi al-Watani), and a 144-member upper chamber known as the National Council (Conseil de la Nation or Majlis al-Umma). All the members of the lower chamber and two thirds of the members of the upper chamber are elected directly. The remaining National Council members, typically national experts in fields such as science, culture and economics, are appointed by the President of the Republic.⁷

The members of the National People's Assembly are elected directly by secret ballot and serve five-year terms. The President of the Republic, after consulting with the president of the National People's Assembly, the president of the National Council, and the Prime Minister, can dissolve the Assembly and call for new legislative elections. Members of the National Council serve six-year terms, with elections held for half of the members every three years. Parliamentary representatives cannot be arrested or subjected to any other civil or penal action on the basis of their opinions, comments, or votes while serving in the legislature. Laws are promulgated by the President of the Republic 30 days after they are approved.

The judiciary

The Algerian judicial system is based on both French and Islamic law. The 218 courts of first instance, or tribunal courts, operate at the sub-province level and are responsible for all legal proceedings of a civil, commercial or social nature. The 48 *wilaya* courts (at the provincial/department level) have second-degree jurisdiction; first-degree sentences in any of the areas listed above can be appealed. Courts with second-degree jurisdiction can also issue first-degree judgements in certain cases involving legal disputes with the State or one of its districts. The highest degree of judgement rests with the Supreme Court; there are actually several courts thus designated.

Administrative courts handle cases relating to public administration. The recently established State Council⁸ regulates and ensures the uniform application of administrative justice in the country and compels respect for the rule of law. Among other things,

⁷ On the National Council website (www.majliselouma.dz), click on "Les Publications" and then "Autres publications" to access *Le Conseil de la Nation: Deux Années après sa Mise en Place*, which describes the Council's composition, activities, prerogatives, and relations with other institutions, and outlines the history of unicameral and bicameral parliaments in Algeria. The Council's journal is also available on this site.

⁸ Law No. 98-01 of 30 May 1998.

it is responsible for administrative appeals.⁹ Finally, the State Audit Court is responsible for legal processes relating to government spending at the local and national levels and among public service agencies. It is also tasked with encouraging the efficient use of public funds, in part by promoting obligatory transparent management.

Complementary institutions

The nine-member Constitutional Council¹⁰ works to ensure that constitutional provisions are enforced and that the legalities surrounding legislative and presidential elections and referendums are observed.¹¹ The president of the Council is appointed for a six-year term,¹² and the other members serve for six years as well but on a staggered basis; half of them are replaced every three years. In addition to its constitutionally mandated duties, the Council provides opinions on the constitutionality of laws and treaties.

The High Islamic Council is a consultative authority composed of 15 members and a president appointed by the Head of State. Its functions include promoting and offering opinions on the application of Islamic law and religious regulations. The Council also submits a periodic report on its activities to the President of the Republic.

1.3 Local administration

There are three levels of local public administration in Algeria: provincial-level departments (*wilayat*), intermediate sub-departments (*dawa'ir*), and *communes*. To some extent this mirrors the French local administrative model; the *wilaya* and *da'ira* are equivalent to the French *department* and *arrondissement* respectively.

In 1966, the Revolutionary Council undertook an assessment of administrative arrangements at the subnational level and subsequently launched a number of legislative reforms; in 1967 the first Code Communal¹³ established the principles for communal autonomy, and in 1969 the first Code de Wilaya¹⁴ was approved, creating 48 departments. Reform efforts coincided with the return of European administrators and bureaucrats to their countries of origin and the emergence of an administrative vacuum that proved difficult to fill, given the lack of qualified Algerian administrative officials and civil servants.

In the years that followed, the Algerian Government launched training programmes for local administrative staff, but the State was forced to intervene with increasing frequency in matters of local autonomy. In 1984 Algeria approved a law on ter-

⁹ The State Council can annul decisions taken by central administrative authorities, national public institutions, and national professional organizations and can interpret and issue judgements on the legitimacy of acts in administrative cases under appeal.

¹⁰ Instituted on the basis of article 153 of the 1989 Constitution. The composition of this body is detailed in article 164 of the November 1996 revision of the Constitution.

¹¹ The Constitutional Council comprises the following: three members appointed by the President of the Republic, one of whom is the Council president; two members elected by the National Assembly; two members elected by the National Council; one member elected by the Supreme Court; and one member elected by the State Council.

¹² See article 164 of the November 1996 revision of the Constitution.

¹³ Decree No. 67/24 of 18 January 1967.

¹⁴ Decree No. 69/38 of 28 May 1969.

ritorial reorganization. The number of *wilayat* did not change, but the number of communes rose to 1,540; some of the latter were transferred to other *wilayat*.¹⁵ The most recent Code de la Commune was approved within the framework of Law No. 90-08 of 7 April 1990, and another instrument relating to the *wilayat* (Law No. 90-09) was approved the same day.

Wilayat

Algeria is still divided into 48 *wilayat*,¹⁶ and in line with the provisions of the 1969 Code, each has its own popular assembly, made up of 30 representatives elected every five years, as well as an executive council. Every assembly has three permanent commissions that address issues relating to economics and finance, territorial management, and social and cultural affairs, respectively. Both the assembly and the council report to the provincial governor (*wali*), who is appointed by the President of the Republic. The governor represents the State Government at the local level and is in charge of implementing decisions issuing from the central administration and the *wilaya*.

Each *wilaya* is a provincial administrative unit of the central Government and enjoys financial autonomy. It is responsible for the territorial organization and administration of State services; the implementation of sectoral policies and activities relating to agriculture, tourism, education and transportation (including the road network); the regulation of medium-sized industries; and all activities related to private sector development. To meet the collective needs of the population within the province, each *wilaya* can activate public services at the local level, but only in the following areas: road networks, assistance to the elderly and the disabled, local public transportation, hygiene, and quality control. Funds for these activities come from local taxes, resources collected through cultural heritage management, State subsidies (granted for specific goals or to compensate for inequalities in local tax revenues), and loans. Each *wilaya* also has a medium-term action plan, approved by its popular assembly, that identifies programmes for local economic and cultural development; this action plan represents a collaborative effort between the central Government and local communities.

Dawa'ir

Dawa'ir are intermediate administrative units that operate at a level between the *wilayat* and the communes. Among other things, they issue permits and licences that communal authorities are not authorized to issue.

Communes

Communal popular assemblies are the governing bodies for the *communes*. They are made up of 10 to 80 members elected every five years and are responsible for

¹⁵ Law No. 84-09 of 4 February 1984.

¹⁶ Adrar, Ain Defla, Ain Temouchent, Algiers, Annaba, Batna, Bechar, Bejaia, Biskra, Blida, Bordj Bou Arreridj, Bouira, Bumerdes, Chlef, Constantine, Djelfa, El Bayadh, El Oued, El Tarf, Ghardaia, Guelma, Illizi, Jijel, Khenchela, Laghouat, Muaskar, Medea, Mila, Mostaganem, M'Sila, Naama, Oran, Ouargla, Oum el Bouaghi, Relizane, Saïda, Setif, Sidi Bel Abbès, Skikda, Souk Ahras, Tamanghasset, Tebessa, Tiaret, Tindouf, Tipaza, Tissemsilt, Tizi Ouzou, and Tlemcen.

local planning and administration as well as economic, financial, social and cultural matters. The three commissions operating at the *wilaya* level (dealing with economics and finance, territorial management, and social and cultural affairs) are also present at the communal level. With their limited economic and political autonomy, *communes* implement and manage central government programmes rather than their own, and fall under the administrative control of the *wali*. The State-level Solidarity Fund and Guarantee Fund exist to fill any gaps in communal revenues. Since 1970, each *commune* has periodically adopted a communal development plan, which identifies integrated activities aimed at promoting economic, social and administrative development, including improved environmental and territorial management. Areas of intervention have included agricultural development, water management, infrastructure development, and project implementation.

1.4 Economic trends

After winning its independence in 1962, Algeria took steps to nationalize the petroleum sector and most of the industry and service sectors, and agrarian reform efforts focused on the dominant role played by large State farms. Strong population growth and the limited availability of land made economic recovery difficult. Though Algeria produced various raw materials, what was available proved insufficient for the industrialization process that had just been launched. Nationalization therefore took place in stages; the iron mines were first, followed by medium-sized industries in 1975/76.

During the first decade of industrialization (1965-1975), Algeria spent up to half of its GDP on the creation of huge industrial centres; this represented one of the highest rates of national investment in the world. Despite such ambitious efforts, economic problems soon began to surface. Inefficiencies in production were first evident in agriculture and light industry, and by the late 1970s, critical sectors such as public industry and infrastructure began to experience serious difficulties, in spite of the substantial increases in government income linked to the oil shocks of 1973/74 and 1979/80.

Investments to promote economic growth

Increasingly high levels of public investment were needed to support economic growth during the country's early years of independence; by 1978, national development expenditures were equivalent to an unsustainable 52 per cent of GDP. Revenues from the petroleum sector continued to rise but were still not sufficient to finance investment on such a scale, forcing Algeria to rely heavily on foreign credit. Even with such substantial support, it soon became clear that Algeria was not achieving many of its development objectives, and the situation worsened considerably with the sharp decline in petroleum profits in the mid-1980s. When oil prices fell by 50 per cent in 1986, the Algerian economy — already experiencing systemic difficulties — suffered a major crisis that is still not yet completely over. The impact of the crisis

has been dramatic: per capita GDP dropped from US\$ 2,800 in 1986 to US\$ 1,800 in 2000. After the decline in oil prices, Algeria instituted agricultural reforms, broke up its collectivized industries, and granted large public sector firms managerial autonomy. The current economic recovery plan is intended to bring the crisis to an end.

The International Monetary Fund steps in

Between 1989 and 1992, Algeria received support and guidance from the International Monetary Fund (IMF) in the development and implementation of a series of economic reforms: public sector enterprises were incorporated into a series of holdings, foreign investment was liberalized, the public sector monopoly on foreign trade was abolished, and the currency was devalued. In 1994, a new agreement with the IMF called for the multilateral restructuring of foreign debt for the first time. The restructuring of the industrial sector was characterized by a sharp reduction in public sector involvement with reforms that included the closure or sale of hundreds of small and medium-sized firms and the liberalization of prices and of foreign trade.

Macroeconomic balance is restored

Structural adjustment measures implemented between 1994 and 1998 resulted in macroeconomic stabilization, and the country began to experience economic growth once again, though at rates that remained insufficient to keep inflation under 3 per cent, lower interest rates to below 20 per cent, and reduce the high rate of unemployment. The two main benefits accruing from structural adjustment included the restoration of macroeconomic equilibrium and the introduction of market mechanisms. These positive developments were possible primarily because Algeria has a strong petroleum sector; during the period under review, income from oil sales accounted for 40 per cent of GDP,¹⁷ 80 per cent of national fiscal revenues and 95 per cent of foreign revenue.

Agriculture and oil: the dominant sectors

Today, after two decades of reform, the Algerian economy is dominated by the oil and agriculture sectors, which together account for about 40 per cent of GDP.¹⁸ Economic growth strategies based on the development of heavy industry clearly failed; the manufacturing sector presently accounts for only 7-9 per cent of GDP. The strength of the Algerian economy remains closely tied to petroleum prices, which can fluctuate dramatically. Efforts to diversify have met with some opposition. The required legal and institutional infrastructure is largely in place, but the transition from a public-sector-based economy to an open economy has been slow, tentative, and fraught with difficulties, as resistance to change has been very strong.

Strengthening foreign trade and private investment

Notwithstanding its broader economic challenges, Algeria has made important gains in the areas of foreign trade and private foreign investment owing to cus-

¹⁷ In comparison, agriculture and industry accounted for only 8 and 7 per cent of GDP, respectively.

¹⁸ This figure has risen substantially in recent years owing to significant increases in oil production and prices.

toms reforms and the activities of three national organizations responsible for investment guidance and policy. The National Agency for Investment Development (ANDI) facilitates investments, grants fiscal and parafiscal exemptions, confers investment advantages, and helps investors obtain special authorization for unique investments. The National Investment Council (CNI) was created to strengthen the legal and regulatory framework for investment. It defines Algeria's investment strategy and priorities, approves sectoral investment incentives, and provides final authorization for special investment schemes. The Ministry for Investment Participation and Promotion manages two offices, one for investment policy and the other for the privatization process.¹⁹

Updating the customs system

When trade was liberalized in the early 1990s, it became necessary to reform and modernize the customs system. The programme adopted to realize these goals was guided by two priorities; the new customs set-up would need to be able to meet any challenges arising in connection with the transition to a market economy and would have to be flexible enough to adapt to the evolving national and international contexts. Specific objectives included the following:

- Developing the economic and partnership roles of the customs system;
- Carrying out relevant human resource training and development;
- Increasing fiscal revenues;
- Fighting commercial fraud;
- Promoting ethical behaviour within the customs system;
- Modernizing the customs infrastructure and updating management approaches.

Dependence on automated customs management

Modern information and communication technologies (ICT) have made it possible to reconcile the simplification of foreign trade operations with the application of more efficient controls. In 1995, Algerian customs authorities began using SIGAD,²⁰ an automated customs management system that allows them to operate effectively within the restructured customs framework and to address most of the needs and challenges arising in that context; at the moment, SIGAD is used for the codification of merchandise and the management of tax and fee collection systems. The computerization of the customs system has limited direct contact between customs officials and users, making the process more objective by limiting personal interference in customs procedures and guaranteeing the uniform application of laws and regulations. The updated system has also contributed to faster processing, cost reductions and the fight against fraud.

¹⁹This information on the three Algerian investment organizations is taken almost verbatim from the United States Commercial Service, "Algeria: openness to foreign investment" (http://www.buyusa.gov/algeria/en/openness_to_foreign_investment.html).

²⁰SIGAD is an acronym for *Système d'Information et de Gestion Automatisée de Douanes*.

The application of new customs controls

International customs cooperation has evolved out of the need to increase the efficiency of customs controls, ensure compatibility between national systems, and remain in step with global developments. In order to strengthen collaboration with other customs authorities and ensure the provision of reciprocal administrative assistance, Algeria has signed relevant conventions with Egypt (1996), Jordan (1997), the Syrian Arab Republic (1997), Niger (1998) and South Africa (1998). Prior to the institution of customs reforms, Algeria had signed conventions with Spain (1970), Tunisia (1981), Mali (1981), France (1985), Italy (1986), the Libyan Arab Jamahiriya (1989), Mauritania (1991) and Morocco (1991). In 1988 Algeria ratified the World Customs Organization's International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences, known as the Nairobi Convention, whose primary goal is to simplify and coordinate the customs policies of its signatory countries.

Macroeconomic equilibrium

Macroeconomic indicators show that despite various difficulties, Algeria's economy has performed relatively well in recent years. Greater external financial equilibrium was achieved by the end of the previous decade; a positive balance of payments was registered in 2000, and the interest rate declined from 47.5 per cent in 1998 to 19.8 per cent two years later. Internal financial equilibrium has improved as well, as the public debt has been reduced and the inflation rate has remained below 1 per cent per year.

High petroleum prices have translated into substantial State revenues, but economic growth has remained somewhat sluggish, averaging around 4 per cent since 1999. With such slow growth, the country is unable to meet the needs of the population, particularly with regard to employment. In 2002/03, Algeria set up a programme to revise the economic role of the public sector and greatly strengthen the role of the private sector in economic development, the primary objective being to allow Algerian companies to become centres of wealth creation. The recovery programme stresses the importance of instituting cost-cutting measures to alleviate the financial and social burdens that undermine private enterprise and initiative, and also provides for reforms within the banking sector. These actions, together with fiscal reforms, should have a positive impact on State resources and lead to improvements in the banking system, which finances private sector development.

Job availability and economic stability remain critical issues

Disappointing rates of employment growth derive from weaknesses in the productive sector, the spread of informal employment, and the failure of the 1993 investment promotion law to produce the desired results. Despite large-scale development efforts and the favourable macroeconomic situation, Algeria has had little success in improving living standards and ensuring economic stability and steady employment growth. Tensions often run high, and popular movements are

gaining strength as frustrations continue to mount over the deteriorating quality of life, the declining purchasing power of the population, rising poverty, and ongoing social discrimination. To address these challenges, the Algerian Government has launched systemic reforms and related activities in order to increase investment and ultimately create a virtuous economic cycle that will facilitate long-term, sustainable development. Cost-cutting measures represent an important component of these efforts.

The economic recovery programme for the period 2001-2004 focused on four main areas:

- Productive activities;
- Local development and welfare;
- The strengthening of public services;
- Human resource development.

In 2001, the Algerian Government earmarked 210.5 billion Algerian dinars for major infrastructure development, the most important aspects of which were as follows:

- Structural interventions in the respective territories, including the building or upgrading of roads, railroads, airports, and irrigation systems, in order to improve local living conditions, facilitate the movement of goods and people, and minimize internal migration;
- The creation of a technology park specializing in cutting-edge technologies, where the professional skills of recent graduates in Algeria could be put to use in supporting enterprise growth.

Large-scale interventions are also planned to valorize mountainous areas, strengthen environmental protection, complete the electricity network, and protect water catchment basins in rural areas.

Striving for increased integration into the world economy

All of the economic intervention programmes pursued by Algeria over the past several years have been oriented towards achieving macroeconomic equilibrium and ensuring international economic integration. The current Government has focused on socio-economic reforms and economic liberalization in order to build a strong infrastructure that will allow Algerian enterprises to evolve into the main source of the country's wealth. Strategies and policies will continue to be directed towards facilitating and sustaining progress, with steps taken to address unemployment and to provide the population with the means to create wealth. The Government intends to increase public spending to support this plan. Among the activities to be undertaken within this context are the adoption of integrated programmes for local development and employment promotion, improvements in the socio-economic infrastructure, and the application of equalizing measures to achieve homogeneous development within the country.

The planned interventions outlined above are designed to achieve four qualitative goals: poverty reduction, job creation, balanced regional development, and economic revitalization. Because wealth is distributed unevenly in Algeria, there is a need for activities that will strengthen collective social structures in the most underdeveloped communes and allow them to meet their public service obligations. Efforts to achieve the development objectives identified above should be facilitated by the more favourable economic conditions deriving from the strengthening of the international oil market over the past several years.

2. Administrative development and reform strategies in Algeria

2.1 The legal framework for public administration

The term “public sector” is difficult to define in the Algerian context, as a great many factors must be taken into account. However, it is possible to identify some of the most important dimensions of public administration, including its institutional and legal character, its political function (promoting solidarity and social cohesion), and its economic obligations (the production and provision of public goods and the allocation of resources).

In both quantitative and qualitative terms, Algeria’s public services are insufficient to meet the needs of the population. This situation derives primarily from the lack of resources, but also from the way the country’s public administration is set up and operated. Public services account for a significant proportion of the country’s administrative budget and manpower; its dominant place in the administrative machinery of the State makes realistic reform difficult at times.

2.2 The reconfiguration of the role of the State

Public administration in Algeria has evolved not in accordance with any formal administrative model or consciously designed master plan, but rather through the gradual implementation of modest reforms over time. The French administrative structure was well entrenched during the colonial period, but after Algeria won its independence, reforms were introduced as a result of political choices made in the context of the revolution, inspired by the socialist model of economic and social development.²¹

Since 1989, a number of major changes have taken place in Algeria; some of the most important developments within the present context are as follows:

- Society has gradually become more dynamic and pluralistic, and participation in civil society is growing (though it is, at this point, insufficiently organized);
- Emerging political actors have increasingly voiced their support for a more liberalized political environment;

²¹ This conclusion is reflected in a paper prepared in June 2005 by M.C. Belmihoub, Professor of Economics and Management at the Ecole nationale de l’administration in Algeria and Innovmed’s national consultant for Algeria.

- Social and economic relationships have changed dramatically at all levels of society. In the realm of public administration, some important changes have taken place with regard to contractual relationships and commercial transactions;
- The relationship between citizens and the State has been transformed in many respects;
- New socio-political needs have emerged.

With all the changes that have taken place, the role of the State has gradually been re-defined. The Government's revised mandate has guided development in the country, determining its economic character and policies and the direction and extent of social and moral progress, and has contributed to the gradual emergence of a freer society. The redefinition of the State's goals and the consequent reshaping of its administrative framework represent a direct response to the new challenges and demands arising in connection with national development and the evolution of society.

Administrative reform has been on the national agenda since 1988. In effecting the necessary changes in public service provision, the objective has been to combine old administrative features such as concessions with new features such as delegation, public-private cooperation, deregulation, and outsourcing. In reality, the situation has not changed much, except within the telecommunications sector, where substantial increases in private investment effectively put an end to the public sector monopoly. Outsourcing never extended beyond the conceptualization stage, except in the health sector (but then only on an experimental basis).

The main goal of reform: strengthening the relationship between the administration and the public

The main goal of the current Government with regard to State reform is to improve the relationship between the administration and the citizenry. Efforts in this context represent part of the complex democratization process taking place in Algeria as the State-centric system is transformed into a multi-centric system based on the rule of law. To achieve its aims, the Government has assigned priority to modernizing the State by instituting management practices that promote increased efficiency and efficacy, strengthening the State's capacity for intervention, and widening the decentralization policies initiated in previous years.

The current Government has identified the following as the main responsibilities of a modern, democratic State: economic regulation; the strengthening of social cohesion; and the equitable provision of decentralized public services within a more efficient, transparent administrative framework. Reform efforts aimed at improving the relationship between the administration and the general public centre around the following:

- Providing equal access to public services;
- Guaranteeing citizens the right to security and a healthy environment;

- Ensuring equal access to information and administrative transparency;
- Improving and simplifying administrative procedures;
- Humanizing the relationship between citizens and the Government;
- Protecting citizens from abuse, in part by giving them legal recourse against unfair treatment by administrative authorities;
- Developing and safeguarding the rights of citizens and interest groups through ongoing dialogue and through changes in laws on associations;
- Enforcing a moral imperative in public service. Considerable progress has been made in this regard over the past few years; many individuals, including administrative officials, have been prosecuted for corruption, embezzlement, and other abuses of power.

Streamlining public administration and enhancing its efficiency and effectiveness constitute key priorities. The Government's rationalization policy encompasses a series of reforms that will redefine the administration's structure, functions, organization, and modalities of intervention. Establishing strong foundations for good governance will require the modernization of administrative mechanisms and infrastructures as well as more targeted reforms such as the development of clearly defined and homogeneous skill requirements for State jobs.

The reform programme endorsed by President Abdelaziz Bouteflika specifically addresses deficiencies within the judicial sector, public administration, and the school system.²² This ambitious, large-scale effort encompasses major changes that will affect every aspect of the country's political and administrative framework. Most of the programme is still in the early stages of implementation, though substantial progress has been made in the areas of management control and public sector relations with the private sector. To realize its objectives, the Government established the Commission for State Reform and the Commission for Judicial Reform, as well as two separate bodies for carrying out educational reforms. These entities are responsible for establishing strategic guidelines and identifying how the reforms in each sector should be structured.

The administrative innovation component of the government programme adopted in July 2002 includes specific reference to planned programme actions and activities and to the areas and levels of administration that will be affected by the reforms.²³

2.3 Decentralization and reform at the local level

The political organization and system of government administration in Algeria derives from both the former colonial administrative structure and input from successive post-independence generations. Resource management, capacity-building, and

²² See the respective institutional websites for details on the relevant legislative bills. The laws passed by the Parliament since early 1998, as well as legislative bills under discussion, may be accessed at http://www.majliselouma.dz/travaux_parlementaires/page_travaux_parlementaire.htm (it should be noted that the site does not appear to have been updated since 2001). The site of the *Journal Officiel* includes the texts of all legislation and can be searched by thematic areas.

²³ See www.cg.gov.dz/gouvernement/programme.htm.

economic and social development decisions are taken at the State level. The national Government, with its extremely centralized administrative machinery and monopolistic organization of economic activities, exercises a high level of control.

The success of decentralization in the telecommunications sector

Since the early years of Algeria's independence, there has been a gradual move towards decentralization and devolution in some areas. However, because administrative organization and decision-making power remain centralized and management processes highly formalized, participants are subject to often cumbersome bureaucratic constraints in the allocation of resources, the programming of activities, and human and financial resource management. This formalism linked to State centralization has affected the management culture throughout the public sector.

In the telecommunications sector, territorial devolution and the decentralization of regulation have given local authorities real autonomy. Successful reforms initiated in the summer of 2000 have allowed mobile telecommunications, once managed within the framework of a government monopoly, to evolve into a competitive commercial industry with public and private companies and foreign direct investment (FDI) support. Deregulating a key segment of the post and telecommunications sector and opening it up to private investment has produced encouraging results. The installation of a regulatory body independent of the central administration, responsible for maintaining order within the market and developing competition, has strengthened investor trust and enhanced the sale of licences. The successes in mobile telephony will ensure the liberalization of other segments of the sector, in particular fixed telephony; this should lead to the establishment of a more modern telecommunications infrastructure, an essential condition for the development of e-governance.

Local administrative reform

Local administrative reform constitutes a critical component of the Government's decentralization efforts. The main objectives in this context are to redefine the distribution of power between the State and local communities and to revise organizational structures and tasks in line with relevant changes in administrative control. In a preliminary analysis of the situation of local communities, the Committee for the Reform of the Mission and Structure of the State emphasized the importance of local administrative reform, noting that it was primarily at the local level that the relationship between the country's administration and citizenry was developed and reinforced. On this basis, the decision was made to give local administrations greater responsibility and autonomy.

A number of specific activities have been planned to strengthen relations between citizens and local government authorities. A high-priority plan has been adopted for the modernization of local public facilities and services in targeted sectors including law enforcement, urban planning, and health care. Electoral laws will also be modified to facilitate increased public participation in local community affairs.

Financial reforms will be undertaken to ensure the viability and sustainability of the revised system. Communities will be given more control over the acquisition and disposal of public funds; specifically, local governments will have the power to set and collect local taxes to enable them to meet their increased administrative responsibilities. Public service reforms constitute a key factor in the changing relationship between the State and local communities; in assessing public service needs and making whatever adjustments are necessary within this context, it is essential that the principles of continuity, equality and transparency are strictly observed.

The changing roles of the wilaya, the wali and the da'ira

The law governing the role and internal organization of each *wilaya* will be revised. Though services will be decentralized and local administrative units will enjoy greater autonomy, the authority of the *wali*, as the Government's sole representative, will be strengthened. The Algerian Government also intends to re-evaluate the role of the *da'ira* as an intermediate administrative unit. There are plans to establish regional structures to facilitate integrated development; these entities will be in charge of managing all aspects of territorial planning and development, with particular attention given to environmental issues.

2.4 Judicial reform

One of the key goals of the current Government is to establish the rule of law in line with international norms. After years of civil war, Algeria has begun to implement State reforms with the broad aim of meeting the growing needs of its citizens. In the area of judicial reform, the first goal has been to revise the emergency plan adopted by the Government in October 2000. This plan was devised to meet the immediate post-conflict need for justice and reconciliation, but it also laid the groundwork for a more comprehensive reform of the judicial system.

Reform priorities within the judicial sector include the training of magistrates, strengthening the independence of judges, redefining the role of the magistrature, and revising the law on the Supreme Council of the Magistrature. The Commission for Judicial Reform is responsible for identifying the reforms needed to protect citizens' rights and freedoms and for ensuring the adoption of relevant new legislation and the alignment of the current legal framework with constitutional provisions. The Commission must determine whether individual laws conform to international norms and make any necessary adjustments in that respect, and must revise existing legislation in order to ensure the coherence of the national legal system and fairness in the exercise of public power.

The Government is focusing particular attention on improving the judicial infrastructure and the conditions under which magistrates work. The roles and functions of the magistrature and the Superior Council are to be redefined and appropriate training is to be provided to increase the independence of magistrates. Reform efforts are also being undertaken to ensure that the career paths of magistrates and

other professionals within the government administration are more transparent. At a broader level, there are plans to modernize the judicial infrastructure and accelerate ICT integration.

Special attention is being given to judicial ethics; magistrates are to assume more personal responsibility for their decisions and to operate according to well-defined ethical rules and guidelines.

Judicial reform also involves the revision of the penal code. Prison system reforms include diversifying re-education efforts, improving prison conditions and security, and encouraging the use of alternative methods of punishment.

2.5 Human resource management in the public sector

A very rigid civil service code provides the framework for human resource management within the public sector. Virtually all government institutions lack a true public service culture in which energies may be consolidated and converge towards the common objective of serving the end-users. The approaches currently employed do not support creativity or initiative either in rationalizing the use of public resources or in improving the quality of public service.

A successful transition from traditional personnel management to a more dynamic and strategic approach requires certain conditions; there must be a civil service policy adapted to the current context to serve as a frame of reference, a system of training ensuring that all administrative staff are qualified within this context, and other elements supporting the enhancement of human resource capacities to facilitate change and integration based on a universal vision of the modernization of the State and public service management.

The inconsistency and disorganization characterizing human resource capacity-building, strongly influenced by political factors, as well as the incapacity of the State to impose long-term administrative reform, have led to the weakening — and perhaps even the disappearance — of the original values embodied in the civil service. The current system, set up in 1966, represents a failure; it is characterized by both internal and external disconnection, and there is no coherence between the qualifications and career paths of civil servants. Profound changes will be required to generate a shift from a public service culture based on obligation to one that is defined by a dynamic, mutually supportive relationship between the administration and citizens, who should be seen as customers rather than simple users, and by the provision of more efficient, lower-cost services by highly qualified staff.

The chronic deficit in the civil service

The civil service suffers from a chronic deficit in the realm of management, particularly in the area of human resources. The basic skills and tools needed for effective personnel management are lacking. Formal, rigid, and largely outdated pro-

cedures are used for the recruitment of civil servants. Tests of technical knowledge and general culture remain very abstract and do not indicate whether candidates possess the necessary qualifications expected by the administration.

The existing system is structured to support the career track, which offers a measure of personal job stability but little or no internal mobility owing to hierarchical constraints; external mobility is also seriously limited. The hiring of contract employees has become increasingly common, but this practice has led to a number of abuses. With little to offer in the way of personal career development or job security, contract arrangements have often been associated with a lack of motivation and behaviour that does not reflect the ethics and ideals of civil service. Both systems (career and contract employment) have their advantages and disadvantages, but neither is producing the kind of civil servants needed in this new era of public service, and the problem lies with administrative management.

Civil service rules are rigidly structured and applied. Regulations governing internal assignment and promotion limit possibilities for assigning fair value to specific competencies. There are provisions that would appear to allow the administration wide room to manoeuvre to ensure the optimal allocation of human resources, but the way the provisions are organized and interpreted, together with the poor system of personnel management, have undermined possibilities for progress in this regard. Current human resource management approaches do not allow for the clear identification, development or application of competencies or qualifications; do not encourage professional behaviour founded upon the values that must guide public service; do not encourage administrative impartiality, accountability or transparency; and do not contribute to human resource development or to improved individual and collective performance within the public sector.

The Algerian public sector lacks the professional and managerial capacity to establish and operate a modernized system of administration. The traditional framework has been weakened by archaic rules and regulations and by the instability of administrative structures. Initial training is no longer relevant, and civil servants are often unable to deal with the challenges arising within the public service sector. Advantage has not been taken of provisions that allow outside experts to provide advisory services and participate in the management of public administration where internal expertise is lacking.

Available data confirm that there are approximately 5,000 government administrators at the upper-management level in Algeria, overseeing planning and operations. In terms of distribution, 2,080 work in central administration, 2,475 in territorial administration, 120 in specialized public institutions, and 325 in public establishments. The public sector as a whole employs around 1.4 million individuals at all levels.

The training process

The administrative training process is still regulated by civil service rules and laws adopted in 1966. The last set of revisions, completed in 1996, includes provisions that are intended to improve the relevance of career-focused training and more clearly define certain rights and guarantees for civil servants. Although isolated attempts have been made to develop skills and capacities, a comprehensive system of training has not been implemented in public institutions or ministries. There is an urgent need for human resource development at all levels.

The civil service system

The civil service system is underdeveloped and has failed to keep pace with the changes in Algerian society and government. In spite of the many reforms that have been instituted over the years, the system is still governed by the rules adopted in 1966; various statutes have been amended but rarely thoroughly revised or updated. Part of the problem lies in poor implementation, but a more significant reason is the lack of any overall, forward-looking vision.

Though supplementary legislation has been adopted in connection with specific reforms, the 1966 general statute²⁴ remains the definitive legal authority in the field of public administration. This statute was passed a few years after the country won its independence, following the initial massive recruitment of Algerian administrative personnel, and was born out of the need to systematize the public employment sector, which was characterized by low skill levels, anomalous working relationships, and extremely uneven regulations for the various sectors. With this new set of rules as a guide, Algeria set up entrance exams for public sector jobs, applied the principle of internally consistent salaries for jobs at the same professional levels, and established a uniform, universal career-based system of public administration.

Plans for improvement

True administrative reform requires the consistent application and enforcement of policies with contemporary relevance. Public employment regulations must be reviewed. An integrated system must be set up to provide training for staff at all levels, including executives chosen on the basis of strict criteria, and to ensure the effective management of human resources; performance evaluation systems must be based on objective criteria and applied across the board. There are ongoing initiatives aimed at improving the quality of public service. In this regard, there has been a move to increase managerial autonomy by reducing *a priori* controls and by replacing unilateral top-down decision-making with contract-based relationships between the administration and public entities in charge of the various areas of service management.

There are plans to introduce large-scale training initiatives, particularly within the university setting, that will generate the expertise needed for administrative entities

²⁴ Decree No. 66-133 of 12 June 1966.

to engage in innovation and apply best practices.²⁵

Initial efforts to redefine and strengthen the relationship between the Government and the private sector were undertaken in the 1990s with the creation of an ad hoc agency for public-private cooperation and the introduction of a customs reform and modernization process aimed at promoting foreign trade.

Scientific research is being given increasing priority within the public sector and is currently the focus of medium- and long-term development policies. Spending on research activities, which will be geared primarily towards socio-economic development, will amount to at least 1 per cent of the country's GDP. "Poles of excellence" will be established to carry out the largest national research projects.

In a 2001 report to the International Organization of Supreme Audit Institutions (INTOSAI),²⁶ Algeria described the role of its State Audit Court in planning and implementing administrative reforms, focusing particularly on staff training. In 1995, when its competencies were reformulated, the State Audit Court was given the authority to apply control mechanisms to ensure that appropriate practices were followed in public administration.

In years past, a number of interventions were undertaken to address public sector economic issues and to regulate the national economy (the privatization of public sector enterprises, the reform of the customs code, and the adoption of norms to protect competition are a few examples). The State Audit Court played a consultative role in such reforms, contributing to the drafting of legislation on public finance and economic reform. The Court also assisted the commission entrusted with improving management assessment tools and defining the tasks of various actors involved in the national system of public sector controls.

In terms of specific actions carried out within the context of these reforms, the Audit Court undertook a preliminary analysis of public service quality and control and, based in part on an assessment of other country experiences, set up extensive training activities designed to provide local and State administrative officials with the tools they would need to evaluate and enhance public sector performance. Over the past two decades, the Algerian Government has launched various reform initiatives designed to facilitate its transition to a competency-based accounting system.²⁷ In Algeria and other developing countries, reliance on competency-based

²⁵ One important goal of the Government is to ensure that over 1 million university students receive appropriate training by 2008. Efforts are being made to improve performance levels by improving the quality and relevance of university teaching. Incentives will be provided for those pursuing careers in university teaching and research in order to mitigate the effects of the emigration of professors. The Government will also address more substantive educational issues, determining how universities can prepare their professors, researchers and graduates, many of whom will pursue careers in public service, to better meet the economic, social, and cultural needs of the country. Finally, steps will be taken to modernize the organizational structure, functions and management of university administration in order to improve efficiency.

²⁶ The report for the 2001 annual INTOSAI convention is available on the websites of the State Audit Court (<http://www.ccomptes.org.dz>), INTOSAI (<http://www.intosai.org>), and the European Court of Auditors (www.eca.eu.int).

²⁷ Much has been written about the advantages, and even the necessity, of introducing management control and competence-based accountability in the public sector. For an analysis focusing on the Arab world, see Economic and Social Commission for Western Asia, "Public sector accounting and budgeting reform: the main issues involved, with special focus on the Arab world" (E/ESCWA/SDPD/2003/WG.5/4).

accounting and preventive budgeting will allow Governments to fight corruption, comply with relevant international standards and requirements, and coordinate and integrate various planning processes more effectively.

2.6 The challenges of electronic government

ICT integration within the government sector constitutes a major axis around which much of the modernization of public administration revolves. Electronic government (or e-government) offers a number of advantages: public administration is more transparent and effective; internal record-keeping and customer services are characterized by greater speed and efficiency; reliable data is easily accessible; and the system's flexibility allows for adaptation to future needs as they evolve. International experience shows that the factors essential for the success of e-government include the active participation and collaboration of all public organizations in the adoption and utilization of the system, organizational access to powerful and comprehensive information systems, and extensive coordination of these information systems within a network to ensure the provision of electronic services consistent with international standards.

The practical application of e-government in Algeria has proceeded rather slowly, though some initial steps have been taken to facilitate the country's integration into the global information society; specific activities within this context include the following:

- The Government has articulated a national vision for Algeria's full transition into the information age, an essential element of which is a plan to ensure more widespread ICT utilization at all levels of society;
- Technical tools have been developed for data processing and telecommunications applications;
- The Government is endeavouring to strengthen the institutional and public policy framework for ICT development and integration, primarily through the complete liberalization of the telecommunications sector and the establishment of a dedicated ministry;
- Numerous institutional websites have already been set up.

These developments are very promising, but actual e-governance remains weak, as no action has been taken to implement a formal system-wide e-government project in Algeria.

3. Achievements, challenges and priorities in reforming governance and public administration in Algeria

Over the past 25 years, the Algerian Government has consistently affirmed its strong commitment to administrative reform and modernization within the public sector. Decentralization, liberalization and competitiveness in public service delivery have

remained the primary objectives. An analysis of the evolution of public administration in member countries of the Organization for Economic Cooperation and Development indicates broad reliance on similar reform strategies, which have largely proved successful. The devolution of public service responsibilities and functions to regional and local administrations (coupled with appropriate training), together with the increased transfer of regulatory functions to institutions outside the central Government, is becoming a universal trend. In Algeria, the inclination for change is strong, though for various reasons, reform implementation has been slow and uneven.

3.1 Innovations in public service provision

The establishment of contractual relationships between public sector entities represents one of the most innovative aspects of administrative reform in recent years. This option has long been available but rarely used, as it has traditionally been seen as better suited to arrangements with the private sector. The idea of contracts between public agents has met with resistance owing to the centralization of the administrative system. The more generalized use of such contracts can only occur within the framework of decentralization. It should be noted that decentralization is the most controversial area of reform, as there is strong opposition to change, and the absence of a clear institutional framework makes dialogue difficult.

A primary objective of administrative reform is to ensure that citizens are well served; it is therefore essential to assess the effectiveness of traditional approaches to public service management and provision as well as newer strategies such as outsourcing, decentralization, public-private and public-public partnerships, and commercialization. Public administration, in the contemporary context, remains an instrument of government power and control, but customer satisfaction has become a priority; the goal is to provide improved public services within an administrative framework characterized by effectiveness, efficiency and transparency.

3.2 External support for Algerian administrative reforms

During the past decade or so, Algeria has implemented extensive economic and institutional reforms, in spite of various constraints. These reforms have been undertaken with the support of international institutions such as the World Bank and the International Monetary Fund or within the framework of bilateral assistance and cooperation. Throughout the reform process, the major objective has been to ensure an effective transition from a centralized, bureaucratic system and State-dominated economy to a more decentralized system and a market economy, and to improve the country's overall economic and institutional competitiveness. Earlier reforms (during the 1990s) were aimed at the structural and institutional transformation of the economic system, whereas more recent reforms (since 2000) have focused on international economic integration, primarily through membership in various associations, free trade arrangements, and participation in the World Trade Organization.

3.3 Challenges relating to economic administration

Economic reforms have generated new challenges for public administration, in particular economic administration. The traditional administrative model essentially encompasses a formalized system of resource management and bureaucratic control; this approach gives little consideration to the needs and expectations of public service users or the achievement of clearly defined objectives. Such a system does not meet the requirements of a decentralized, continuously evolving market economy. Reforms have produced changes in the country's economic structures and processes and the behaviour of participants, redefined the nature of commercial property to include ideas and innovations, and facilitated the emergence of an increasingly important private sector. Unfortunately, administrative reform has not been in concert with the dynamics of economic reform, even though economic administration constitutes the most important source of institutional support and one of the key factors in the success of new economic policies and practices.

3.4 Administrative reform priorities

If there is one area in which government reforms need to be expedited, it is in administration. The Committee for the Reform of the Mission and Structure of the State has identified the following priorities within this context:

- Definition of the new role and responsibilities of the State as they relate to market-based economic development and globalization; activities should be directed mainly towards the definition, regulation and control of sectoral and intersectoral public policies and practices;
- Restructuring and reorganization of the central administration to allow the State to exercise its new role and fulfil its responsibilities effectively. It is recommended that discrete areas of competence and effectiveness be identified. The roles of State ministries, departments and agencies in various aspects of modern administration are not yet well established; these entities continue to focus primarily on the execution of routine, everyday administrative tasks. In addition, the central administration remains very fragmented. Several ministries oversee the same areas of activity or share responsibility for executing the same policies (for example, with regard to the development and regulation of industry, trade, and small and medium-sized enterprises), which poses problems of coordination, redundancy and overlap. Reform in the telecommunications sector constitutes the exception and may serve as a guide for broader change; this sector has been opened up to private investment, and an authority has been set up that enjoys real decision-making autonomy;
- Decentralization and devolution, which constitute the axis around which government administrative reform revolves. Decentralization efforts have been initiated at the *wilaya* and *commune* levels and to some extent at the emerging regional level. However, as implied previously, achieving

comprehensive decentralization is very difficult. Reforms in territorial administration are impeded by resistance to changes in the hierarchy, the absence of a clear vision of the degree of decentralization required, and the lack of political consensus. New administrative codes exist at the *wilaya* and commune levels but have not yet been promulgated;

- Valorization of human resources within the public sector and a redefinition of employee rights and obligations within the framework of a public service charter. Included in this reform category are requalification efforts to create or improve competencies, based on a specially designed system of training entirely dedicated to administrative formation and the values of public sector professionalism (performance, responsibility and ethics).

3.5 The current status of government reforms

The administrative reform programme outlined above is ambitious and remains a priority, but it has not yet been implemented because economic reforms constitute a higher priority and, perhaps ironically, because the current lack of administrative organization makes the implementation of reforms difficult. At present, administrative capacities are weak in critical areas, including analysis, design, regulation, and the control of public policies. The traditional public administration framework is archaic and has been further weakened by persistent instability and by the unnecessary proliferation of similar or overlapping administrative structures, which creates inter-institutional coordination problems and prolongs decision-making processes. Many reforms have been postponed at the point of implementation because of problems relating to overlapping or conflicting competencies in the sector. There are often several ministries formally involved in addressing a particular political or economic issue. Major structural changes such as the privatization of public companies or the reorganization of the public sector require institutional involvement and coordination on a much larger and more complex scale. Numerous ministries, departments and agencies must help to effect these reforms and will also be affected by them; complicating matters is the fact that not every ministry has a well-defined public sector role or clearly delineated responsibilities. Delays in the implementation of administrative reforms seriously undermine and constrain the dynamics of other reform processes in the country.

3.6 Overall social and economic reform requires administrative and institutional reforms...

Algeria has undergone a dramatic transformation over the past few decades as its political and economic priorities have shifted. The State has assumed a new role that is largely defined by the country's need to move forward with democratization and technological development and to deal with the challenges posed by market globalization and the competitiveness of multinational industrial groups. Changes in the management and regulation of public administration and services are clearly

justifiable; however; it is necessary to assess the viability of the proposed reforms. The bureaucratic culture will not disappear overnight. The public institutions established to oversee the privatization process, develop competition, ensure compliance with rules and regulations, and balance the interests of all concerned parties are likely to experience the same problems and dysfunctions as those institutions currently managing the public sector monopolies. Without ameliorative action, the risk that these problems will deepen is very real.

In devising realistic strategies for administrative reform, it is necessary to ask very detailed questions at both the theoretical and practical levels. Deregulation, an important component of public reform efforts, may serve as an example in this respect, as there are a number of basic issues to address with regard to improving public governance. How is it possible, for example, to reconcile the need for both effectiveness and equity, the non-convergent interests of public and private constituents, and short-term objectives with long-term objectives? What, precisely, is needed to strengthen capacities and positive countervailing forces in society?

3.7 ...though consensus remains elusive

The overarching goal of sustainable development currently defines the role of the State and its areas of intervention. It is necessary, within this context, to address such issues as social and economic inequalities, environmental degradation, and inadequacies in public service provision. Considerable emphasis has been placed on decentralization, as citizens' needs and national development objectives will never be met if public agencies are not made more autonomous, responsible, accountable, efficient, and internally motivated to serve and succeed. Territorial administration must play a more central role in public service management and local development.²⁸ The problem, as mentioned previously, is that a consensus on decentralization is difficult to achieve; in the meantime, this aspect of the reform process has effectively ground to a halt.

3.8 Decentralization and devolution are vital

Inactivity in the area of decentralization is undermining overall progress in Algeria. Currently, public actors face formal constraints in the allocation of resources, the development and implementation of programmes and activities, and human and financial resource management. Territorial decentralization and devolution have become leitmotifs of the administrative reform programme²⁹ and together constitute the key to redefining the relationship between the central Government and subnational authorities.

Decentralization and devolution obviously provide local administrations with opportunities to expand their administrative capacities and areas of responsibility,

²⁸ A report issued in July 2002 by the Committee for the Reform of the Mission and Structure of the State devotes considerable attention to these issues.

²⁹ A report prepared by the Committee for the Reform of the Mission and Structure of the State in 2001 offers very ambitious recommendations on strategies for territorial decentralization and devolution.

but they also strengthen social integration and national cohesion by supporting the development of local democracy and stimulating the participation of citizens.

3.9 Administrative innovation is limited

State governance is characterized by little or no administrative innovation. Though various internal reforms have been initiated, the Algerian administrative system remains antiquated in terms of its organization and management. Resources are given priority over development objectives and projects. Compliance with formal rules and standards constitutes an objective in itself. Public managers face few challenges and rather tend to safeguard the status quo; creative or proactive management is seen as risky. The lack of any managerial or policy vision for long-term administrative development will effectively ensure that civil servants at all levels remain professionally unchallenged and undeveloped.

The Algerian Government has maintained its traditional position within the political, economic and social spheres as a way of avoiding the risks and potential costs associated with change. Because of its monopolistic control, the State is able to ensure that public policies are interpreted and implemented in its favour.

Algerian public administration is characterized by obsolete but very well-entrenched structures, undermined by contradictions and a lack of clarity with regard to internal organization and development objectives, and subject to excessive political interference and influence. Such a system does not lend itself to the creation of an administrative elite with the capacity to initiate and lead the modernization process and introduce innovations. In the final analysis, administrative reform is hindered not only by technical challenges, but also by the intentional preservation of an outdated but effectively autonomous administrative system that has been in place for more than three decades.

Innovation is essentially a non-issue in the present administrative context. Public administration is currently focused on traditional human resource management; there is nothing within the system that supports risk-taking, personal initiative, or the development of critical thinking. Historically speaking, the great innovations in public administration have often been introduced in response to constraints or challenges. In Algeria, the absence of a modern management culture supports the maintenance of the status quo, with its reassuring predictability and lack of risk. Retention of the traditional system may serve the interests of traditional bureaucrats, but it does not serve the interests of the nation. Innovative reforms are needed to strengthen administrative capacity and increase effectiveness and efficiency. Decentralization and devolution are needed to create an enabling environment for innovation; innovative administrative systems are more flexible and able to adapt to ongoing changes, which is critical in this age of globalization. The legitimacy of public administration in Algeria will increasingly depend on its capacity to satisfy external needs, and openness to innovation will ensure that the necessary reforms are undertaken to improve public services.

Libyan Arab Jamahiriya

1. Political, economic and institutional context

1.1 Historical overview

The area now known as the Libyan Arab Jamahiriya was originally inhabited by the Berber people but was later colonized by the Greeks and later still by the Romans. In the seventh and sixth centuries B.C. the Carthaginian civilization was established in the western portion of the country, and the major population settlements came to be known as Tripolis, or the Three Cities. Approximately two centuries earlier the Greeks had established the Pentapolis, or Five Cities, in the eastern part of the country and introduced the concepts of the city-State and democracy. Some time later, the Romans introduced the stipendiary system, taxes, and census-taking.

In 642, Muslim Arabs invaded the area and governed it for more than 850 years, introducing the *shoura* system (a form of political rule based on constituent consultation) and a uniform system of taxation (*zakat* for Muslims and *jizyah* for non-Muslims). The Arabs also established the Dewan al-Hisba, which monitored and supervised commercial activities. Sometime around 1500, the area fell under Spanish domination, and a short time later, in the mid-sixteenth century, the Ottoman Empire assumed control. Local autonomy under Arab governors remained strong, and the Islamic culture and Arabic language, deeply ingrained over many hundreds of years, continued to prevail.

In the nineteenth century, the Ottomans established a system of local administration for the management of public affairs and the provision of public services and adopted a municipal law governing the formation of municipal councils and the selection of council members. The municipal councils were responsible for civil affairs, taxation, market supervision, and issues relating to public property, including public recreation areas.

Italy occupied the area in 1911 and imposed a combination of martial and administrative law. After suppressing armed resistance in the early 1930s, the Italians spent the next several years consolidating their power; though martial law was suspended, tribal councils were abolished and by the late 1930s, administrative posts at all levels were held by Italians. The three regions of Tripolitania, Cyrenaica and Fezzan were amalgamated into a single territorial entity called Libya.¹ During the Second World War, Italian, British and French troops fought for control of the area;

¹ This constituted the resurrection of a name Diocletian had applied to the area nearly 1,500 years earlier.

in the period between 1943 and 1951 the United Kingdom occupied Tripolitania and Cyrenaica, while France occupied Fezzan.

Libya obtained its independence in 1951 and became a federal monarchy under Sanussi Muhammad Idris, recognized by both the Tripolitarians and Cyrenaics as the leader of the nationalist movement. Idris, who was from Cyrenaica, forged a strategic alliance with the United Kingdom, allowing the British to establish military bases in exchange for military and financial aid. Soon after, the United States also obtained military base rights and, along with the British, provided development assistance. During its early years of independence, the fledgling United Kingdom of Libya was one of the poorest countries in the world, with an annual per capita income of less than US\$ 50. Intensive petroleum exploration began in 1955, and the discovery of substantial oil reserves in 1959 marked a dramatic turning point in the country's history. The sharp increase in income from oil sales allowed Libya to become progressively more independent in terms of foreign policy.

On 1 September 1969, Colonel Mo'amar Gheddafi seized power in a coup d'état. The new regime abolished the monarchy² and established the Libyan Arab Republic and its governing body, the Revolutionary Command Council,³ of which Gheddafi was the de facto leader. The Council's pre-revolution slogan and post-revolution motto was "liberty, socialism, and unity". The new regime's priorities included the expulsion of all foreign troops from Libyan territory, the country's modernization, support for the Palestinian cause, the promotion of Arab unity, and the implementation of internal policies aimed at ending exploitation, ensuring the equal distribution of wealth, and achieving social justice. A single, broad-based political party, the Arab Socialist Union, was established. During Gheddafi's first three years in power, the Government nationalized foreign companies, heavy industry, agricultural lands, banks, and service and insurance companies. In 1977, new laws were adopted that brought other economic activities under State control.

Gheddafi became Prime Minister in 1970 but resigned a short time later, in 1972, and was replaced by Major Abdel Salam Jalloud. However, Gheddafi remained the President of the Revolutionary Command Council, Commander-in-Chief of the Armed Forces, President of the Arab Socialist Union, and the effective Head of State. In 1973 Gheddafi launched a cultural revolution, and in 1976 he reorganized the central administration, creating the General People's Congress to take the place of the Revolutionary Command Council. The reorganization of the State was formally accepted in 1977, leading to the birth of the "Jamahiriya", a designation chosen by Gheddafi himself that roughly translates to a "State of the masses" in

² King Idris was exiled to Egypt, where he died in 1983.

³ The Council was a collegial body made up of 12 military officers and was strongly influenced by Gheddafi's positions. It was responsible for nominating the members of the Council of Ministers, dismissing the Prime Minister, and accepting the resignation of other ministers. The Council of Ministers implemented administrative policies in line with the decisions of the Revolutionary Command Council.

which people govern themselves by direct democracy, free of bureaucratic constraints. Revolutionary committees were organized for the supervision of this new “people’s power”.

In the years that followed, tensions between the Government, the military establishment and the revolutionary committees escalated, leading to failed coup attempts in 1984 and 1993. Relations with the United States were also strained; in 1982 the American Government imposed a tight embargo on the Libyan Arab Jamahiriya and suspended all oil imports (which accounted for 35 per cent of Libyan exports). Relations with the West deteriorated further following substantiated allegations of Libyan involvement in the 1988 bombing of Pan Am flight 103 over Lockerbie, Scotland, and in the bombing of a French UTA flight over Niger in 1989.

In 2002, Gheddafi further consolidated his political power. Over the past few years, any remaining internal opposition has largely been neutralized.

1.2 The political and economic context

Demographic profile

The Libyan Arab Jamahiriya, with nearly 7 million residents, has one of the lowest population densities in the world (3.9 inhabitants per square kilometre). The country’s population, currently growing at an annual rate of around 3.5 per cent, is relatively young.⁴ Immigrants,⁵ mostly from other Arab States, make up a significant proportion of the country’s residents. The economic boom that followed the discovery of oil in the 1950s led to intensive urban migration; in the 1960s the urban population increased by more than 10 per cent over a relatively short period. Currently, about 80 per cent of the population lives along the coast, especially in Tripoli and Benghazi, very far from the heart of the oil industry. Outside the largest urban agglomerations the population density decreases dramatically.

Between 1992 and 1999, the period during which United Nations sanctions were imposed, per capita GDP in the Libyan Arab Jamahiriya fell from US\$ 7,100 to US\$ 4,500; the decline was linked not only to the sanctions, but also to developments in the country’s highly centralized economic system. Despite the imposition of economic sanctions over the past several decades, the quality of life in the Libyan Arab Jamahiriya has remained virtually unrivaled in Africa, as State oil revenues have been used to subsidize health services, education, food, housing and other basic needs.

The relative importance of different economic sectors

The Libyan economy is dominated by the hydrocarbon sector. The sale of petroleum and petroleum products accounts for about 95 per cent of export revenue, more than 75 per cent of State revenue, and over 30 per cent of GDP. The country’s oil reserves total approximately 36 billion barrels (2001), and natural gas reserves are estimated at 1,274 billion cubic metres. The oil sector has benefited

⁴ An estimated 50 per cent of the population is under 15 years of age.

⁵ The Libyan Arab Jamahiriya currently hosts about 1.5 million migrant workers.

from prudent management; in spite of the political militancy of the Libyan leader, the country has never lost sight of the fact that international support is crucial for the development of the oil industry.

Industrial and agricultural production respectively account for 5 and 10 per cent of State revenues, while the tertiary (service) sector accounts for the remaining 10 per cent. Government efforts to promote agriculture and industry in the 1970s and 1980s were not very successful and were abandoned altogether when the Libyan economy collapsed in the 1990s. The need for agricultural sector development re-emerged in late 1998 with the decline in oil prices.

The evolution of economic policy

Economic policy in the 1980s and 1990s focused primarily on dealing with the impact of United States and United Nations sanctions. New laws passed in the 1990s promoted privatization and widened the scope of private sector activities. In mid-1996, however, the newly created purification committees shut down many private commercial enterprises and slowed down the private sector liberalization process.

In September 1998, the Libyan strategy of pursuing close ties with North African Arab countries was abandoned for political reasons. Since 1999, the Government has tried to establish a closer relationship with sub-Saharan Africa in order to minimize its political isolation, and has also strengthened its ties with Italy, Japan, the Russian Federation and Venezuela. Italy has promoted the integration of the Libyan Arab Jamahiriya into the Euro-Mediterranean Partnership programme launched by the Barcelona Declaration in 1995.

Since the lifting of United Nations sanctions, Europe has become an important economic partner. In May 2000, the Royal Dutch/Shell Group (the largest European oil company) and Lasmco PLC (the second-largest British oil exploration company) began talks with the Libyan Government on investment in energy sector projects.

The country's five-year development plan for the period 2001-2005 called for the promotion of economic growth and foreign investment. In 2004, decades of international economic and political isolation for the Libyan Arab Jamahiriya ended with Gheddafi's decision to settle long-standing disputes over the Lockerbie disaster and weapons of mass destruction. The country's foreign policy shift was linked to its desire to move towards the establishment of an open market economy and attract foreign direct investment. This represents an especially difficult challenge for a country that has spent four decades under a socialist economic and political regime and has had relatively limited contact with the international community. Unlike many of its Mediterranean Arab neighbours, the Libyan Arab Jamahiriya has not benefited from the various forms of international development assistance provided for State reforms. There are no updated studies, assessments, data, or other concrete information on the state of the country's public administration and civil service.

At this point, private initiative remains insufficiently encouraged and supported. The General Secretary of the General People's Congress recently voiced strong criticism of the bureaucratic obstacles that remain in the economy's key sectors and emphatically called for the implementation of economic policies geared towards modernization. This represents an open acknowledgement of the need to institute changes that will facilitate the country's re-entry into the international mainstream and its participation in the global economy.

1.3 Institutional framework

The *jamahiriya* is a unique political system based on Gheddafi's philosophy as presented in *The Green Book*, a guide incorporating socialist, Islamic and Bedouin theories. The central ideology is reflected in what is referred to as the Third Universal Theory. Devised as an alternative to capitalism and Marxism, this approach is based on the concept of direct democracy, whereby the country is governed through popular participation in the General People's Congress, without any mediation or intervention by the State, military organizations, tribes, or *ulama* (religious chiefs). Parliamentary democracy and political parties have no place in this system.

The country's political transformation was initiated more than 30 years ago. Gheddafi launched a "cultural revolution" in 1973, introducing modifications in social and governmental structures. By 1975 the concept of "people's power" had taken hold, and a "State of the masses" was formally established in 1977. Gheddafi relinquished all his official titles in 1979 to underscore his commitment to political decentralization, preferring to be recognized as the "leader of the revolution".

The Libyan Arab Jamahiriya has a complex bureaucratic apparatus made up of various congresses, committees and functional organizations. Four main political structures have been set up for local and regional participation and representation: people's committees and basic people's congresses operate at the neighbourhood, village, zone and municipal levels; the Arab Socialist Union constitutes the only authorized mass political organization; and revolutionary committees supervise and guide the activities of the various committees and congresses to ensure conformity with revolutionary ideals. These structures operate in parallel, but there is a significant amount of overlap.

The system of government

All Libyan citizens theoretically participate in local government through the basic people's congresses, and each local assembly elects a secretary that serves as its representative in the General People's Congress, the country's highest legislative body. Within this national Congress, secretaries are appointed to serve on the equivalent of a ministerial Cabinet headed by the General Secretary, who serves as the leader of the Congress and the official Head of State. Since 1988, in line with the provisions of a decentralization programme still under implementation, almost all of the Cabinet secretaries have been transferred outside Tripoli to cities such

as Benghazi, Kufra and Sirte. The last significant Cabinet reshuffle occurred in 1994, though some notable changes have taken place since; in 1998, for example, the General Secretary, Abdel-Majid al-Qaoud, switched places with the head of the Great Man-Made River Project, Mohammed Ahmed al-Mangouche. Gheddafi does not have an official title, but he governs the country as the *de facto* Head of State. There are no independent political parties, non-governmental organizations or human rights organizations.

The General People's Congress, made up of more than 1,000 delegates drawn from local and regional basic people's congresses, people's committees, revolutionary committees and other functional groupings, is the Libyan equivalent of a national legislature and serves as a link between the people and the executive branch of government, which is also incorporated in the Congress but operates at a higher level of authority. Since its establishment, the General People's Congress has met once a year for a two-week session during the November/December period. Executive functions are carried out by the General Secretary, who is elected by the Congress and serves as the official Head of State and Government (equivalent to a prime minister), and by the General People's Committee, a ministerial Cabinet whose secretaries are appointed by the General Secretary; these appointments are confirmed annually by the General People's Congress. In theory, the Congress has some limited powers to oversee government decisions.

The General People's Congress issues laws and decisions and endorses State policies and budgets. Since 1987, as part of the trend towards greater decentralization, many of the secretariats comprising the membership of the national legislative authority have been abolished. However, it has become increasingly clear that local structures generally do not have the capacity to assume the duties and functions of the State apparatus. To address this problem, a form of central administration was "readopted" with the approval of General People's Congress Decision No. 2 of 2004.

The General People's Committee for Financial and Administrative Control is an independent central authority established to monitor the financial and administrative performance of public organizations and companies, and to oversee personnel matters within this context.

Another important independent central organization with responsibilities in the realm of public administration is the General Planning Council, whose functions are outlined in relevant legislation.⁶ The membership of this Council is widely diversified, consisting of individuals such as university deans, local planning association coordinators, and representatives of research institutions. The Council has undertaken detailed assessments of the Libyan political, economic and social systems and has played an active role in the implementation of socialist policies focused on self-sufficiency and nationalization.

⁶ According to the provisions of Law No. 13, the Council has the authority to determine social and economic objectives and policies, review projects and priorities, and propose the legislation needed for the execution of socio-economic plans and policies.

The revolutionary committees

Gheddafi exercises power in part through the revolutionary committees, whose leaders he chooses himself. These organized groups act as a political force that can exert control over the army, the press, government institutions and private citizens. The committees have been active since the early 1980s, when relations with the United States soured, but their authority was reduced somewhat by Gheddafi in the late 1980s in response to growing public dissent. Purification committees were created in 1996 to fight corruption and halt black market activity — and to deflect public attention away from the revolutionary committees, which have continued to play a key role in political decision-making processes.

Tribes also play a key role in Libyan politics. To avoid power imbalances, Gheddafi periodically rearranges the tribal composition of the State administration. Gheddafi's own tribe (Qadhafiya) is well represented in the upper ranks of the Government, the army, and the security forces.

BOX 6. THE SYSTEM OF GOVERNMENT IN THE LIBYAN ARAB JAMAHIRIYA	
The country is technically a State of the masses (<i>jamahiriya</i>) governed by local committees; in reality, it is a military dictatorship.	
The Constitution	The Constitution was adopted on 11 December 1969 and amended on 2 March 1977.
Executive authority	<p>Head of State The de jure Head of State is the General Secretary of the General People's Congress, but the de facto Head of State is Colonel Mo'amar Abu Minyar al-Gheddafi, who has been in power since 1 September 1969.</p> <p>Head of Government The General Secretary of the General People's Committee is elected by the General People's Congress and serves as the equivalent of a prime minister.</p> <p>Cabinet The General People's Committee is appointed by the General Secretary and confirmed each year by the General People's Congress.</p>
Legislative authority	The General People's Congress is a unicameral body whose members are elected through a hierarchical system of popular assemblies.

BOX 6. THE SYSTEM OF GOVERNMENT IN THE LIBYAN ARAB JAMAHIRIYA (continued)	
Judicial authority	<p>The Libyan judicial system is based on Italian civil law and Islamic law (sharia). There is no constitutional provision for the judicial review of legislative acts. In 1993, the Government began promoting the wider application of Islamic law.</p> <p>The judicial system is composed of four tiers: summary courts, trial courts, appeals courts and the Supreme Court. There are also religious and military courts. The Supreme Council for Judicial Authority is the administrative entity responsible for handling appointments, transfers, and disciplinary matters.</p>
Local administrative units	<p>There are a total of 25 municipalities, as follows: Ajdabiya, Al-‘Aziziyah, Al-Fatih, Al-Jabal al-Akhdar, Al-Jufrah, Al-Khums, Al-Kufrah, An-Nuqat al-Khams, Ash Shati’, Awbari, Az-Zawiyah, Benghazi, Darnah, Ghadamis, Gharyan, Misratah, Murzuq, Sabha, Sawfajjin, Surt, Tarabulus, Tarhunah, Tubruq, Yafra, Zlitan. There are also 31 governorates.</p>
Political parties	<p>There are no recognized political parties, but it is likely that several Arab nationalist and Islamic fundamentalist movements are operating underground.</p>
Suffrage	<p>Voting is universal and compulsory for all citizens aged 18 or over.</p>

1.4 Local administration

The local government structure evolved over a number of years but was essentially in place by 1998. This structure comprises political units referred to as basic people’s congresses and administrative units known as people’s committees. Law No. 1 of 2001 and its executive regulation detail the duties and responsibilities of these local congresses and committees and also define the roles and relationships of the various components of the political and administrative structure so that it can operate effectively as a legislative mechanism. The Law eliminates organizational duplication and the overlap of duties and responsibilities among organizations and administrative levels.

All citizens aged 18 or over are members of the local congresses⁷ and can participate in their sessions, engage in debate, and reach collective decisions on policies, laws, plans and budgets. The administrative duties of the people’s committees include the following:

- Collecting taxes and local revenues;
- Controlling prices;
- Disbursing funds from approved budgets;

⁷ There were 415 basic people’s congresses in the country in 2001, and each had its own people’s committee. Large numbers of employees are required to run these local political and administrative units.

- Examining citizens' requests for different services and directing them to the proper authorities;
- Developing employment programmes;
- Issuing business licences and permits;
- Maintaining security;
- Selecting candidates to manage local schools and basic health units.

2. Challenges in governance and public administration and strategies for administrative reform

2.1 The legal framework for public administration

In the Libyan Arab Jamahiriya, as in many other countries, laws, regulations, and official decisions shape public administration. Any attempt to initiate reforms must start with the adoption or revision of legislation governing administrative operations, the determination and distribution of responsibilities, and the allocation of competencies and power. There are significant legislative challenges that would have to be overcome in redefining or reconfiguring the role of the State, largely because of the gaps, redundancies, contradictions, and overall disorganization and confusion characterizing the body of administrative law currently in existence. Specific shortcomings include the following:

- The multitude of laws and subsequent amendments that apply to one subject;
- The inconsistencies between the multiple laws dealing with one subject; sometimes there is even a contradiction between a law and its executive regulation;
- The duality in the treatment of some subjects, leading to the assumption of the same duties and responsibilities by different administrative bodies (with no guarantee of consistency);
- The obsolescence of much of the essential legislation enacted in the 1970s and 1980s, especially now that the State is moving away from public ownership towards a mixed economy.

Serious deficiencies also characterize the multitude of laws dealing with civil service ethics and accountability. The adoption or revision of legislation relating to human resource development and other areas of public administration would guide the Libyan Arab Jamahiriya towards greater decentralization, transparency, and efficiency in public service delivery.

2.2 The reconfiguration of the role of the State

In the decade following the 1969 Revolution, the concept of direct democracy emerged as an alternative to capitalism and Marxist socialism, and a new political and administrative structure built around the idea of popular governance began to take shape. The country might best be described as an Islamic Arab Socialist State

of the masses. From a structural perspective, the executive branch is made up of several “layers” of committees, each involved in the selection of members serving at the next-highest level.

Decentralization is an essential feature of modern administration in the Libyan Arab Jamahiriya and has constituted a priority since the time of the Revolution. It represents both the popular and political strategy of choice. It is compatible with the dominant political ideology but also represents the most practical solution for the execution of administrative functions over a vast geographical area in which communication and coordination between the administrative “centre” and the more distant (and sometimes isolated) parts of the country may be difficult or impossible.⁸ In the years following the Revolution, the governorates were reorganized within this decentralized framework so that they might better fulfil the urgent objectives set out in the country’s new socio-economic plans.

Certain organizational principles were adopted to guide administrative development in the 1970s; emphasis was placed on building sound administrative structures through the reform of internal organizational systems, the modernization of work procedures, and the development and maintenance of effective administrative and financial control systems. The Civil Service Act (Law No. 55 of 1976) was adopted during this period.⁹

The most important event affecting Libyan public administration was the declaration¹⁰ of “people’s power” in 1977. In the years following the official establishment of direct democracy there were deep and drastic changes in the theory and practice of public administration. The term “popular administration” was introduced, reflecting the following ideals:

- The members of the basic people’s congresses participate in making decisions, including those relating to public administration in general;
- The people’s committees are responsible for the collective management of public organizations (including ministries and public companies);
- Administrative officials and leaders are not appointed or elected but are chosen directly by the people.

The country’s political and administrative structure was reorganized on the basis of these theoretical foundations. One of the major changes within this context was the “downsizing” of the central administration, whereby the general secretariats whose functions could be effectively assumed at the local level (industry, transportation, communications, energy, agriculture, health, social security, housing, youth, education, and public service) were abolished, while the more nationally oriented “in-

⁸ The Libyan Arab Jamahiriya extends approximately 1,960 kilometres (km) along the southern shores of the Mediterranean Sea and covers an area of 1.7 million square km.

⁹ Law No. 55 addresses the issues of job description and classification, job ranking, evaluation, seniority and merit assessments.

¹⁰ The authority of the people became the foundation of the political system and was to be exercised through the basic people’s congresses and people’s committees at the local level and through the General People’s Congress and General People’s Committee and their various secretariats and units at the national level.

dependent” general secretariats (foreign affairs, justice, public security, finance, economy and planning) were preserved.

The most significant structural and organizational changes were undertaken primarily between 1977 and 1993. A number of central committees were formed at the national level to establish new operational procedures and systems for public administration; these are described below.

Central Committee for Job Description. In 1986, this Committee published the *General Framework for Job Classification and Job Description*, a manual that effectively served as the basis for the long-term organization of the country’s administrative system. It established a system of classification wherein public service jobs were divided into specific groups and subgroups. It incorporated guidelines on employment requirements including the level of experience and education needed for various administrative positions. Models of job descriptions were also provided for each subgroup to guide the administrative employment process.

Central Committee for Administrative Simplification. This Committee produced the *Manual for the Simplification of Administrative Procedures*. Research for this publication involved a detailed examination of the 3,225 administrative units throughout the country and an analysis of approximately 1,100 administrative procedures. The findings of this investigation were used to formulate recommendations focused primarily on the following:

- The simplification and rationalization of procedures and manuals;
- The unification of work concepts;
- Greater uniformity in the treatment of citizens;
- An improved administrative environment through the use of procedural manuals in daily operations.

Central Committee for Computerization. Based on an analysis carried out by the Battelle Geneva Research Centre in 1984, this Committee recommended the computerization of almost two dozen administrative functions. Some of the targeted areas included organizational and procedural aspects of public administration, manpower forecasting, employee information (civil service files), the creation of staff training opportunities within the public sector, performance evaluation and promotion, and payroll, as well as various public service functions such as the issuance of identity cards and driving licences, the registration of births, marriages and deaths, car registration, and electricity and water distribution. Because of problems relating to the organizational and procedural changes instituted in 1993, the proposed changes were never undertaken.

Law No. 15 of 1981 established a consistent framework for civil service salaries and other remunerative aspects of public administration. The Law required that appointments and promotions within the public sector be based on years of experience and educational qualifications. It also raised the amounts of various allowances.

2.3 Judicial reform

Prior to 1969, the judicial system incorporated a network of civil and religious courts. The new constitution adopted after the Revolution unified the system but established the primacy of Islamic law (sharia), which made the Qur'an the principal source of Libyan law. The justice system comprises four main tiers: summary courts, courts of first instance, appeals courts, and the Supreme Court (whose judges are elected by the General People's Congress). In reality, civil and political rights are very limited, and individuals can be detained and even tried without evidence. The death penalty is imposed for many crimes, including drug and alcohol trafficking and political activity. According to Amnesty International, there are hundreds of individuals — most of them members of Islamic groups banned by the Government — that have been incarcerated without trial or due process.

2.4 Decentralization and the *sha'biyyat*

As indicated previously, the early tendency towards administrative decentralization was largely a product of the country's size. After national independence was achieved, the Libyan Arab Jamahiriya was divided into three main provinces. Following the Revolution almost two decades later, decentralization became a political and ideological imperative linked to the move towards direct democracy, and the governorates were restructured to allow the effective implementation of the country's new socio-economic plans. More precisely, in the early 1970s the country was divided into governorates and municipalities that were to assume responsibility, through service directorates, for education, health, agriculture, communication, housing, social affairs, youth, labour, and financial and economic affairs within their respective areas.¹¹ This reorganization, which represented an important stage in the country's administrative development, was based on the following rationale:

- The division of the country into smaller administrative units would ensure the delivery of public services to all citizens, even those in outlying areas;
- The delegation of authority to the governorates/municipalities and their service directorates would facilitate the performance of duties;
- The direct link between the central ministries and the service directorates would allow better control and follow-up planning;
- The administratively and financially independent service directorates would be able to respond rapidly to urgent local needs;
- The incorporation of religious values in public service legislation would reinforce the government campaign against all forms of political corruption including bribery, extortion, cronyism, nepotism, patronage, graft and embezzlement.

During this stage in the country's administrative reorganization, which continued through most of the 1970s, various scientific principles were applied in an effort

¹¹ One source asserts that Gheddafi became dissatisfied with this system and "recentralized" many functions under the Ministry of Municipalities in 1975, though the execution of central policies remained in the hands of local authorities.

to improve the overall system of public service provision; emphasis was placed on the implementation of internal structural and systemic reforms, the modernization of working methods, and the establishment of more effective administrative and financial control systems. The Civil Service Act (Law No. 55 of 1976) was an expression of this period, incorporating a number of provisions with specific guidelines relating to jobs and human resources within the public service sector. Among other things, the Law established 13 employment grades and addressed personnel issues such as recruitment, training, promotion, salaries, allowances, incentive schemes, annual and casual leaves, disciplinary actions, and retirement.

The authority of the people became the foundation of the political system in the Libyan Arab Jamahiriya, exercised through the local and national popular congresses and committees described in a previous section. As mentioned, the central administration was downsized with the devolution of various responsibilities and functions to the governorates and municipalities; only the general secretariats required for national policy implementation continued to operate at the State level.

The main administrative entity at the local level is the *sha'biyya*,¹² which encompasses a number of people's committees and basic people's congresses for a specified area. It is equivalent to a municipality or governorate and constitutes the primary mechanism for achieving administrative decentralization. The country was divided into two zones and 31 *sha'biyyat* in 2001.

The *sha'biyya* is considered an administrative/planning unit and is a legal entity with independent financial status. Law No. 1 of 2001 gives the *sha'biyyat* broad administrative powers, making them responsible for all social services and economic activities. Financial decentralization was introduced to free the *sha'biyyat* from the control of the central administration;¹³ the central treasury provides each *sha'biyya* with direct financing based on the size of its population, with special consideration given to underdeveloped areas. The State encourages the *sha'biyyat* to develop their local financial capacity and become more self-reliant, but at present the localities remain highly dependent on the national treasury. Central financial support covered 71 per cent of local expenditure in 2000.

A report on human resources prepared by the National Information and Documentation Authority in 2002 indicates that financial decentralization is in fact only decentralized spending, and that the *sha'biyyat* have no independent financial or fiscal policies. They have been forced to spend a large proportion of their budgets on maintenance, which the central administration stopped funding in 1986 following the imposition of economic sanctions by the United Nations. The *sha'biyyat* also inherited overstuffed health and education sectors, and salaries constitute a major budgetary expenditure.

¹² *Sha'biyya* is an Arabic term derived from the word *sha'b*, which means people; *sha'biyyat* is the plural form.

¹³ The term "central administration" is used in place of "central Government" in the political and administrative literature in the Libyan Arab Jamahiriya.

2.5 Human resource management in the public sector

The civil service is the largest employer in the Libyan Arab Jamahiriya; an estimated 70 per cent of Libyan citizens are employed by the State. Fiscal constraints make job creation extremely difficult, and private sector job opportunities are greatly limited owing to restrictive measures imposed in 1996.

Overemployment has been a problem since the early 1970s but peaked in 1984, when public sector personnel accounted for 54 per cent of the total workforce. The national human resources report for 2002 indicates that there were more than 660,000 Libyan civil servants in 2001, including 118,242 in the central administration and 540,858 at the *sha'biyya* level; within the latter context, 224,894 employees were female and 315,964 were male.

The civil service sector constitutes a bulwark against unemployment, absorbing a high proportion of job-seekers. Employment is driven by social policy rather than econometric principles, which affects overall staff competence and professionalism and ultimately the quality of service provision. Because the policy objective is full employment, standard civil service procedures such as advertising vacancies and establishing competitive conditions for potential candidates are ignored. Recruitment is usually based on personal referrals and the selection of candidates from lists of graduates and lists provided by employment offices.

The commitment to provide every able citizen with the opportunity to work has resulted in the overstaffing of the civil service and the creation of a cumbersome bureaucracy. A number of policies have been adopted to reduce the number of civil servants, including the transfer of surplus employees to the State production sector; the resulting overemployment in the latter context led to serious financial deficits and the eventual dissolution of a number of public companies. Another plan was to encourage early retirement, but this placed a heavy monetary burden on the social security fund and led to the loss of some of the most qualified experts in civil service, who took advantage of the chance to pursue better opportunities in the nascent private sector.

The most realistic and innovative programme undertaken to address the manpower surplus in the public sector was initiated in 1993 and involves the provision of various forms of financial assistance to individuals or groups who wish to start independent or joint enterprises. The fund provides long-term loans as well as tools and raw materials. It also covers the building of industrial and commercial zones in cooperation with the *sha'biyyat*, ensuring that the targeted groups are furnished with sufficient space to do business. An ambitious plan for the period 2004–2006 focused on the creation of 100,000 work opportunities for graduates and civil service and military personnel willing to strike out on their own.

Employment policies in the public sector are governed primarily by the 1976 Civil Service Act and by a 1981 law on public salaries.¹⁴ Several laws relate specifically

¹⁴ Law No. 55 of 1976 and Law No. 15 of 1981, respectively.

to careers in fields such as diplomacy, the judiciary, and administrative management or control. Administrative legislation addresses public sector employment requirements and various job classification and remuneration issues. Academic and professional qualifications and years of experience determine an employee's appointment at a certain level or grade within the civil service.

Public sector personnel are considered career civil servants. The enactment of Law No. 31 of 1993 represented an attempt to introduce objective factors into public employment, including temporary contractual arrangements, a salary system based on job-related factors rather than employee qualifications, and the separation of technical jobs from administrative jobs. The law was abolished because of deep resentments within administrative circles, especially among technical staff, who saw temporary employment as a threat to their permanent career status.

The role of women

Women constitute a growing proportion of the Libyan workforce; according to the *Unified Arab Economic Report* for 2003, they accounted for 23.7 per cent of the total labour force and 42 per cent of all civil servants at the sha'biyya level in 2001.

Libyan women enjoy political, economic and social rights. Society, through its various institutions, supports working women and encourages their involvement in public affairs. Administrative legislation does not differentiate between male and female employees; they possess equal rights and responsibilities before the law and have equal opportunities for education, employment, training and promotion. Libyan law also supports the right of women to hold judicial positions at all levels, which is not the case in many Arab countries. According to the provisions of Law No. 8 of 1989, women are eligible for official posts, jobs in public prosecution, and other employment within the Department of Justice.

Other legal instruments have introduced special working programmes to facilitate and increase women's participation in public administration. Decision No. 160 of 1988 emphasizes that work is a duty and a right for all women and that they are entitled to engage in all jobs and professions and to take advantage of vocational and administrative training opportunities provided by the State. The Decision also takes a supportive stance on part-time jobs for women working in administrative organizations. It is worth noting that Decision No. 258 of 1989 concerning women's training and basic skill acquisition identifies a large number of jobs and professions in the social, agricultural, industrial and service sectors that are to be reserved for women.

Administrative training

The Libyan Arab Jamahiriya is paying increased attention to education, training and other aspects of human resource development. University graduates constitute the largest proportion of candidates for government employment, and each

new wave of graduates places additional pressure on the already overstuffed public sector. Nonetheless, there are efforts under way to ensure that such graduates are adequately qualified; one of the administrative reform components is to establish a public administration programme within the university system.

Administrative training is entrusted to the National Institute of Administration (NIA) and its five branch offices. The Institute provides the administrative sector with an annual training plan comprising courses and seminars for employees at different administrative levels. Organizations are also offered special training courses based on their specific needs.

It is worth mentioning that senior administrators seldom attend training courses, which are usually very similar to academic lectures. For this and other reasons, in-service training needs to be introduced into the civil service.

2.6 Public service delivery

The present system of public administration is characterized by decentralization, one of the main objectives of which is to localize and thereby facilitate public service delivery. Law No. 1 of 2001 provides for the devolution of authority and sovereignty to the basic people's congresses and represents the legal basis for the delivery of public services through local administrative units (people's committees).

The legal and organizational foundations necessary for the creation of a sound and efficient system of public service delivery are in place, but administrative procedures have constituted a major obstacle to progress. Administrative restructuring in 1989 prevented the implementation of the recommendations of the Central Committee for Administrative Simplification, which had analysed more than 1,100 administrative procedures relating to public service delivery and had identified areas in which rationalization and optimization were required. Efforts in this domain are ongoing. Much of the legislation dealing with public service delivery calls for the simplification of administrative procedures, an example being Decision No. 50 of 2002 concerning documents requested for obtaining licences to practise cooperative activities in the fields of health and education. In spite of such efforts, leaders and experts in administration are convinced that major procedural obstacles remain in place and constitute a serious threat to effective public service delivery, as they have a significant impact on the cost-effectiveness, timely provision and availability of essential services.

Further comprehensive legislative revision should enhance public sector effectiveness. Law No. 11 of 2004 exemplifies the increased focus on legislative reforms aimed at improving the quality of public administration. This Law eliminates the duality associated with the general income tax and introduces long-awaited tax reforms (including reduced tax rates and an adjustment in family tax exemption provisions) that effectively raise the income of civil servants.

2.7 The challenge of electronic government

Research is currently under way to explore the potential role of e-government in the delivery of public services. There have been a number of papers written and detailed recommendations presented on this issue, mainly by the Civil Service and Employment Committee, an advisory body concerned with administrative reforms and employment policies. Consultation with appropriate experts on ICT integration and the design and implementation of relevant projects is vital to the success of administrative reform in general and to enhancing the quality of public service delivery in particular.

3. Challenges and priorities in reforming governance and public administration in the Libyan Arab Jamahiriya

Decentralization and popular administration are concepts that have dominated State reforms since the 1970s. State and territorial institutions have been reorganized and restructured in order to achieve these objectives. Interestingly, the Libyan experience proves the falsity of the assertion that, all other factors being equal, decentralization leads to the empowerment of local communities.

A careful look at the experience of the *sha'biyyat* indicates that what is formally described as the devolution of authority is in fact merely a delegation of administrative responsibilities. The *sha'biyyat* are responsible for meeting the needs of local communities but do not possess any real authority. They have insufficient organizational capacity and financial resources and are short of skilled and professional staff. During the long period in which economic sanctions were imposed against the country, the flow of resources from the central administration to the local authorities declined dramatically, and the *sha'biyyat* were left virtually alone to deal with local developmental needs.

The Government has the difficult task of transforming the economic system while also reforming and restructuring public administration to promote and support the development of an open market economy. A stable economic and administrative infrastructure must be established to facilitate the successful privatization of crucial economic sectors such as oil production and distribution, finance and banking, and public transportation and aviation.

In this context of increased economic liberalization and ongoing administrative reform, State institutions are also expected to handle the formidable task of reallocating resources to ensure an equitable distribution of wealth and "ownership by the people" in order to prevent the accumulation of the benefits of economic reform in the hands of a small group of oligarchs.

Within the realm of administrative reform, the most urgent objectives include reducing the size of the overstaffed public sector, improving and updating administrative skills, and promoting informatization. The overall long-term objective is to improve the quality of governance and public administration in order to meet the

growing needs of citizens and investors. To achieve these goals, a number of institutional and organizational obstacles must be overcome, including the following:

- The inconsistency and excessive intricacy of administrative legislation;
- Organizational duplication between basic people's congresses and people's committees, and among other government entities at the central and local levels;
- Inadequate investment in human resource development;
- The complexity of administrative procedures;
- The relative lack of expertise in the design and implementation of information technology systems to modernize public administration.

This last item is particularly critical in the Libyan context. With the country's vast geographical area and low population density, e-government would make it possible to improve governance and extend public services to citizens everywhere. Widespread reliance on e-government would improve the reach, transparency and quality of services and effectively eliminate the problems associated with administrative incapacity at the local level. Although this is ultimately an extremely efficient and cost-effective option, sizeable initial investments would be required to establish the ICT infrastructure, acquire the necessary know-how, standardize work procedures, and ensure nationwide access and exposure to these new technologies and the broader "e-culture".

Administrative reform to ensure effective public service delivery is at the top of the agenda of the General People's Committee for Manpower, Training and Employment. The decisions taken by the basic people's congresses and the conclusions incorporated in academic papers and administrative reports indicate that the priority objectives of administrative reform are as follows:

- Promoting effective decentralization, strengthening the role of the local people's committees, and involving civil society in the management of public affairs;
- Maintaining the structural stability and integrity of public administration;
- Simplifying administrative procedures;
- Producing administrative manuals, creating formal job descriptions, and taking other steps that will ensure internal consistency and efficiency and, more broadly, the long-term organization of work within the public administration sector;
- Introducing e-government — including interactive websites, intragovernmental networks, electronic kiosks, and one-stop shops — to facilitate public service delivery;
- Adopting and revising legislation relevant to public administration.

Morocco

1. Political, economic and institutional context

1.1 Political and economic context

Morocco is one of the region's oldest constitutional monarchies. The country won its independence in 1956, having been a French protectorate since 1912. The Constitution was adopted in 1962 and has been amended a number of times; the current text, approved on 13 September 1996, reflects the following modifications:

- The institution of a bicameral parliamentary system with the creation of the House of Councillors;
- The popular election of all members of the House of Representatives through direct universal suffrage;
- The designation of the State Audit Court as the supreme institution for government auditing and oversight (responsibilities include supervising budget implementation, monitoring government financial operations, taking remedial measures to address violations of State financial regulations, and exercising authority over the regional audit courts);
- The introduction of the “region” as a new unit of local administration, with implications for territorial governance, representation within the new House of Councillors, economic and social development, and the mobilization of resources;
- The strengthening of property rights and free enterprise.

Moroccan governance takes place within the framework of a parliamentary constitutional monarchy and a pluriform multiparty system. Ultimate authority rests with King Mohamed VI, who assumed the throne on 30 July 1999 after his father's death. The Prime Minister and Council of Ministers are appointed by the King following legislative elections. As indicated above, the Parliament is now bicameral. The 270 members of the House of Councillors, or Upper House, are indirectly elected by local councils, professional organizations and labour syndicates for nine-year terms, with elections held for one third of the seats every three years. Members of the House of Representatives, or Lower House, are popularly elected for five-year terms; 295 of the 325 members are from multi-seat constituencies, and 30 members are elected from national lists of women candidates. The right to introduce laws is granted equally to the members of Parliament and the Prime Minister. Legislation is voted on by the Parliament, though article 45 of the Constitution stipulates that “for a limited period of time, and for a defined purpose,

the Government may be empowered by law to take, by decree, measures normally falling within the purview of the law".¹ The judiciary, which is guaranteed independence by the Constitution, comprises a number of communal, district, *sadad*,² and regional courts, nine courts of appeals, and the Supreme Court, whose judges are appointed by the King.³ The country is divided into 16 regions⁴ and more than 60 prefectures and provinces.

Relative macroeconomic stability was achieved in the early 1990s, but growth has been sluggish and unemployment has remained high (up to 20 per cent in some urban areas). Despite the implementation of internationally supervised structural adjustment programmes, the financial sector remains underdeveloped. Poverty has actually risen owing to GDP volatility, the country's continued reliance on foreign energy, and the Government's failure to stimulate small and medium-sized enterprise development. Recognizing that poverty reduction and job growth were essential to national stability, Moroccan authorities signed a free trade agreement with the United States and sold shares in the State telecommunications company in 2004, and have since instituted other measures to stimulate domestic and foreign direct investment. These steps signal movement in the right direction, but time and further policy efforts will be required before the economy shows signs of sustained growth. In 2005 GDP growth fell to 1.2 per cent, and the budget deficit rose sharply, to 7.5 per cent of GDP, owing to substantial increases in wages and oil subsidies. Long-term objectives include developing the tourism sector and enhancing competitiveness in textiles and other export goods, preparing the economy for more open trade with the European Union and the United States, and improving education and job prospects for the country's young people.⁵

Law No. 69-00 on State Financial Control over Public Enterprises and Other Agencies defines public agencies as the Government, local authorities, and public establishments, and divides public establishments and enterprises (EEP) into five categories: (a) public establishments; (b) government enterprises, which are fully owned by government agencies; (c) government subsidiaries, in which over 50 per cent of the capital is owned by government agencies; (d) mixed enterprises, in which up to half of the capital is owned by government agencies; and (e) concessionary companies, which are enterprises licensed to perform public services based on the provisions of a government concession contract. Data published by the Ministry of Finance and Privatization at the end of 2004 indicated that 283 of the country's 707 EEP were public administrative establishments (EPA); the remainder were public

¹ Constitution of the Kingdom of Morocco, as amended in 1996 (available from http://www.mincom.gov.ma/english/generalities/state_st/constitution.htm).

² *Sadad* courts are courts of first instance for Jewish and Muslim personal law.

³ United States, Central Intelligence Agency, "Morocco", *The World Factbook* (<http://www.cia.gov/cia/publications/factbook/geos/mo.html#Govt>); and United Nations Development Programme, Programme on Governance in the Arab Region, "Judiciary: Morocco" (<http://www.pogar.org/countries/judiciary.asp?cid=12>).

⁴ There are also 17 regional-level administrative divisions known as *wilayat*; further details are provided in footnote 8.

⁵ United States, Central Intelligence Agency, "Morocco", *The World Factbook* (<http://www.cia.gov/cia/publications/factbook/geos/mo.html#Govt>); and United Nations Development Programme, Programme on Governance in the Arab Region, "Judiciary: Morocco" (<http://www.pogar.org/countries/judiciary.asp?cid=12>).

industrial and commercial establishments (EPIC) operating in many different sectors of the economy, including agriculture, fisheries, transport, telecommunications, mining, energy, industry, building and public works, and commerce.⁶

Since the early 1990s, sporadic efforts have been made to rationalize resources, improve administrative and business management, strengthen the commercial viability of State enterprises, and ensure the continuity of public services through the operational and financial restructuring of the EEP. In pursuit of these objectives, the Government has at various times sought to streamline internal operations within the public sector, increase its reliance on outsourcing and service contracting, and undertake cautious privatization.

The Moroccan privatization programme, commissioned by the late King Hassan II, was launched in 1993. The previous year, a thorough investigation had been carried out to identify strategic, institutional and operational weaknesses in the Kingdom's seven largest companies so that targeted remedial measures could be developed and implemented. The assessment results indicated that these and other enterprises should be opened up to private sector participation in order to stimulate economic growth. In 1995 the first licensing arrangements were approved in connection with energy production, electricity and water distribution, and large-scale reconstruction in Casablanca. Over the next several years additional franchises were granted for the provision of certain basic utilities and selected infrastructure projects, including renovations in Rabat and the building of the new port of Tangiers. When development priorities were redefined in 2001, the programme fell under the competence of what was to become the Ministry of Finance and Privatization. Overall, the privatization process has produced isolated and somewhat limited gains, as relatively few public enterprises have been opened up to outside participation, and a substantial number of new State enterprises are established every year; during 2004, for example, the EEP total rose from 677 to 707, while only 14 public enterprises were undergoing privatization in this period.

1.2 Institutional framework

Central administration

The King is the symbol of national unity and exercises ultimate authority in Morocco. He serves as Chief of State, presides over the Council of Ministers, and is the country's spiritual leader, Commander of the Royal Armed Forces, and head of the supreme councils of the magistracy, education, and national reconstruction and planning. He promulgates laws and signs and ratifies treaties. The King appoints the Prime Minister, who forms a cabinet that must be approved by the monarch; the Government is accountable to both the King and the Parliament. The State administrative structure is essentially based on the French model and is highly centralized but at the same time quite fragmented. Every ministry has a local delegation in each province and prefecture.

⁶ Of the 424 public industrial and commercial establishments, 77 were government enterprises, 111 were government subsidiaries, and 236 were mixed enterprises (<http://www.finances.gov.ma/eeep/eeep.htm>).

BOX 7. GOVERNMENT MINISTRIES AND MINISTERIAL OFFICIALS IN MOROCCO

- Prime Ministry
- General Secretariat of the Government
- Ministry of Foreign Affairs and Cooperation
- Ministry of Interior
- Ministry of Justice
- Ministry of Habous and Islamic Affairs
- Ministry of Territorial Development, Water and Environment
- Ministry of Finance and Privatization
- Ministry of Agriculture, Rural Development and Sea Fisheries
- Ministry of Employment and Vocational Training
- Ministry of National Education, Higher Education, Staff Training and Scientific Research
- Ministry of Culture
- Ministry of Equipment and Transport
- Ministry of Tourism, Handicrafts and Social Economy
- Ministry of Health
- Ministry in Charge of Relations with Parliament
- Ministry of Energy and Mining
- Ministry of Communications
- Ministry of Foreign Trade
- Ministry of Social Development, Family and Solidarity
- Ministry of Public Sector Modernization
- Ministry of Industry, Trade and Economic Development

All ministries are headed by their respective ministers, and there is a Minister of State without portfolio; the Minister of Communications is also the Government Spokesperson. Other high-level officials within the central administration include the following:

- Minister Delegate to the Prime Minister in charge of the Administration of National Defence
- Minister Delegate to the Prime Minister in charge of General and Economic Affairs
- Minister Delegate to the Prime Minister in Charge of Housing and Urbanism
- Minister Delegate to the Minister of Foreign Affairs and Cooperation
- Minister Delegate to the Minister of Foreign Affairs and Cooperation in charge of Moroccans Living Abroad
- Minister Delegate to the Minister of Interior

- Secretary of State to the Minister of Territorial Development, Water and Environment in charge of Water
- Secretary of State to the Minister of Social Development, Family and Solidarity
- Secretary of State to the Minister of Employment and Vocational Training in charge of Vocational Training
- Secretary of State to the Prime Minister in charge of Youth
- Secretary of State to the Minister of Agriculture, Rural Development and Sea Fisheries in charge of Rural Development
- Secretary of State to the Minister of National Education, Higher Education, Staff Training and Scientific Research in charge of Literacy and Informal Education

Local administration

Morocco's 16 regions⁷ are divided into more than 60 provinces and urban prefectures, which are further divided into districts and communes (*qaidat*).⁸ The citizens of each commune elect a local assembly that is roughly equivalent to a town or city council. These communal councils elect the members of provincial and prefectural councils and around two thirds of the members of the House of Councillors. Provincial and prefectural councils elect the members of their respective regional councils. At all levels of local government, a president is selected from among the council members and theoretically serves as the local administrative executive; in practice, however, authority lies with the public officials appointed by the King at the provincial/prefectural and regional levels and by the Minister of Interior at the communal and district levels. These officials, together with the local councils, are responsible for overseeing the implementation of central policies and mandates and for managing local administration and public service provision.

By the end of the 1990s, government policy was moving towards greater decision-making at the local level. Popularly elected local bodies can identify area priorities, initiate development projects, decide on budget expenditures, and address other local matters. Efforts have been made in recent years to increase the autonomy of local councils, but they remain relatively weak, as the central Government continues to control their finances and resources. Local area development remains an

⁷ Morocco is geographically divided into 16 regions; however, the Government has also established territorially based administrative divisions — *wilayat* — that generally correspond to, but are not synonymous with, the regional divisions (there are a total of 17 *wilayat*). The *wilaya* represents an administrative framework whose attributions are not fixed by any legal text of a general nature; it is headed by a *wali*, whose primary function is to coordinate the work of the provincial, prefectural and local authorities under the jurisdiction of the *wilaya*. In terms of leadership, each *wilaya* is headed by a *wali*, each province and prefecture by a governor, each district by a *super qaid*, and each commune by a *qaid* or pasha.

⁸ Much of the information in this section was obtained from <http://strategis.ic.gc.ca/epic/internet/inimr-ri.nsf/en/gr110703e.html>; http://www.carnegieendowment.org/files/Morocco_APS.doc; and <http://www.britannica.com/eb/article-247621>.

important reform objective. In June 2005 the King appointed new *walis* for most of the regions and more than a dozen new provincial governors in a bid to increase the number of technocrats in local government.

2. Administrative development and reform strategies in Morocco

2.1 The legal and institutional framework for public administration reform in Morocco

The current action plan for government reform and innovation extends from 2003 to 2010 and incorporates six strategic components:

- Administrative decentralization and the redefinition of public sector mandates and functions;
- The introduction of a code of ethics in public administration;
- The strengthening of relations between citizens and the Government;
- The improvement of human resource development and management;
- The simplification of administrative procedures;
- The comprehensive integration of new information and communication technologies (ICT) in public administration.

The Ministry of Public Sector Modernization

The need for a central body to assess development requirements and coordinate improvements within the public sector was recognized as early as the beginning of the French mandatory period, but it was not until the late 1950s that serious attention was given to strengthening government administration. A ministry of civil service and administrative reform was set up in 1961 and has since evolved into the Ministry of Public Sector Modernization. The Ministry is responsible for elaborating and implementing relevant government policies and for initiating and facilitating reform efforts aimed at improving the organization and functioning of public administration and strengthening public sector management.

The Ministry of Public Sector Modernization is set up as follows: the General Secretariat oversees and coordinates the activities of all Ministry departments, divisions and services, with the exception of the General Inspectorate; the General Inspectorate monitors and ensures the proper functioning of the various Ministry services and answers directly to the Minister; and the departments of civil service, administrative reform, and human resources and general affairs together comprise almost 20 divisions and around 50 different services.

Two administrative training institutions are linked directly to the Ministry; the National School of Administration is primarily involved in preparing higher-level government staff for public service, while a separate training centre meets the needs of a broad range of civil servants. Government employment is based on a career system, and every effort is made to ensure that staff at all levels are provided

with technical and other specialized training as well as more general support in the form of ongoing staff development and capacity-building. The structure of the current training programme is in many ways incompatible with the Ministry's present mission and mandate, and the development of a new system of administrative training is now under way, in line with the provisions of a relevant decree adopted in recent months.

The Ministry of Interior

The Ministry of Interior has played a fundamental role in administrative coordination and reform, particularly since the introduction of important constitutional amendments in 1996. Guided by a programme of action developed on the basis of identified needs, the Ministry's General Secretariat coordinates all administrative services at the central and local levels.

Although decentralization has been identified as a top priority, public administration remains highly centralized; an important indicator of policy trends within this context is the nature of reforms relating to the functions of the *wali*, who is responsible for the implementation of government decisions and thus for the management of the central administration's external services. The Ministry of Interior has been assigned a particularly important role in the modernization of territorial administration, which requires both a firm commitment to decentralization and concrete plans for strengthening local administrative capacities and financial autonomy. The key components of the modernization strategy are the adoption of decentralization as the basis for the management of public affairs and the actual devolution of authority to local government units; ideally, administrative authorities at the regional, provincial/prefectural and communal levels will continue to implement central policies and decisions but will have greater decision-making power with regard to local matters. Strong local foundations must be established if decentralization is to succeed. Priorities within this context include strengthening local councils by better defining the competencies of the leadership, broadening the powers of the permanent committees, and providing training for elected officials; improving local administrative management capacities; and ensuring that continuous monitoring and assessment of local administration is carried out by the Interior Ministry's General Inspectorate so that targeted reforms may be undertaken as needed, particularly in the area of human resource development. Improving local administrative competence and efficiency helps to create an enabling environment for local economic development and employment creation, which constitute part of the broader mandate of the Ministry of Interior.

The Ministry of Finance and Privatization

The Ministry of Finance and Privatization works closely with the Ministry of Public Sector Modernization, handling all financial matters relating to State and local administration, public sector enterprise development and privatization, and civil service employment (including salaries and social security ben-

efits). The success of administrative reform is greatly influenced by the extent of collaboration between the two ministries' departmental sectors, as adequate funding is required to undertake what are often massive changes over an extended time period.

A recent five-year development plan incorporates provisions for three large-scale projects focusing on the following:

- Reforming public administration, with priority given to the implementation of the Good Management Pact (a code of ethics for public sector employees), the simplification of administrative procedures, the revision of legal texts, the more widespread use of the Arabic language in public administration, the establishment of better working hours within the civil service, and improved human resource management through increased investment in training and requalification;
- Strengthening administrative monitoring and control mechanisms;
- Expanding the role and involvement of women in public administration through the provision of equal access to career opportunities and positions of responsibility.

Priorities for public sector development

Government reform programmes implemented over the past decade have mainly concentrated on human resource management, the functioning of the administrative apparatus, and the rationalization of public spending. According to a recent World Bank press release, the Public Administration Reform Programme launched in 2002 “focuses on issues of budgetary management and civil service reform within the context of administrative decentralization, with a clear institutional perspective and a concrete solution-oriented approach”.⁹

Civil service reforms have centred around the strengthening of the legal framework, organizational restructuring, and improvements in employee remuneration, benefits and working conditions. New and revised laws incorporate clearer provisions governing internal administrative operations and human resource issues. Wages and statutory allowances have been increased, and steps have been taken to broaden the base for calculating social security pensions for civil servants and military personnel. Recent efforts have focused on strengthening administrative integrity through increased transparency and the adoption of a code of ethics, and on enhancing professionalism and efficiency at the national and local levels.

Reforms relating to the functioning of the administrative apparatus have largely focused on administrative reorganization, the revision of legal texts and the redefinition of the overall legislative framework, comprehensive modernization, and improvements in administrative management capacities.

⁹ World Bank, “Morocco: World Bank supports increasing public administration effectiveness” (press release, 24 March 2006; available from <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/MOROCCOEXT/0,,contentMDK:20863752~menuPK:294545~pagePK:2865066~piPK:2865079~theSitePK:294540,00.html>).

Various measures have been adopted since 1998 to reduce public spending and improve efficiency, with particular attention given to streamlining operations and reforming the State management system. An ICT integration programme was introduced in 2001 to ensure the computerization of administrative operations and the gradual development of e-government.

Although reform priorities have been identified and numerous programmes and initiatives have been adopted to improve public administration, little has changed at the most fundamental level. Serious structural, organizational and operational weaknesses and considerable internal resistance to change continue to undermine efforts to achieve effective administration and good governance. Costs remain high, as the bureaucracy is large and complex, workforce distribution and utilization are poor, and there is a high degree of overlap and redundancy in terms of competencies and functions. Salaries account for around two thirds of the operational budget. While steps have been taken to clarify various aspects of civil service legislation and to simplify administrative operations, much remains to be done in key areas; pay and promotion systems are still renowned for their opacity and administrative procedures for their complexity. For all these reasons, public administration is characterized by a certain sluggishness. This situation must be addressed if Morocco hopes to meet its national development objectives and the more immediate public service needs of citizens.

2.2 Reconfiguring the role of the State and achieving better governance: initial intervention guidelines for administrative reform

In broad terms, extensive decentralization and improving the quality, efficiency and transparency of public administration are among the Government's top reform priorities. Strategic guidelines for ongoing reforms are elaborated in a document entitled "L'administration Marocaine face aux défis de l'an 2010", issued in 2002.

Improving the quality, efficiency and transparency of public administration

Enhancing the quality, efficiency and transparency of governance, service delivery and other aspects of public administration requires action at many levels. There is consensus among innovative government officials that a new public service culture must be created through intensive professional development and increased accountability; structural, organizational and procedural reforms are needed to streamline administration and allow the rationalization of resources; and steps must be taken to modernize the administrative system, most urgently through ICT integration.

Human resource management and development constitute the main focus of civil service reform, with particular emphasis given to the establishment of clear, objective and universal provisions for public sector recruitment and promotion, internal mobility, job classification and description, remuneration, training, and performance evaluation.

One strategic priority is combating corruption — a goal linked to greater openness, transparency and accountability in public affairs. Planned or implemented reforms have included legislation obliging public officials to provide written explanations of their administrative decisions, the adoption of the Good Management Pact, and provisions for creating an ombudsman and eliminating patronage.

Planned initiatives aimed at strengthening the relationship between the public sector and the citizenry include the following:

- The establishment of regional centres for investment promotion and enterprise support, with “one-stop shops” featuring streamlined administrative procedures;
- The establishment of regional centres for the supply of public goods and services;
- The appointment of an ombudsman to mediate disputes between citizens and administrative entities;
- The adoption of a law on transparency in public affairs;
- The compilation of administrative acts, laws and regulations in a single text (accessible to the public);
- The privatization of selected public entities and enterprises.

During the past few years, considerable attention has been directed towards re-defining the role and functions of the State. The central Government has traditionally maintained virtually full control over national development and economic and social affairs, but there has been growing recognition of the need to distribute responsibilities and authority among entities qualified to provide the services and administrative support required within particular contexts. The devolution of authority is expected to occur through the delegation of competencies to local bodies, the creation of specialized agencies, the setting up of partnerships with key players from the wider community, the privatization of some sectors, and the transfer of certain responsibilities and activities to the private sector through a system of licensing or delegation.

Guided by the strategic priorities outlined above, the Ministry of Public Sector Modernization has proposed the following as a starting point for comprehensive administrative reform:

- The establishment of a culture of responsible governance in public administration, with professionalism and ethical conduct at the core of public service;
- The adoption of the principle of administrative decentralization and the associated development of a new concept of public administration focused on meeting the real needs of citizens;
- The establishment of new values redefining the relationship between administrative entities and their customers;

- Human resource capacity-building and the development of human resource management strategies;
- A revision of the salary system within the civil service to motivate staff and stimulate productivity;
- Accelerated ICT integration to enhance efficiency and reduce costs in public administration;
- The simplification and streamlining of administrative procedures and bureaucratic formalities in order to improve the quality of public services.

The main initiatives of the reform programme

Institutional, organizational and legislative measures have been proposed or undertaken to achieve the objectives established within the framework of the Government's administrative reform programme. Reference has already been made in this chapter to some of the initiatives developed, including the creation of an ombudsman to deal with citizen complaints regarding administrative decisions and practices, the adoption of a law obliging public officials to explain their administrative decisions, and the establishment of decentralized one-stop shops to promote and support investment activity in Morocco. In addition, legislative and other formal provisions have been drawn up to encourage the use of Arabic (the country's official language) in public administration and communication with citizens, to compel administrative entities to comply with any rulings issued against them, to enshrine the rights of persons with disabilities, and to facilitate the creation of communication centres or focal points at the ministerial, administrative and public enterprise levels to allow citizens' queries to be directed to the appropriate services.

At the level of actual service provision, arrangements have been made to streamline procedures and cater to the specific needs of citizens. Steps are being taken to group complementary services together in administrative departments (possibly in homogeneous units or administrative groupings) and to institute a more flexible system governing hours of operation so that the needs of individual groups are met; considerations within the latter context would include the nature of the service offered, the geographical location of end-users (urban dwellers versus those in rural or remote areas), and the extent of desired alignment with the private sector. Opinion polls should be undertaken periodically to identify the real needs of customers and their level of satisfaction with service delivery and the quality of public administration.

Clearly, the trend is towards promoting a sense of responsibility or "ownership" within the administrative ranks. Increased emphasis is being placed on decentralized decision-making, government-citizen relations, transparency and accountability, ethics and standards, and quality and efficiency. Steps have been taken to limit the broad discretionary powers of the central Government (except where justified, to maintain public order). Legal provisions under consideration or already in place require administrative entities to respond to citizens' questions and concerns in a fair and timely manner, allow citizens greater access to administra-

tive regulations and public records, and ensure the provision of quality services to customers. New information and communication technologies are gradually being integrated to enhance the speed and efficiency of internal administration and public service provision. Various proposals and initiatives are aimed at ensuring that all government departments and administrative services commit themselves to high standards of performance (in line with relevant ISO 9002 requirements) and implement the code of ethics being developed within the framework of the Good Management Pact described below. To motivate those working in the public sector, action is being taken to improve working conditions, increase salaries and benefits, and expand opportunities for mobility, advancement, and professional development. Decentralization will bring decision-making authority closer to where decisions are executed so that the needs of local citizens may be met in an effective and timely manner. It is important for central and local government authorities to establish a productive, ongoing dialogue with citizens through the formation of partnerships with consumer groups and associations representing the public interest.

The Good Management Pact

The Good Management Pact, introduced in 1999 as a point of reference for civil servants in the implementation of administrative reform, promotes positive change through concrete initiatives. Programme activities are essentially organized around three main axes.

The first axis is the strengthening of relations between public authorities and citizens, to be achieved through measures promoting administrative decentralization and restructuring, the simplification of procedures, and increased transparency and accountability. A number of studies have been carried out within this framework, contributing to the adoption of two laws, one relating to the submission of financial disclosure statements by civil servants and the other to the justification of administrative decisions. Further, the Government has elaborated an anti-corruption programme revolving around the following:

- The establishment of norms based on a code of ethics and recognized moral standards;
- The institutionalization of a preventive strategy to combat corruption;
- The promotion of transparency in the management of public markets;
- The improvement of the administrative follow-up, control and audit system;
- The simplification of administrative procedures;
- The strengthening of administrative education, sensitization and communication.

Further to the United Nations Convention against Corruption,¹⁰ signed by the Government of Morocco in December 2003, a decree on procurement reform has been

¹⁰ Adopted by the General Assembly in its resolution 58/4 of 31 October 2003. It should be noted that as at January 2007, Morocco had signed but not ratified the Convention.

adopted, and the Government is in the process of establishing an agency whose mission is to prevent and combat corruption. The agency is being set up in a way that ensures fair and balanced representation, with individuals from all ministerial departments, professional bodies, and civil society working together to define and shape the anti-corruption programme and carry out the agency's mandate.

The second axis is the rationalization and improved management of human resources, which require the strengthening of pertinent regulations, the reduction of the salary mass, the redeployment of personnel between the central administration and decentralized units, and the revision of the wage system to facilitate staff mobility and the early retirement of public officials. Provisions for improving the recruitment and promotion systems focus on raising educational requirements for government employment and ensuring that employee advancement is based on merit and characterized by equity and transparency.¹¹

The third axis is the enhancement and optimization of administrative capabilities, necessitating the development of innovative mechanisms for strengthening human resource capacities, improving public sector management, evaluating performance, and measuring productivity. ICT integration will facilitate communication and simplify public administration and is therefore a particularly important aspect of administrative modernization.

Simplifying public administration

A strategy for administrative simplification is critical to the success of the entire reform process but is particularly important within the framework of efforts to forge a closer and more productive relationship between the providers and consumers of public services.

The need to simplify public administration was recognized by both King Hassan II and his successor, King Mohamed VI, and in November 1999 a circular was issued by the Prime Minister's Office defining the institutional framework for administrative simplification and underlining its importance as a fundamental point of reference for the overall reform process. A special commission was created to develop and coordinate simplification measures, and a group of experts within this commission was assigned the task of identifying project priorities.

The theoretical justification for simplification derives from two key ideas. First, excessive bureaucracy discourages investment and interferes with enterprise growth, undermining economic development. Simplifying and rationalizing administrative procedures and formalities make it possible for public service providers to contribute positively to national growth and stability. Second, the rule of law and the principles of equity, transparency and accountability must be applied in all public sector dealings with the public. The implication in this context is that the needs of citizens can be met only when administrative proce-

¹¹ Over a period of several decades the Moroccan legislature has adopted statutes for various levels and categories of government personnel.

dures are simple, public information and services are readily available and accessible, and rules and regulations are clearly stated and consistently applied; achieving this degree of openness and efficiency will be a major challenge. Broadly speaking, administrative simplification is being undertaken primarily to stimulate economic development through private sector expansion and to strengthen relations between citizens and public authorities.

The Moroccan Government's administrative reform strategy is based on a number of critical priorities, but the ultimate objective is to better serve users by changing the way business is done. The simplification process is important because the complexity of administrative procedures has a direct bearing on both internal productivity and consumer satisfaction. A global methodology and some fundamental principles and criteria have been established to guide this process. Major problems and specific areas of dysfunction are to be determined, solutions identified and implemented, and results assessed. In terms of the guiding principles, uniformity, standardization, coordination and communication are obviously essential elements and objectives, but equal attention must be given to maintaining diversity, ensuring variety, facilitating decentralization, and exhibiting a certain measure of reserve when necessary.

The Government has made significant progress in realizing a number of the objectives highlighted above. More than 550 administrative procedures (those identified as most relevant to the needs of the general public and the business community) have been simplified and made accessible online. The Ministry of Public Sector Modernization has also established a call centre and initiated a television campaign to provide citizens with information on administrative formalities and procedures. In July 2005, the Ministry issued and implemented a decree that sets working hours at 8:30 a.m. to 4:30 p.m. for all State and local administrative bodies.

Administrative decentralization

Decentralization is one of the central components of the administrative reform strategy in Morocco. Experience has shown that the transfer of centralized administrative authority and responsibilities to peripheral, local and independent entities must be effected gradually and with great care. Early efforts to achieve a degree of administrative deconcentration were generally disorganized and uncoordinated and were therefore largely unsuccessful. Various ministries established decentralized structures to provide external services, but in many cases there was a failure to address actual needs owing to the lack of a clear mandate, poor coordination between ministries and their local units, and inadequate national coverage. The central administration provided some general guidelines for the devolution of authority; government decrees typically specified the prefectures or provinces in which decentralized structures were to be set up and identified their place in the administrative hierarchy. Each ministry organized its external services in accordance with its own priorities and requirements, in many cases retaining the same administrative procedures and management functions; little was done to adapt service provision to local needs and circumstances. Undermined

by these and many other shortcomings, the decentralization process failed to gain the momentum needed for the progressive devolution of authority, with the result that the central authorities retained virtually full control over the management of human and financial resources at all levels of public administration.

Over the past several years a comprehensive decentralization strategy has been developed, providing a clear framework and specific guidelines for the implementation of phased reforms. Certain criteria and conditions have been established for the transfer of power to “external” service providers so that they may carry out their functions directly and independently in accordance with a master plan that takes into account the human and material resources available in each sector. A central role has been assigned to the *walis*, who are responsible for synthesis and coordination in the intervention programmes run by the ministries in their territories.

The initial steps in the implementation of the Government’s decentralization policy include the following:

- Establishing a special commission in each ministry to elaborate an orientation scheme for administrative deconcentration and define how functions and competencies may be most effectively redistributed;
- Setting conditions and formalizing arrangements for the transfer of human and material resources to decentralized administrative units;
- Delegating certain decision-making tasks to local administrative units and external service providers;
- Coordinating technical and administrative information at the central level and establishing a network of functional relations to facilitate communication with external service providers and local communities;
- Assigning general inspectorates the task of monitoring local and external administrative operations to ensure the smooth functioning of decentralized units.

Administrative deconcentration will require major structural changes but is expected to benefit all stakeholders. The central administration must develop its capacity for coordination as it delegates authority and responsibility to others and assumes a more strategic role in public policy implementation. Decision-making powers will be transferred to decentralized units so that local affairs may be more effectively regulated, and a comprehensive network of external services will be established to ensure that specific socio-economic development needs are met at the regional, provincial/prefectural and communal levels. The ultimate objective is to improve the quality of services offered to the public.

In December 2005, the Ministry of Public Sector Modernization issued Decree No. 2.05.1369, establishing new rules and regulations to be adopted both in the process of administrative deconcentration and in the restructuring and reorganization of ministerial departments. The decree also introduces a new methodology for allocating responsibilities and resources among central and local authorities.

2.3 Human resource management in the public sector

The framework legislation for public administration has been modified a number of times, but many reform policies cannot be implemented until fundamental improvements are made in the civil service.

The concept of human resource management has only recently been introduced in Morocco. Personnel management has long been based on adherence to traditional legal provisions defining administrative functions, recruitment and promotion procedures, and other technical aspects of civil service employment. A new frame of reference must be established through the identification of principles and policies that can guide the transition from the classical approach to a more modern system of human resource management. The aim is to develop a professional cadre of civil servants with the capacity and commitment to meet evolving needs within the public sector. The expectations and aspirations of individuals at all levels of public administration must be taken into account if this process is to move forward, as productivity is largely dependent on motivation.

In human resource development and management strategies, consideration must be given to recruitment, training, mobility, advancement, salaries and benefits, productivity, evaluation, the organization of work, internal communication and social relations, responsibility and accountability, and the disciplinary regime. Objective criteria should be established for hiring, promotion, and performance assessment, with emphasis placed on academic and professional qualifications, job-related skills and capabilities, and work quality and efficiency. New provisions for career development and advancement are required. As mentioned previously, the administrative training system is being revised. Special legislation is being adopted to institutionalize a national system of continuous training for administrative staff and public officials at the State and local levels, and practical steps are being taken to define the overall framework (objectives, principles, procedures and means of implementation), ensure the availability of sufficient funding, and modernize the educational network to make optimal use of national and international expertise in civil service capacity-building. Efforts to revise the promotion system are tied in with these new training arrangements, as well as with salary and benefit reforms, managerial restructuring, and the establishment of a meritocratic system of professional competition. Staff mobility represents a key component of strategic human resource management, as skills may be applied where they are most needed — an important consideration as the country proceeds with decentralization.

Reforming the entire human resource management system by the established deadline of 2010 represents an enormous challenge for Morocco. Important steps have already been taken to address some of the most urgent priorities within this context. In 2004 the Ministry of Public Sector Modernization carried out a detailed investigation to assess the size of the public sector, and in December of that year adopted a decree establishing provisions for a comprehensive

programme of civil service downsizing and human resource optimization and rationalization (*intilaka*). The components and related objectives of this programme are as follows:

- Establishing a viable pension funding system (based on the repartition principle);
- Revising recruitment guidelines and procedures;
- Ensuring that all civil servants are able to function effectively within the new ICT framework;
- Reducing the civil service wage bill and other relevant public expenditures;
- Enhancing the quality and efficiency of public administration by creating opportunities for mobility and promotion and encouraging initiative, innovation, and a sense of ownership among young civil servants;
- Helping civil servants who have benefited from downsizing to establish small and medium-sized enterprises in the private sector.

Since the implementation of this programme, almost 39,000 government employees have voluntarily left the civil service, reducing the size of the public sector workforce by 7.6 per cent. A team of international consultants has nearly completed an evaluation to determine the success of this initiative and will soon publish the results.

As noted above, ongoing training for civil servants is a top priority. The Ministry of Public Sector Modernization adopted Decree No. 2.05.1366 in December 2005, establishing general provisions for the development of a shared vision and a consistent framework for human resource capacity-building. Ministerial departments are to prepare sectoral master schemes based on a global training strategy to be defined by the Ministry of Public Sector Modernization in line with proposals put forward by the inter-ministerial commission established for this purpose and following consultation with the Higher Council for the Civil Service.

On 2 December 2005 the Ministry of Public Sector Modernization adopted Decree No. 2.05.1367, which incorporates provisions for establishing a system of staff assessment based on objective criteria. The new approach encourages employee involvement and initiative and includes mechanisms for ensuring accountability.

Decree No. 2.04.403, also adopted in December 2005, introduces a merit-based system of promotion in public administration. In a related endeavour, the Ministry is carrying out comprehensive job and skill inventories, which will contribute to the development of fair and effective policies for civil service recruitment, training, mobility, advancement and remuneration.

The salary system and training institutions

Although the government salary mass is equivalent to a high percentage of GDP, administrative productivity is relatively low, and wages are insufficient to satisfy the basic needs of most public servants. In recent years, efforts have been

made to devise a merit-based remuneration system in which staff compensation is linked more directly to such factors as level of responsibility, job complexity, professional qualifications and experience, and performance. A special commission was created to identify discrepancies in pay levels among the various personnel categories and to come up with a fairer and more balanced wage and allowance structure.

For Moroccan public officials, administrative officers, and other higher-level staff, salaries include a number of common components (base pay, a residence allowance, allowances linked to the particular job category and the discharge of certain functions, family credit, and an expenditure allowance) as well as elements specific to particular staff categories in individual government bodies (allowances linked to the execution of higher functions, bonuses provided as compensation for difficult working conditions, and hourly allowances for supplementary work). For those in other employment categories, including contractors, temporary and occasional workers, and regular general service staff responsible for everyday administrative tasks, the pay structure and compensatory arrangements are highly variable but often include elements other than base pay.

At many levels of the civil service, allowances constitute a large portion of the remunerative package. Over time, the pay supplements and benefits provided by some administrative bodies have become an integral part of personnel salaries and are frequently regarded as permanent entitlements. Consequently, they no longer serve the function of encouraging greater productivity, improved performance, or the assumption of special duties or responsibilities. Even when extra compensation is linked to positive results, there are no formal provisions to ensure that benefit determinations are fair and consistent throughout the civil service system.

Base salaries, allowances, overtime pay, bonuses and other benefits vary widely within and between public sector entities, and there are significant disparities between the highest and lowest levels of civil service pay; the income of top officials is around 33 times that of employees at the bottom of the salary scale. Wages are relatively low to begin with, and feelings of dissatisfaction are often exacerbated both by the large pay discrepancies and by the absence of a link between the value of an individual's professional contribution and the compensation he or she receives. Such circumstances weaken motivation and initiative and undermine overall administrative performance.

It is essential to develop a comprehensive strategy for establishing a salary and benefit system that is equitable, merit-based, and consistent with national development policies. For example, within the administrative decentralization framework, it is necessary to revise the criteria for classifying geographical zones and the amounts awarded for residence allowances in order to induce qualified personnel to relocate to remote areas.

As mentioned, provisions have recently been adopted for the establishment of a merit-based promotion system. Historically, criteria for career advancement have varied considerably, even within the same administrative body, and there has been no unified set of regulations to ensure equity, objectivity, and a more direct correspondence between levels of professional responsibility and financial compensation. Reform proposals focus on the following:

- Aligning recruitment and promotion criteria, whereby each candidate is objectively evaluated on the basis of his or her academic achievements, professional capabilities and experience, and performance record;
- Eliminating salary imbalances within and between civil service categories. It is necessary to ensure that levels of authority and responsibility are clearly delineated so that appropriate compensation can be determined for each category;
- Applying the principle of external equity within the realm of public administration to ensure that all civil servants maintain standards and receive salaries comparable to those prevailing outside government service. Ideally, such a move would promote greater neutrality among public officials and implementing officers and protect them from corrupting influences.

Concurrent changes must be made in recruitment, appointment and promotion practices. More stringent requirements should be adopted for public sector employment and advancement, particularly within the upper tiers of administration. Successful candidates must demonstrate higher levels of academic achievement, experience and competence, and the possibility of accepting private sector applications should be entertained.

Recently hired or newly promoted public officers and officials must be provided with specialized training to strengthen their managerial skills. The National School of Administration (ENA), established in 1948 to prepare candidates for higher-level administrative posts, has expanded its mandate over the years to include a variety of research activities and the provision of both preliminary and ongoing training for a wide range of civil service staff and public officials. As noted previously, human resource development and management constitute top administrative reform priorities, and ENA has assumed an increasingly important role in facilitating the transition to a more modern system of public administration. ENA provides preparatory training for new personnel, advanced training in administrative management, and ongoing training for staff from the central administration, local government units, and other public sector bodies; its administrative research centre organizes specialization sessions, contributes to the development of the administrative sciences through research support, offers consultancy services, and shares its expertise wherever needed to help improve management skills and capacities in public administration.

2.4 The challenge of electronic government

The Government's socio-economic development strategy, elaborated within the framework of successive five-year development plans, addresses a wide range of priorities, but over the past several years particular attention has been directed towards public administration reform. New orientations have emerged with regard to the management of public affairs, and relevant policy efforts have focused primarily on decentralization, the simplification of administrative procedures, and the implementation of the Good Management Pact. Before such ambitious goals can be achieved, major steps must be taken to strengthen the administrative infrastructure, including ICT capacity.

An e-Morocco strategy was introduced in 1994 but received little attention until 2001, when priorities were more clearly defined and preliminary steps were taken to lay the groundwork for comprehensive ICT integration. In the years that followed, both the public and private sectors came to recognize the critical importance of ICT development in building a strong economic infrastructure and enhancing administrative efficiency, and in 2005 the Government launched E-Maroc 2010, which represents a detailed road map for strengthening and expanding the ICT sector on multiple fronts. The new strategy, representing the culmination of extensive dialogue and collaboration among all stakeholders, has been set up within the framework of a partnership between the Government and the private sector and focuses on improving overall e-readiness (liberalizing the telecommunications sector, increasing public access, and improving ICT education at all levels), facilitating economic development (strengthening enterprise support, e-commerce, and industrial applications), and promoting good governance (streamlining public administration, improving access to public services, and promoting democratization through the creation of a "digital public space").

ICT integration within the public sector is being carried out within the broader framework of administrative modernization. During the research and planning phase, sectoral studies were carried out, information was collected from ministerial and other government departments on existing computer resources and perceived ICT needs, and steps were taken to increase awareness of potential applications. The actual digitization process has extended over more than a decade. Initial efforts were somewhat limited, concentrating on the automation of selected procedures, simple data storage and retrieval, and the establishment of internal networks. Most departments lacked a global vision and had little ICT experience; in many cases, expensive equipment was not fully utilized because users had a limited understanding of the tools and applications. During the past couple of years, particularly within the e-Maroc 2010 context, more sophisticated applications have been developed for specific users, civil servants at all levels have been provided with targeted ICT training, and inter-ministerial networks have been created for integrated human resource management and other purposes.

Significant progress has been made in a number of areas, but much remains to be done. In order to minimize resistance to change within the government bureaucracy, each department must be carefully guided through the transition from paper-oriented to electronic administration. Training must be intensified to establish a strong corps of ICT engineers, technicians and other experts, and to ensure that staff at all levels understand how to make optimal use of ICT within their respective areas of activity. All staff members should be provided with sufficient resources, including regularly updated hardware and software, network access, and technical support. Increased financial support is required to ensure comprehensive ICT integration in public administration; current allocations for the adoption of new technologies represent less than 1 per cent of the State budget.

Orchestrating the process of system-wide ICT integration requires both an overall vision to serve as a point of reference and a detailed assessment of what is needed to achieve full digitization within the public sector. IDARATI, an Arabic term that literally means “my administration”, is a national e-government programme recently updated for the period 2005-2008. The strategy for developing an integrated, citizen-focused system of electronic administration is structured around three critical axes: computerizing all aspects of public administration at both the central and local levels; establishing local ICT networks and linking all administrative entities; and providing progressively more sophisticated online administrative services. IDARATI is to be carried out in four stages, as follows:

- First-stage activities include the detailed identification of the programme methodology and objectives; the definition of short-, medium-, and long-term priorities; the approval of the strategic framework by concerned authorities; the integration of IDARATI into the Government’s general policy framework; the creation of a State entity to oversee the introduction and ongoing integration of ICT in administrative management; and the provision of a special budget to fund the programme;
- The second stage focuses on establishing the basic technological foundations, with the process of computerization and related training oriented primarily towards improving the efficiency of internal administration; IDARATI will be implemented as a pilot project within a particular area of administration (a selected application field), and supplementary measures will be identified to ensure the success of the project;
- During the third stage, steps will be taken to build interconnections at all levels; network systems will be established to facilitate interaction within and between administrative entities, and state-of-the-art technical facilities will be set up to allow Internet-based communication between the providers and consumers of administrative services;
- The programme reaches maturity in the fourth stage with the provision of a wide variety of online administrative services to both business customers and the general public. Applications will need to be continually adapted

to meet the evolving needs of different administrative entities. In the development of websites and portals, particular attention must be given to quality, accessibility and permanence. Throughout the IDARATI process, but particularly at this last stage, laws and administrative texts must be reviewed to determine their compatibility with electronic administration and all it entails; legislation will be revised or adopted as necessary, with special attention given to ICT-related priorities such as intellectual property rights, privacy, security, and certification.

3. Challenges and priorities in reforming governance and public administration in Morocco

The Moroccan bureaucracy is complex and cumbersome. In recent years, the broadening and diversification of public sector activities have been accompanied by increases in central and administrative structures and staff. The legal framework and administrative procedures remain unnecessarily complicated. At present, the two greatest obstacles to effective public administration are as follows:

- The absence of a strong, universal commitment to administrative reform, evidenced by the lack of a shared vision with regard to short-term and long-term goals and by the weakness of coordination and implementation mechanisms at both the central and local levels;
- The excessive concentration of services, decision-making authority and resources at the central level. The central administration has broad discretionary powers and has traditionally limited the autonomy of local authorities; with insufficient financial, material and human resources at their disposal and little say in their own affairs, local administrations are unable to tailor their services to the needs of local residents or to strengthen local administrative capacities (and thereby improve the quality of area governance).

These shortcomings are widely acknowledged, and there is a general consensus that they must be addressed before Morocco can move forward with its development agenda. Over the past several years there have been some initial, incremental steps taken to transfer specific competencies to subnational authorities. In January 2002, for example, the Prime Minister received a royal letter exhorting the Government to delegate authority for managing investments to the *walis*. The move to place investment decisions in the hands of regional administrations and allow them to delegate authority to provincial and prefectural governors essentially represented the first concrete step towards decentralization.

Challenges in public administration

The number of central administrative structures has grown considerably as the State has sought to address emerging needs and challenges. However, well-meaning provisions for the creation of new institutions have generally translated into greater bureaucratic complexity rather than more effective governance. The Government has

expressed a strong desire to lighten its administrative burden through the devolution of authority to local government units, the transfer of various competencies and functions to autonomous and semi-autonomous bodies, and increased reliance on licensing arrangements with private operators. So far, though, efforts along these lines have been half-hearted; there has been no comprehensive plan of action or implementation strategy drawn up to serve as a framework for the extensive structural and institutional reforms required to achieve the stated goals. Essentially, the problem comes down to the lack of a global vision and a universally shared commitment to modernizing and improving public administration. On the ground, the actual transfer of central administrative responsibilities to local and external entities has been limited.

This failure to translate policies and plans into concrete action characterizes many areas of administrative reform in Morocco, as shown in the following examples:

- While various needs have been identified and isolated reforms have been undertaken, there is no comprehensive human resource management policy or plan of action to ensure that all sectoral deficiencies are addressed in a systematic and timely manner. Relatively little has been done to institute actual changes in the recruitment system, human resource development and job performance are still not linked directly to staff mobility and promotion, and relevant legislation has not yet been thoroughly reviewed so that gaps and redundancies might be addressed;
- The Good Management Pact and other mechanisms designed to promote administrative transparency, accountability and efficiency are in place but have not been implemented or enforced to any significant degree. Though sanctions have been clearly defined for corruption, embezzlement, and other abuses of power within the public sector, punishment of offenders is relatively rare. The failure to maintain ethical standards within the realm of public administration reinforces citizens' abiding mistrust of the Government, seriously damages the country's economy and development prospects, and undermines morale within the civil service;
- Serious shortcomings are evident among the local providers of central administrative services (peripheral entities). The infrastructure for such service provision is weak; distance is a factor, but the most fundamental problem relates to the fact that the architecture of central and peripheral services is identical. Little effort has been made to tailor service provision to the specific needs of local residents, particularly in rural areas. Remedial measures have been identified within the decentralization framework, but real change is not yet evident;
- Administrative simplification is a key component of the overall reform strategy, but the lack of a global vision or master plan for improving operational efficiency makes it difficult to set up targeted programmes aimed at streamlining operations in specific areas of administration. ICT integration is under way, but paper-based administration remains prevalent, and citizens

are still faced with excessive documentation requirements and other forms of bureaucratic red tape when engaging in public service transactions;

- Citizen-focused public administration is a broad reform objective and is also identified as a priority in specific areas of administrative reform, including ICT integration, decentralization, and human resource management. However, there is neither a comprehensive strategy nor a detailed plan of action for strengthening relations between public service providers and end-users. In particular, concepts relating to quality service provision and to the rights and role of citizens with regard to public administration have not been clearly defined;
- The upper tiers of public administration are characterized by various distributional imbalances. A good number of higher-level bureaucrats and public officials within the central administration limit themselves to routine tasks; those who have completed advanced training, demonstrate initiative, and are engaged in planning and decision-making are few and far between. Public officers and officials tend to be concentrated in certain geographical areas and within certain administrative disciplines. Corrective measures have been proposed within the contexts of human resource management, decentralization, and administrative restructuring and reorganization, but serious imbalances remain.

Administrative reform constitutes one of the greatest challenges for Morocco in the coming years as it endeavours to meet the needs and expectations of its citizens and to become part of the EU-Mediterranean free trade area by the end of the decade. At the political level, establishing democratic institutions and consolidating the rule of law are critical priorities; steps must be taken to safeguard the rights of citizens based on the principle of non-discrimination and to enhance the quality of public service provision. Within the realm of social affairs, effective public administration is needed to address unemployment, illiteracy, poverty, inequality, and the challenges faced by marginalized groups. Establishing clear lines of communication with citizens and satisfying their needs promotes social cohesion and stability. Economic priorities within the public sector include the development of mechanisms for rationalizing public spending (with particular attention given to reducing the salary mass within the civil service) and the implementation of financial, legal and institutional reforms aimed at creating an enabling environment for investment and enterprise development. Internationally recognized best practices must be applied to ensure administrative efficiency and the provision of high-quality services. ICT integration constitutes a key component of administrative development within all contexts. Despite the difficulties encountered in reforming public administration, Morocco has been making considerable progress in enhancing the efficiency and quality of public services through various innovative initiatives. Its efforts have been formally acknowledged; during the past five years, Morocco has thrice won the United Nations Public Service Award, the most prestigious international recognition of excellence in public administration.

Tunisia

1. Political, institutional and economic context

1.1 Historical overview

Berber tribes were among the earliest inhabitants of Tunisia. The coastal area in the north and east was settled by the Phoenicians around 1100 B.C. In the sixth century B.C., following a series of wars with Greece, Carthage rose to power and eventually dominated the Mediterranean region; however, in the second century B.C., the Carthaginians were defeated by Roman forces. Roman domination ended in the fifth century A.D. when the Vandals occupied the area, and in the sixth century the Byzantines came to power. During the seventh century, Arab armies swept through much of the region in the name of Islam, establishing Al-Qayrawan (Kairouan) in what is now Tunisia. Successive Muslim dynasties ruled, interrupted by Berber rebellions. The area prospered under the Aghlabids in the ninth century, and under the Zirids, who were Berber followers of the Fatimids, between 972 and 1050. When the Zirids angered the Fatimids in Cairo in the middle of the eleventh century, the latter sent in the Bedouin tribes of Banu Hilal and Banu Sulaym to ravage Tunisia. The coasts were held briefly by the Normans of Sicily in the twelfth century. The Almohad caliphs of Morocco retained authority over the area from the mid-1100s to the mid-1200s; the Berber Hafsid dynasty, which had split from the Almohads, then gained control and ruled for more than two centuries. During the last years of Hafsid rule Spain seized many of the coastal cities, but these were recovered for Islam by the Ottoman Empire. By the sixteenth century, Tunisia had fallen fully under Ottoman authority, and for the next 300 years or so the country was governed by a series of leaders who held the title of “bey”. Under these provincial governors, Tunisia enjoyed virtual independence. The city of Kairouan became the centre of religious life. Islamic civilization enriched Tunisia during five long dynasties, both Arab and Ottoman. In the nineteenth century, Tunisia was the first Arab country to promulgate a national constitution, but the dire economic situation, abuses by the beys, and foreign interference increasingly undermined stability. In 1881, Tunisia became a protectorate of France.

In 1920, Tunisian nationalists formed the Liberal Constitutional Party (Al-Dustour). A breakaway party established in 1934 eventually became the driving force behind the Tunisian struggle for independence, which was finally won on 20 March 1956. Habib Bourguiba, the first President of Tunisia, declared the new nation a republic on 25 July 1957, and the country’s first constitution was adopted on 1 June 1959. Bourguiba served for almost three decades but was forced to step down for health

reasons, and on 7 November 1987 his successor, Prime Minister Zine El-Abidine Ben Ali, became President. The Constitution has been amended three times (in 1988, 1998 and 2002) to extend the number of terms a President may serve.

1.2 Political and institutional framework

Tunisia is a republic with three distinct branches of government. The President, elected by popular vote every five years, exercises executive power and is given wide-ranging constitutional privileges. The President appoints the Prime Minister and, upon the recommendation of the latter, the Council of Ministers;¹ serves as Supreme Commander of the Armed Forces; and directly oversees a number of high-level government councils and committees.² The President also has the authority to dissolve the National Parliament and organize new legislative elections.

The Parliament formerly comprised only the Chamber of Deputies (Majlis al-Nuwaab), made up of 189 representatives popularly elected for five-year terms. In June 2002, however, the Constitution was revised and a bicameral legislative system was introduced; the new Chamber of Advisors (Majlis al-Mustasharin) began its work in September 2005. Within the Chamber of Advisors, 85 of the 126 members are elected by municipal councillors, deputies, mayors, and professional associations and trade unions, while the remaining 41 members are presidential appointees; all serve six-year terms.

The Constitution provides for an independent judiciary, though in practice, judicial authorities are subject to the influence of the executive branch of government. Magistrates are appointed by the President upon the recommendation of the Supreme Council of the Magistracy. In 2003, there were 51 cantonal courts, 23 courts of first instance, and 3 courts of appeal (in Tunis, Sfax and Sousse). The Court of Cassation in Tunis has three civil sections and one criminal section; it acts as the ultimate court of appeal. A High Court is constituted for the sole purpose of prosecuting a government official accused of high treason. A military tribunal comprising a civilian judge from the Court of Cassation and four military judges hears cases involving military personnel as well as civilian cases when national security is at stake. The Council of State is an administrative tribunal empowered to resolve conflicts between citizens and State authorities; it also plays an accounting role and is empowered to audit government records.

Civil and criminal law generally follows French practices established during the protectorate period. Since 1956, when sharia courts were abolished, there has been a steady reform of existing Islamic legislation, including the abolition of polygamy.³

¹ A list of all members of the Government can be found at <http://www.ministeres.tn/html/membres.html>

² See <http://www.26-26.org/francais/presentation/index.html>.

³ Information on the Tunisian judiciary is taken almost verbatim from Encyclopedia of the Nations, "Tunisia: judicial system" (<http://www.nationsencyclopedia.com/Africa/Tunisia-JUDICIAL-SYSTEM.html>).

Central administration

Government policies and decisions are carried out at the central, intermediate and local administrative levels. Ministries, general directorates and other State agencies, all modelled on the French system, make up the central administration.⁴

BOX 8. GOVERNMENT MINISTRIES IN TUNISIA

- Ministry of Foreign Affairs
- Ministry of National Defence
- Ministry of Interior and Local Development
- Ministry of Justice and Human Rights
- Ministry of Transport
- Ministry of Tourism
- Ministry of Trade and Handicrafts
- Ministry of Religious Affairs
- Ministry of State Property and Land Affairs
- Ministry of Education and Training
- Ministry of Communication Technologies
- Ministry of Development and International Cooperation
- Ministry of Agriculture and Water Resources
- Ministry of Industry, Energy and Small and Medium Enterprises
- Ministry of Equipment, Housing and Land Management
- Ministry of Women and Family Affairs
- Ministry of Higher Education, Scientific Research and Technology
- Ministry of Environment and Sustainable Development
- Ministry of Social Affairs, Solidarity and Tunisians Abroad
- Ministry of Culture and Heritage Preservation
- Ministry of Employment and Professional Integration of Youth
- Ministry of Public Health
- Ministry of Youth, Sports and Physical Education
- Ministry of Finance
- Ministry of Communication and Relations with the Chamber of Deputies and the Chamber of Advisors

Source: The Government of Tunisia (<http://www.ministeres.tn/html/indexgouv/html>).

Note: An ad hoc Ministry of Public Service and Administrative Reform was created in 1980; there is no mention of this body on any official government website, but mention is made of a Minister Delegate in Charge of Civil Service and Administrative Development, answerable to the Prime Minister.

⁴ See <http://www.tunisie.com/Businessinfo/te/html/administration.html> for a list of all ministers and a description of their respective functions.

Local administration

Tunisia is divided into 24 governorates,⁵ each headed by a centrally appointed governor responsible for implementing national policies at the regional level and exercising authority over local administrations. Every province has its own regional council made up of local members of the National Parliament, area mayors, and appointed members; since 1989, this assembly has been chaired by the governor.

Each governorate is divided into delegations,⁶ which are further subdivided into sectors; every delegation has a local development council and every sector a rural council. The head of each delegation, appointed by decree, assists the governor in carrying out administrative and other tasks within the framework of their territorial competence, primarily coordinating and overseeing the provision of State-mandated local services. At the sectoral level, the chief (*omda*), who is nominated by the governor, appointed by the Minister of Interior, and supervised by the leader of the delegation in which the sector is located, provides whatever assistance and support is needed to ensure that the various administrative, judicial and financial agencies and departments operating at the local level are able to carry out their day-to-day tasks.

Local administrations have traditionally played a minor role in government affairs, essentially implementing policies adopted at the executive level. Decentralization measures were introduced in 1995,⁷ and some regional authorities linked to critical central authorities such as the ministries of education, agriculture and health were given a certain amount of managerial autonomy. However, comprehensive decentralization has not occurred owing to both the reluctance of central authorities to share their power and the inadequacy of the administrative infrastructure at the regional and local levels. True decentralization will not be possible unless local administrations are given increased authority and concrete steps are taken to build capacity through, for example, staff training, results-based administrative performance evaluation, and comprehensive information and communication technology (ICT) integration. In 2002, the Government set up a regional mechanism to identify the measures necessary to give local administrations greater financial and decision-making autonomy, with relevant recommendations for action submitted to the President and the Prime Minister.

1.3 Economic framework

The Tunisian economy has performed reasonably well in recent years. In 1989, Algeria, the Libyan Arab Jamahiriya, Morocco, Mauritania and Tunisia formed the

⁵ Ariana (Aryanah), Béja (Bajah), Ben Arous (Bin 'Arus), Bizerte (Binzart), Kef (Al Kaf), Gabès (Qabis), Gafsa (Qafsah), Jendouba (Jundubah), Kairouan (Al Qayrawan), Kasserine (Al Qasrayn), Kebili (Qibili), Mahdia (Al Mahdiah), Manouba, Medenine (Madanin), Monastir (Al Munastir), Nabeul (Nabul), Sfax (Safaqis), Sidi Bouzid (Sidi Bu Zayd), Siliana (Silyanah), Sousse (Susah), Tataouine (Tatawin), Tozeur (Tawzar), Tunis, Zaghouan (Zaghwan).

⁶ There are a total of 254 delegations.

⁷ Reform objectives focused on the development of local and regional administrations in line with the provisions of a 1975 law relating to community-based government, revised in 1985 and 1995. A law adopted in February 1989 and supplemented in 1993 acknowledged the administrative authority and financial autonomy of governorates under the management and supervision of regional councils, which were to be headed by the respective provincial governors and to operate under the authority of the Ministry of Interior. Reforms undertaken in 1993 and 1995 focused on strengthening institutions involved in regional development.

Arab Maghreb Union to facilitate trade and free movement between the country members and to strengthen their collective trade position vis-à-vis the European Union as they sought to enter the latter market. The Government has been able to create a relatively stable social, economic and political environment and has taken a number of concrete steps to encourage foreign investment.⁸ Successful reforms undertaken within this context have resulted in new legislation favouring private agents, simplified administrative procedures, easier access to funds, and increased competence and efficiency at all levels of public administration. The process of administrative modernization carried out over the past 10-15 years has allowed the country to establish firm foundations for the economic and social revival that has been under way since the beginning of the new millennium. Tunisian authorities have recognized that ongoing reforms are necessary to maintain the country's relatively strong economic position.

2. Governance and public administration challenges and reform strategies

2.1 Historical overview of public administration reform

Tunisia initiated the process of modernization prior to decolonization in 1956. During this earlier period, nationalist forces embraced the principles of normative positivism and secularism as well as political liberalism, which created an enabling, supportive environment for social, economic and administrative reform.

When Tunisia achieved independence, the new Government immediately recognized the need to establish a strong, centralized administrative apparatus that could effectively coordinate and oversee national economic and social development, in spite of the limited resources available. Centralization would allow greater harmonization and synchronization in the planning and implementation of government policies; however, a certain amount of decentralization would be required to ensure that citizens' needs and concerns were addressed. The administrative apparatus would also need to be judiciously controlled so that excessive bureaucracy (and the attendant problems of structural and procedural redundancy, inefficiency, inertia and corruption) could be avoided.

In the 1980s, the Tunisian Government made a conscious decision to undertake reforms that would eliminate traditional structures and practices interfering with national development. In order to achieve political, social and economic policy objectives, steps were taken to modernize the State administration. The ad hoc Ministry for Public Service and Administrative Reform was established in 1980 to oversee the process. Over the years, and particularly since the 1980s, the Government's commitment to accelerated economic and social development has provoked radical changes in the structure and mentality of Tunisian society, at times involving traumatic political or social experiences.

⁸ Efforts have been primarily focused on Western companies looking to relocate. Presently, European investments account for around two thirds of foreign investment in Tunisia.

In spite of various obstacles and operational challenges, the State apparatus has progressively adapted to the needs and demands of modern society. The aim has been to ensure that the administrative infrastructure provides a solid foundation for both domestic development and the country's regional and international integration.⁹ During the past several years, there has been an effort to identify mechanisms and policies for improving the country's productive capacities and economic management. Within this context, attention has been focused on optimizing State administrative capacities and developing the potential of the public sector, which is often seen as "the first entrepreneur, the first investor, [and] the first exporter".¹⁰

The French colonial authority was responsible for general administration and maintaining public security, and the Tunisian State apparatus has retained many of the original structural features of this system. However, the current administration has undertaken to develop its organizational and technical capacities as it has increasingly turned its attention to planning and investment, public enterprise growth, rural and regional development, urban planning, and other components of social and economic modernization. As the country's development priorities have evolved over the past couple of decades, the number of State administrative bodies has grown considerably, and their mandates and missions have expanded. Administrative structures have become more diversified and complex, and this has had a direct impact on administrative stability and efficiency. Human and material resource limitations have negatively affected public service provision.¹¹ Furthermore, ministries are excessively specialized and are often merged and separated, and ministers are frequently rotated; the resulting programmatic, procedural and methodological discontinuities exacerbate existing complexities and adversely affect the quality of public administration.¹²

The State leadership is well aware of the country's administrative shortcomings and has instituted massive reforms over the past couple of decades. Particular attention has been given to improving the functional aspects of public administration by addressing the problems of excessive centralization, poor resource allocation, and structural and procedural redundancies.

In 1987, Tunisia initiated a large-scale economic and administrative reform programme. Market mechanisms were identified and evaluated, and steps were taken to develop private initiative and attract foreign investment, with the ultimate aim of strengthening the economy and improving local living conditions. The economic reforms covered a wide range of sectors, as changes were required in the normative framework and in laws and practices relating to fiscal matters, pricing, foreign trade, investment, and banking and financial systems. Following the budget crisis in the mid-1980s, the Tunisian Government developed a structural adaptation plan to rede-

⁹ Yadh Ben Achour, "Administration publique et crise de développement", in *Administration et Développement en Tunisie*, p. 5.

¹⁰ Ibid., p. 7.

¹¹ Ibid., p. 9.

¹² Ecole National d'Administration, "Organisation de l'administration tunisienne" (Tunis: 1981).

fine the role of the State and enhance public service efficiency; these administrative reforms were to be undertaken concurrently with, and in support of, the country's economic liberalization programme. Public sector reform efforts generally yielded unsatisfactory results, and in early 1992 the Government had a team of experts undertake a detailed analysis of gaps and deficiencies in all areas of public administration. An ambitious, multifaceted administrative reform programme was developed and, for the first time, implemented on a systematic basis. In 1996, the Plan de Mise à Niveau de l'Administration was initiated to further enhance the State's administrative capacity and ensure that Tunisia remained competitive within the international framework, particularly in terms of global economic integration.

Administrative reforms over the past decade

As indicated above, administrative reforms are inextricably linked to economic and social development objectives. During the 1990s, the Government sought to strengthen the foundations of public administration, enhancing overall competence and efficiency and building a relationship of trust with private citizens and the business community. Priorities included structural reorganization, procedural simplification and streamlining, ICT integration, and a more balanced distribution of functions and responsibilities between central and regional authorities and between the public and private sectors. With local administrative bodies and the private sector playing a more active role in service provision and in economic and social development, the quality of services, economic growth, and overall living standards have improved significantly over the past decade. Some of the more important reform objectives identified during this period are as follows:

- Improving the quality of services by reducing bureaucratic red tape and streamlining administrative procedures. There are plans to create one-stop shops for setting up businesses: outdated procedures will be replaced by a single declaration form, a financial collector will be designated the sole intermediary, and around 60 per cent of the permits and other documents presently required to do business will be eliminated. On a broader level, public service provision will be simplified and expedited, and a system of quality control will be established based on ISO norms;
- Establishing a modern system for organizing and managing administrative documentation (storage, transfer, modification, retrieval and archiving).

A number of State secretariats, departments and agencies are directly involved in overseeing specific components of the ongoing administrative reform process. For example, the State Secretariat for Administrative Reform is working together with the World Bank on the implementation of the comprehensive Information and Communication Technologies Sector Development Project, initiated in 2004. The four main project components include the development of a strategy, policy and regulatory framework for ICT integration and sectoral development; the formulation of an e-government strategy, benchmarks, and applications/services for State ministries and agencies, social service centres, schools, and other public facilities; the

development and implementation of a computer risk-prevention strategy, including e-security and training components; and the provision of technical assistance for the establishment or strengthening of various ICT development and support units at both the project and sectoral levels. Particularly noteworthy within the present context are the efforts to expedite ICT integration within State institutions, to establish linkages within and between government agencies through computerized networks, and to facilitate public service provision through e-government development.

2.2 The legal framework for public administration in Tunisia

The structure and functions of the civil service and all matters relating to personnel employed by the State, local public institutions and administrative offices are governed by the provisions of Act No. 83-112 of 12 December 1983 and by the modifications contained in Act No. 91-62 of 22 July 1991. Decree No. 90-1753 of 29 October 1990 establishes the organization and terms of operation of joint administrative commissions. Permanent in-service training arrangements for State employees are addressed in Decree No. 90-2142 of 18 December 1990.

2.3 The reconfiguration of the role of the State

While the State remains dominant in public administration and service provision, recent policies and legislation reflect the Government's commitment to strengthening the role of the private sector, particularly in economic affairs. New laws relating to telecommunications,¹³ electronic trade and commerce,¹⁴ and privatization¹⁵ have been adopted over the past few years to stimulate economic growth. Measures undertaken to boost investment in key sectors include the following:

- The establishment of a risk capital fund to promote entrepreneurship in the field of information technology;
- The adoption of legislation on stock options favouring information processing companies;
- Payment by the State of 70 per cent of competence certification costs, and of investment rewards of up to 6 per cent;
- Tax relief (50 per cent) for investors in the field of information technology;
- The abolition of tax on revenues for export companies and the provision of grants (up to 50 per cent) for activities aimed at securing new external markets.

Tunisia Trade Net (TTN) has been set up as a virtual focal point to facilitate and expedite trade procedures and transactions. An ICT-based arm of the Investment Promotion Agency, TTN ensures that administrative, banking, shipping and other trade-related services are readily accessible to end-users, and the new system in-

¹³ Law No. 2001-1 of 15 January 2001.

¹⁴ See Law No. 2000-83 of 9 August 2000, which includes provisions relating to electronic certification, encrypting, electronic signature, the protection of personal data, and infractions and sanctions.

¹⁵ See Law No. 89-9 of 1 February 1989, modified and complemented by Law No. 94-102 of 1 August 1994, Law No. 96-74 of 29 July 1996, Law No. 99-38 of 3 May 1999, and Law No. 2001-33 of 29 March 2001.

cludes facilities that allow the more efficient circulation of forms and documents and secure electronic payment transactions

There is a general trend towards greater economic openness in Tunisia, and steps have been taken to liberalize various sectors, including telecommunications. While some notable progress has been made, it is essential that the Government continue to strengthen the role of the private sector and promote investment, and to play an increasingly active role in regulating and overseeing economic activities.

2.4 Decentralization and local administrative reform

Regional development constitutes a major priority and has been an important component of recent reform programmes. While Tunisia is far from achieving comprehensive decentralization, considerable progress has been made in reducing regional gaps and improving living conditions, as efforts to strengthen the infrastructure, improve collective services, and promote economic diversification at the local and regional levels have met with success. To ensure a continuation of this trend, the country's most recent national development plan includes provisions for strengthening intermediate and local institutions. According to national experts in the country, it is important that democratic principles be applied within this context; citizens and administrative bodies at the local and regional levels must become more actively involved in managing their affairs and promoting development.

The Government's decentralization policy is multifaceted. Political decentralization involves increasing the participation of private citizens and civil society in community government and decision-making at the local level; administrative decentralization focuses on providing local authorities and agencies with greater operational and financial autonomy; and economic decentralization includes enhancing the role of central administrative institutions and of local and regional public agencies in the management of State industrial and commercial enterprises and activities, the production of goods and services, and other aspects of economic development, as well as building a more balanced, mutually beneficial relationship between the public and private sectors within this context.

In the years to come, the Tunisian Government will endeavour to transfer increasing responsibility to regional and local authorities, strengthening democratic participation and autonomy in many areas of governance and administration. There are plans to restructure local and regional councils to ensure multiparty representation, with opposition parties constituting up to 20 per cent of the membership. Basic legislation regulating municipal activities will be revised to ensure greater flexibility and initiative in the management of local development, with provisions made for capacity-building to facilitate effective countrywide participation in achieving national development goals. A special mechanism was created in 2002 to facilitate the decentralization process, and measures are being taken to enhance certain areas of responsibility among local and regional administrative bodies, es-

pecially with regard to investment and employment, administrative performance and productivity, and project and programme implementation; reform priorities within this context are focused on laying the foundations for effective governance, with particular attention given to infrastructure development (including ICT integration), staff development, and the provision of the resources and facilities necessary to ensure optimal service provision. Efforts are currently under way to achieve a more balanced distribution and coordination of roles and responsibilities between central, regional and local authorities and between the public and private sectors, with particular attention given to the following:

- Issuing economic directives for regions to strengthen their role;
- Providing greater support in areas of primary importance and in locales requiring special consideration such as border zones and mining, desert and mountain areas;
- Strengthening key components of the basic public infrastructure, in particular communication networks;
- Developing human resources to ensure that local and regional administrative personnel are adequately qualified to meet evolving demands and challenges.

The plans and strategies outlined above are also linked to enhancing the role of the private sector, which is regarded as the engine of development. The private sector will be actively involved in implementing sectoral strategies, and particularly in transforming the production and export sectors in line with market-based objectives. Special attention will be given to private sector participation in the virtual economy, and within this framework, investment in the country's interior regions will be increased to ensure balanced regional development.

The trend towards globalization offers new opportunities for international cooperation, and regional and local agencies will be encouraged to establish direct partnerships with comparable entities in different countries. Participation in international networks and the establishment of bilateral and multilateral ties will place these entities in a better position to attract foreign investment and secure a share of the value-added-services market.

A number of reforms have already been undertaken to facilitate administrative decentralization and modernization. A new governorate (Manouba) and various municipalities have been established in recent years, and different regions have assumed new responsibilities. A major accomplishment has been the integration of modern technologies to enhance internal efficiency and provide remote access to administrative services for individuals and businesses. Examples of achievements within this context include the implementation of the Liasse Unique and similar ICT-based projects, allowing the electronic exchange of information; the establishment of a computerized civil registry; the execution of e-commerce projects and the creation of a system for electronic funds transfer; and the establishment of a virtual

service desk that allows users to pay telephone, water, electricity, gas and other service bills and to settle accounts for sales, purchases, subscriptions and public fees. Steps have also been taken to ensure that State entities at the central, regional and local levels have the human and material resources they need to deal with these new administrative challenges, though much remains to be done in this context.

2.5 Human resource management in the public sector

Law No. 83-112 of 12 December 1983 provides a set of general regulations for civil servants, and other legal instruments address various structural and functional aspects of the civil service. A computerized human resource and payroll management system (INSAF) was recently implemented, enhancing overall efficiency, accuracy and transparency and ensuring the consistent application of regulations and the rationalization of resources. This integrated system is used to manage more than 350,000 employees.¹⁶

A special commission was established in July 2005 to identify best practices for administrative reform. International experiences in administrative innovation and modernization are being carefully researched so that successful principles and practices may be applied within the Tunisian context. Areas of priority are being identified, studies are being undertaken to determine the structural and procedural adjustments necessary to improve administrative performance, and relevant data and indicators are being analysed and compared to determine the most effective strategies and policies for administrative development.

Human resource development is a critical component of administrative reform. A number of steps are being taken to build administrative capacity and ensure that civil servants are able to handle increasingly complex administrative requirements and challenges. At a much broader level, comprehensive civil service reforms will address issues such as ICT integration, resource optimization, and all aspects of personnel management. Specific priorities within these contexts include the following:

- Establishing a system for organizing and coordinating all aspects of personnel management, including (a) centralized arrangements for overseeing the staff management systems of different ministries and agencies and (b) mechanisms for assessing future needs and requirements;
- Revising public sector recruitment procedures to ensure that positions are filled by qualified staff and actual administrative needs are met, particularly in key areas such as the ICT sector;
- Establishing a body responsible for identifying and addressing the training needs of all government ministries and agencies; the aim is not only to provide targeted training but also to ensure that sufficient financial and technical support is made available to individual administrative entities so that each can establish permanent ongoing training programmes (involving in-house capacity building as well as increased reliance on external higher

¹⁶ Including around 216,000 men (60.8 per cent) and 139,000 women (39.2 per cent).

learning and distance learning options¹⁷⁾ to ensure staff competence and professional mobility;

- Improving prospects for career advancement through continuing education, internal exams, and the application of criteria based on performance rather than seniority for promotion to higher-level positions in public administration;
- Simplifying and clarifying job classifications and descriptions, salary scales, and other aspects of remunerative compensation;
- Applying new employee performance evaluation systems;
- Introducing incentives, including flexible working hours, to improve staff motivation and better serve the interests of both the administration and the public.

Training

The institutions most actively involved in administrative education and training are the Ecole National d'Administration (ENA), the Centre National de l'Informatique (CNI), and specialized training establishments. ENA provides civil service training and carries out administration-related research and studies. Human resource development proceeds along three tracks: the initial training of junior and senior staff; preparation for specific administrative positions; and continuous training and professional reinforcement. CNI specializes in ongoing skill development and the strengthening of professional capacities in the field of computer science.

In promoting human resource development, the Tunisian Government has focused primarily on taking the necessary steps to ensure the success of the administrative modernization programme, improve the quality of public services, and address the underlying causes of bureaucratic inefficiency. Reform measures include the implementation of a more effective civil service recruitment programme; the expansion of basic training and continuing education programmes; the application of new modalities to improve employee mobility; the development of scientific, technological and other professional skills to enhance career development and possibilities for promotion; and the improvement of working conditions, with provisions for staff salary increases.

The administrative modernization process involves ICT integration, employee skill development, and other structural and organizational reforms to increase administrative efficiency, but equally critical are government reforms that centre around strengthening the regulatory and supervisory role of the State, with emphasis given to the development of intervention mechanisms for regulating economic competition and guiding market development. In pursuit of these objectives, steps are being taken to enhance administrative capacities and organizational efficiency, establish a closer and more effective relationship between government authorities and citizens, and ensure that reforms are undertaken in a timely and harmonious manner and proceed at the same pace among all agencies and regions.

¹⁷ Such options encourage decentralized education and training, providing professional development opportunities for public sector employees at all levels.

2.6 Public service delivery

One of the most important administrative reform priorities is establishing trust between citizens and the Government through greater transparency, efficiency, and accessibility to public information and services. Heightened attention is being given to citizens' needs. Specifically, steps are being taken to simplify administrative mechanisms and procedures for end-users and to ensure that information and services are available to individuals and businesses even outside regular working hours. Arrangements have been made to guide users through the bureaucratic process, to provide current information on administrative reforms and procedures (particularly through SICAD, as described below), and to streamline service provision through the reduction of red tape and increased reliance on ICT options. Reform plans for the coming five years are closely linked to these objectives; ongoing efforts will be made to assess and address the actual needs of citizens, to provide updated information, and to improve the quality of services, primarily through increased reliance on the Internet and other new technologies.

2.7 The challenge of electronic government

As indicated above, ICT integration and adaptation represent a core component of administrative reform. Some key objectives include improving, streamlining and harmonizing administrative operations, mainly through the establishment of an internal network connecting all public bodies; developing a national ICT system that allows the electronic exchange of information and "paperless" administration (for both internal affairs and public services); and using new information and communication technologies to make consultation and orientation services immediately accessible to citizens. Seeking to take advantage of the growth opportunities offered by these technologies, the Government is developing a remote-access administrative services programme that is to be implemented in stages. Strengthening administrative capacity within this framework will require the recruitment of highly skilled ICT experts, the provision of ICT training for all public sector employees, and the expansion of ICT applications at all levels of public administration.¹⁸

Extensive infrastructure changes have been required to establish a solid framework for e-government in Tunisia. This aspect of administrative modernization has required the adoption of new legislation to address ICT-related issues and the creation of new structures to handle the operational, legal, regulatory and supervisory aspects of all e-government activities. The ultimate objectives of such reforms include simplifying administrative procedures and increasing transparency, providing universal access to public services, improving administrative efficiency and productivity and creating an enabling environment for economic

¹⁸ Provisions have been made to hire trained personnel to set up direct dialogue and digital multimedia facilities (kiosks and other service centres) in public spaces and to increase the number the centralized Internet sites offering administrative services.

development, expanding the virtual economy, strengthening the relationship between citizens and the administration, encouraging increased citizen participation in public affairs at the local and national levels, and facilitating the creation of a knowledge-based society.

Laying the foundations for e-government

When the Plan de Mise à Niveau de l'Administration was initiated in the mid-1990s, efforts were focused on both concrete and normative reforms. Guided by the provisions of Decree No. 96-40 of 16 January 1996, a programme aimed at comprehensive administrative restructuring and reorganization was developed. The most important reform objectives during the extended initial phase of programme implementation have included the following: reviewing existing legislative and regulatory instruments and effecting any necessary changes; proceeding with ICT infrastructure development and integration, revising various national projects to ensure their compatibility with e-government development objectives and other evolving priorities; restructuring and reorganizing the civil service to increase levels of competence, efficiency and commitment; modernizing working methods and mechanisms; and improving public service delivery.

The administrative reform programme calls for ICT integration in all ministries and key government agencies and includes specific provisions for the training of public employees and officials in the use of new technologies (and otherwise ensuring that staff competencies remain compatible with evolving administrative requirements); the application of appropriate management strategies to achieve targeted objectives; the streamlining and simplification of administrative procedures in each ministry and agency, and the preparation of procedural manuals to ensure compliance; the establishment of comprehensive document handling and archiving programmes; and the identification of matters to be delegated to the private sector within the framework of ICT/e-government development.

Progress achieved in ICT integration

Notable progress has been achieved in creating an enabling environment for ICT development and evolution, with new laws, procedures and administrative practices adopted to facilitate the establishment of a system of e-government in support of national development. Significant advances have also been made in two broad areas of actual ICT integration within the State administrative context: extensive computer networks and public sector management applications have streamlined internal operations, enhancing efficiency, transparency and harmonization; and a number of important pilot projects have been undertaken as initial steps in establishing an effective system of e-government. Achievements in these three areas are further detailed below.

Creating an enabling environment

Legislation has been adopted to facilitate ICT integration in public administration

and key economic sectors;¹⁹ the laws address structural and procedural matters as well as practical concerns, including the legal certification of electronic documents, the protection of personal data, and the secure electronic archiving of administrative data. Continuing efforts are needed to establish a comprehensive legal framework for the management and provision of electronic administrative services.

Reforms intended to streamline and modernize administrative operations in support of economic development have included the following: the elimination of more than half of the government authorizations required for business dealings (or their replacement with the simplified *cahiers de charges*), in line with the guiding principle that liberty should be the rule and authorization the exception; the designation of a single interlocutor for investors interested in developing and implementing individual projects; the application of international quality assurance and quality management standards, including ISO 9000, for certain pilot programmes;²⁰ and the establishment of a regional administrative mediator.

It has been necessary to establish oversight structures and mechanisms to guide the process of ICT integration and ensure compliance with stated objectives. The earliest support was provided by the Regional Institute for Computer Sciences and Telecommunications, the National Research and Technology Network, and the Tunisian Internet Agency, which helped establish the foundations for ICT development within a limited (mainly academic) framework during the first half of the 1990s. In the present context, support is provided by the State Secretariat for Administrative Reform, the State Secretariat for Informatics and the Internet (SEII), the National Commission for Electronic Commerce and EDI (CNCE), and various entities focused on specific areas of concern such as digital archiving, administrative standardization, and ICT project/programme budgeting and implementation.

Internal administrative applications

Extensive computer networks and public sector management applications have been put in place to streamline State administrative operations. Computerized systems have been established for the management of human resources and payroll (INSAF), State budget expenditures (ADEB), customs activities (SINDA), and the follow-up of orders for missions abroad (RACHED). Upon the initiative of SEII, a harmonized administrative master plan has been prepared with the aim of generalizing eight common applications.²¹ Similar targeted projects are being developed for the centralized ICT-based management of government programme follow-up (AMEN), public loans (SIAD), fiscal operations and public accounts (RAFIK), fiscal control (SADEK), budget preparation (AMED), and public health activities.

¹⁹ Law No. 1-2001 of 15 January 2001 establishes the new telecommunications code, focusing on progressive sectoral liberalization; Law No. 2000-83 of 9 August 2000 addresses electronic commerce and trade issues; Law No. 2001-50 of 3 May 2001 concerns the integration of companies in technology parks; and various decrees relate to the creation of technological poles and relevant operational procedures.

²⁰ The more generalized application of such standards represents a long-term goal.

²¹ Namely, managing public purchase orders and contracts, managing stock, managing State-owned properties (real estate), managing the State motor pool, overseeing judicial cases and litigation, managing reception desks, following up on matters relating to public companies, and following up on inspections.

Other projects, many of which are described below, are externally oriented and focus on public service provision and business support.

Pilot projects: e-government in action

Having made considerable progress in establishing the ICT infrastructure, the State has turned its attention to developing a sustainable ICT culture in Tunisia, and towards that end has executed a range of pilot projects intended to encourage the widespread use of the Internet and other new technologies to access public services, conduct commercial transactions, and take advantage of remote learning and other personal and professional development opportunities. Some of the main pilot projects implemented over the past several years include the following:

- *MADANIA*, an extensive national information network linking the different municipalities, provides citizens and organizations with access to civil registry documents anywhere in the country. Regulations have been revised to eliminate administrative territoriality and allow any civil registry official in a given municipality to sign civil status documents for any other municipality. Furthermore, institutions that frequently request these documents (such as schools and social service agencies) can now access them online and expedite administrative processes;
- *E-Shopping Centre* (www.ecom.tn) is a national e-commerce project involving both the public and private sectors. Participants are engaged in diverse activities: the Société de Commercialisation des Produits de l'Artisanat (SOCOPA) offers local handicrafts for sale; the Centre de Promotion des Exportation (CEPEX) provides information on exporting products such as handicrafts, dates, ready-to-wear clothing, olive oil and mechanical items; the Poste Tunisienne offers a wide selection of stamps; the Office National du Tourisme Tunisien (ONTT) and a private sector company offer information and tourism services for prospective visitors to the Sahara region; and a collection of cybershops sell hardware and software;
- *SICAD* is Tunisia's official e-administration portal and provides information and online services from various civil service departments. Users can access information on administrative formalities and prerequisites, and even on legal and normative issues, for each of the services available. Web space has been allocated for a site that will provide administrative forms and other practical tools to expedite service provision. A workflow application is being developed that will facilitate procedural coordination between all members of the SICAD network;
- *SIGER* is a system that has been set up in ministries, municipal and regional authorities, and other government institutions to ensure the proper handling of citizen requests in all offices interacting with the public. It addresses customer needs and incorporates permanent mechanisms for periodic oversight;
- The *Industry Promotion Agency* (API), a public entity responsible for implementing national industrial development policies, has set up the

Tunisian Industry Portal (www.tunisianindustry.nat.tn) to better serve entrepreneurs and enterprises. API provides a wide range of industrial promotion and support services. Through the Portal, users may obtain information on industrial investment and partnership opportunities and on evolving technologies, legislation, and market conditions. They can also order positioning studies or take advantage of training programmes for new entrepreneurs. The Portal offers detailed information on the One Stop Window, an Agency service that allows investors to expeditiously complete all the necessary legal and administrative formalities required for business set-up in one location. In 2002, API launched an incubator programme to facilitate enterprise creation, providing financial and technical support for business development activities including the preparation of feasibility studies and cost analyses; many of these services may be remotely accessed through the Portal. The Agency supports efforts to improve and modernize local industry, offering services relating to ISO 9000 and ISO 14000 certification. It is also active in the realm of industrial cooperation and frequently interacts with public and private entities involved in industrial development activities in countries such as Sudan, Algeria, Egypt and Rwanda; the Portal offers opportunities for instant access and is therefore an ideal mechanism for strengthening such relationships;

- The *electronic filing of tax returns* is now possible. Forms may be submitted online for almost a dozen different types of taxes. Users may request consultations, materials, assistance in calculating taxes due, and tax forms or statements. A number of difficulties have been encountered in implementing this project. ICT-related challenges have included technical glitches, threats to system integrity and public order (hacking dangers), and problems identifying secure payment mechanisms (the postal service is presently responsible for this end of operations). There have also been cultural constraints to overcome; many individuals and businesses have had relatively little exposure to the Internet and are reluctant to rely on electronic options for something as important as submitting tax returns and payments. Within the State apparatus itself, there are still institutions that prefer not to deal with paperless documentation, and there is generally a lack of trained personnel able to handle the new administrative requirements linked to the online submission of tax returns (and other online services);
- The *e-dinar* is virtual currency that may be used to make electronic payments for public services (such as university fees, transport subscriptions, donations to the National Solidarity Fund, and public utilities) and e-commerce transactions. Users have rechargeable virtual accounts that are secure (password protected) and easy to use;
- *Liasse Unique* and *Tunisia Trade Net* (TTN) are two mechanisms developed to facilitate foreign trade and other international commercial

transactions. Liasse Unique fulfils the provisions of legislation passed in 1997; essentially, bureaucratic procedures have been simplified, streamlined and harmonized, and trade forms and documents have been standardized and are now issued in the form of a dossier or bundle (*liasse*) that is easier to complete and process. TTN is a central EDI server set up to allow importers and exporters to electronically access and submit all the forms and declarations required for their commercial transactions. Users can also access pertinent trade information and monitor sectoral developments. TTN essentially serves as a one-stop shop for completing the customs and other legal formalities linked to cross-border commerce, banking and transportation. The initial focus was on the provision of technical data relating to Tunisian foreign trade procedures and on streamlining documentation processes (via the Liasse Unique system). More recent efforts have expanded TTN offerings to include training services, an information centre (providing statistical data on, for example, foreign commerce and international transport), technical support with regard to import controls, and computer engineering services. More generally, TTN offers technical assistance to all users and partners and is working to develop new electronic services and to promote the application of the Liasse Unique system abroad.

The lack of a general legal framework regulating interaction between citizens and government authorities, along with the proliferation of complex texts relating to public functions and administrative, social and financial services, has complicated the job of establishing a comprehensive normative framework able to support the widespread use of new electronic technologies for administrative and commercial transactions. In recent years, the Government has identified three areas requiring priority attention. The first area relates to international relations, and within this context to the activities of certain internal administrative sectors that can be regulated without recourse to legislation. The second area encompasses the large-scale computer applications used for online services, such as those employed for foreign trade transactions; a concrete set of regulations is required in this realm of activity. The final area relates to the establishment and protection of user rights; here, too, a formal legal framework is necessary.

Detailed legal provisions are critical for the protection of all parties involved in the use of new technologies. Thus far, legislation has been developed to address many of the unique challenges associated with paperless electronic transactions, including issues relating to user identification, security (user privacy, protecting personal information, and preventing unauthorized alterations or deletions), the validity of electronic documents, the legal status and value of electronic archives, and electronic payments.²²

²²Law No. 2000-57 of 13 June 2000, Law No. 2000-83 of 9 August 2000, Law No. 99-89 of 2 August 1999, and Law No. 2001-65 of 10 July 2001.

3. Challenges and priorities in reforming governance and public administration in Tunisia

The most critical priorities in administrative reform are structural and procedural simplification and streamlining and overall system modernization, a critical component of which is ICT integration at multiple levels. Tunisia has important assets that are likely to make the job of achieving good governance somewhat easier, including reasonably high levels of human and economic development, a solid and generally modern basic infrastructure, and an increasingly qualified pool of human resources. However, a number of practical challenges remain; the country still requires a coherent, well-defined governance strategy, a proactive approach to ongoing reform implementation (strategic management, a clear timetable, and concrete arrangements for pilot project development and operationalization), the adoption of international best practices by public officials and top executives, and an increased sense of “ownership” and responsibility for good governance among civil servants and the general public.

Map 4. **Countries in the Western Balkans highlighted in part three**

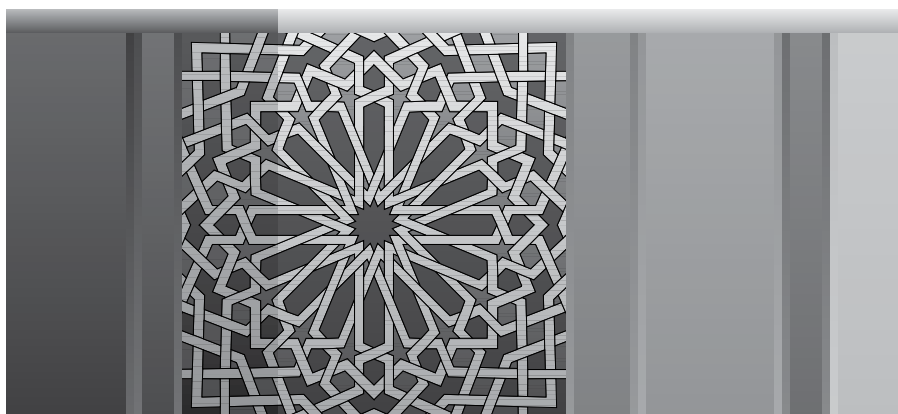


Part Three:
Western Balkans

- **Albania**
- **Bosnia and Herzegovina**
- **Croatia**
- **The Former Yugoslav Republic of Macedonia**
- **Montenegro**
- **Serbia**
- **Turkey**

Part Three

Governance and public administration
challenges and priorities in the Western Balkans



Albania

1. Political, institutional and economic context

1.1 Political context

Albania's recent history is inexorably linked to the problematic consequences of the transition from Enver Hoxa's communist regime to a pluralist, democratic political system. The first multiparty elections were held in 1992 and won by Democratic Party leader Sali Berisha, who adopted radical privatization and deregulation policies. In the period immediately following the end of the old regime, these policies seemed to be working; after an initial crisis caused by the dismantling of the planned economic system (leading to a 40 per cent decline in production between 1988 and 1992), macroeconomic indicators stabilized and gross domestic product (GDP) rose significantly. This growth spurt proved temporary and largely without substance, as it was based on fluid economic developments rather than fundamental institutional and societal reform. Although Albania declared itself a parliamentary democracy, the Government had still not adopted a new constitution by the early 1990s, and increasing openness in international relations was not matched by greater openness at home; the authoritarian tendencies exhibited by President Berisha were perhaps most clearly demonstrated in 1996, when his party obtained an absolute majority of votes in a climate of intimidation and electoral fraud. The succeeding two years saw the complete disintegration of the State, partly owing to the failure of financial pyramid schemes in the country.¹

Albania endeavoured to transform itself into a modern society without undertaking the gradual reforms required to establish strong foundations for sustainable growth and development. The essential weakness of the system was revealed when a financial crisis led to popular revolts and societal disorder in 1997. In elections held in June and July of that year, the Socialist Party achieved political hegemony.

Between 1997 and 2002, political life in Albania was characterized by ongoing clashes between the Socialist Party, led by Fatos Nano, and Sali Berisha's Democratic Party. This discord became especially pronounced following the administrative elections in October 2000, when the Socialist Party won 42.9 per cent of the vote and gained control over 80 per cent of the country's municipalities.

In 2002, Alfred Moisiu was selected by Nano and Berisha as a consensus candidate for the presidency, as the two party leaders were aware that their own candidates would be unable to secure the necessary three fifths of the vote. Moisiu, politically

¹ See www.osservatoriobalcanci.it.

neutral and regarded as an effective mediator, was sworn in as President on 24 June 2002. The following day he appointed Fatos Nano Prime Minister. In July 2005, a coalition led by the Democratic Party won a majority of parliamentary seats, and Sali Berisha was appointed Prime Minister.

From an institutional perspective, the difficulties typically accompanying the transition to a new system of government have been greatly exacerbated by the frequent staff changes occurring within the State administration under the two parties during their respective tenures. Such fluidity has weakened the administrative capacities of the Albanian Government and has led to growing public dissatisfaction with the new institutions.

During the late 1990s a more strategically sound process of renewal was launched; a new constitution was adopted and entered into force in November 1998, and a series of reforms were initiated to ensure greater professionalism and transparency in the public sector. These moves reflected a stronger commitment to development and modernization, which have remained national priorities. Over the past several years, in spite of the party-based power shifts, the Albanian Government has worked to ensure a satisfactory conclusion to Albania's negotiations with the European Union and the ratification of an association agreement, and to secure the country's membership in the North Atlantic Treaty Organization.

1.2 Institutional framework

The current system of government administration in Albania is structured in accordance with the provisions of the 1998 Constitution and includes central authorities (ministries and peripheral bodies) as well as local administrative entities. Public agencies and recently created independent authorities are also part of the system.²

Central administration

Albania is a parliamentary democracy. Constitutional provisions establish the separation of powers between the executive, legislative and judicial branches of government.

The President of the Republic is the Head of State and is elected by the People's Assembly (parliament) for a five-year term. Executive authority lies with the Council of Ministers. The Prime Minister serves as the Head of Government and is appointed by the President. The Deputy Prime Minister and individual ministers are appointed or dismissed by the President upon the recommendation of the Prime Minister. These appointments are subject to parliamentary review and approval.

² Because of privatization, the number of public agencies is decreasing. However, there are still many independent administrative authorities operating at the central level; their areas of competence include, but are not limited to, energy regulation, public sector employment, auditing and oversight, vigilance against corruption in public affairs, press and information services, radio and television regulation, and taxpayer claims. Regional health authorities are to be established as part of the national health-care reform programme. Numerous agencies are providing critical support in the areas of business development, trade and investment; more detailed information is available in the final footnote of the "economic context" subsection of this chapter.

BOX 9. GOVERNMENT MINISTRIES IN ALBANIA

- Ministry of Foreign Affairs
- Ministry of Public Order
- Ministry of Interior
- Ministry of Defence
- Ministry of Finance
- Ministry of Economic Cooperation and Trade
- Ministry of Justice
- Ministry of Industry and Energy
- Ministry of Public Works, Transport and Telecommunications
- Ministry of Education and Science
- Ministry of Health
- Ministry of Labour and Social Affairs
- Ministry of Agriculture and Food
- Ministry of Culture, Youth and Sports
- Ministry of Environment
- Ministry of Public Economy and Privatization
- Ministry of European Integration

The People's Assembly is the country's legislature and is made up of 140 members; 100 representatives are directly elected by an absolute majority of voters on a district basis, and the remaining 40 are chosen by their parties on the basis of proportional representation. Parliamentary elections are held every four years. "The Assembly has the power to decide the direction of domestic and foreign policy; approve or amend the Constitution; declare war on another State; ratify or annul international treaties; elect the President of the Republic, the Supreme Court, and the Attorney General and his or her deputies; and control the activity of State radio and television, the State news agency, and other official information media".³

The judicial system comprises the Constitutional Court (High Court), the Court of Cassation (Supreme Court), six courts of appeal, and numerous district courts. All but the Constitutional Court are divided into three jurisdictions (criminal, civil and military). A college of three judges renders court verdicts; there is no jury trial.

The Department of Public Administration

The Department of Public Administration, established at the Cabinet level in 1994, is responsible for guiding the process of administrative reform in line with national development objectives. The Department, in close cooperation with various ministries, proposes legislation redefining the structure and functions of administrative bodies within the State apparatus and elaborates general government policies relat-

³ From http://en.wikipedia.org/wiki/Politics_of_Albania.

ing to public employment. The Department also has a number of practical responsibilities within the civil service context, including the following:

- Submitting an annual report on public sector employment to the Council of Ministers;
- Preparing public employment handbooks and guidelines addressing issues such as job description and classification, evaluation of civil service posts and salary scales, employee selection and recruitment, transfers and promotions, disciplinary measures, and performance evaluation;
- Participating in collective bargaining negotiations relating to public sector employment (as a representative of the Council of Ministers in collaboration with the Ministry of Finance);
- Managing the central personnel registry.⁴

Central government at the peripheral level

Regional representatives

Prefects represent the central Government at the regional level in accordance with the provisions of article 114 of the Constitution.⁵ In each of the country's 12 regions — formerly known as prefectures and now officially referred to as counties — a prefect is appointed by the Council of Ministers to serve as the liaison between central and local authorities.⁶

Prefects are an expression of functional decentralization and are responsible for overseeing the implementation of national policies and centrally mandated decisions at the local level. Some of their functions include ensuring that local administrative acts and decisions are constitutionally sound and compatible with national legislation; coordinating the activities of district and communal/municipal administrations within each region in line with national policy priorities; and dealing with public security and civil protection issues. The prefect also supervises the disbursement of government funds at the local level and the allocation of foreign funds obtained for projects and programmes through bilateral agreements. Prefects are authorized to issue decisions and ordinances.

Peripheral ministerial offices

Certain ministries have decentralized local offices responsible for carrying out mandated tasks in their respective territories. These offices oversee activities in fields such as labour and social affairs, food and agriculture, health care, education and scientific research, culture, and youth and sports. Much of the professional-level staff is provided by the ministries.

Local administration

A number of laws relating to local and regional administration have been adopted

⁴ See <http://www.pad.gov.al>.

⁵ The status and functions of prefects are defined by Law No. 7608 of September 1992, modified in 2002.

⁶ These 12 regions, now officially referred to as counties, include Berat, Dibër, Durrës, Elbasan, Fier, Gjirokastrë, Korçe, Kukës, Lezhë, Shkodër, Tiranë, and Vlorë.

since 1995; among the most important are the Law on the Organization and Functioning of Local Government (No. 8652 of 2000) and the Law on the Status of the Civil Servant (No. 8549 of 1999).⁷ In 1999 Albania adopted a national decentralization strategy in line with the principles set out in article 13 of the 1998 Constitution, which states that “local government ... is founded upon the basis of the principle of decentralization of power and is exercised according to the principle of local autonomy”.⁸

In July 1995 Albania became a member of the Council of Europe, and in April 2000 Albania ratified the European Charter of Local Self-Government, which entered into force in August of that year.

Local government operates at several levels; the country’s 12 regions (formally designated “counties”, or *qarqe*, in 2004) are broken down into 36 districts (*rrethe*),⁹ and these are further subdivided into 309 communes (*komuna*) and 65 municipalities (*bashkia*), which include a number of much smaller territorial subdistricts (around 3,000 in all).¹⁰

The structure and functions of local government are defined in articles 108-115 of the Constitution. In line with the provisions of article 109, municipal and communal councils are directly elected, and their members serve three-year terms. Municipal and communal mayors hold executive power at the local level. As stipulated in article 110, regional councils are made up of delegates from the municipal councils and communal councils. Article 114 addresses the appointment of prefects by the Cabinet.

Regional authorities

As noted above, Albania is divided into 12 administrative regions, now referred to as counties. The offices of the prefects appointed to govern the counties are entrusted with formulating and implementing common policies for all local government units (districts, municipalities/communes and subdistricts) located within their territories, and ensuring their consistency with State policy. Each county has a regional council whose members are drawn from the ranks of the communal and municipal councils on a proportional basis; the mayors of the municipalities and communes have automatic membership. Regional authorities implement State policies and coordinate public services; they are particularly involved in the fields of public education and health care.

⁷ Other laws of particular relevance include the Law on Public Procurement (No. 7971 of 1995), the Law on the Organization and Functioning of the Municipal/ Commune Police (No. 8224 of 1997), the Law on the Tax System in the Republic of Albania (No. 8435 of 1998), the Law on Urban Planning (No. 8405 of 1998), the Law on Local Budgets (No. 8399 of 1998), the Law on the Division of Administrative Territories (No. 8653 of 2000), the Law on the Organization and Functioning of Tirana Municipality (2000), the Law on Immovable State Property (No. 8743 of 2001), and the Law on the Transfer of Immovable State Public Properties to Local Government (No. 8744 of 2001).

⁸ See <http://www.ipls.org/services/kusht/cp1.html> for the quoted portion. Also see Law No. 8652 of 2000, Law No. 8982 of 2002, and Law No. 8978 of 2002; the latter two relate to local taxation.

⁹ The capital city, Tiranë (Tirana), has special status.

¹⁰ The development and implementation of Albania’s decentralization strategy has largely been overseen by two institutions; the National Committee for Decentralization, comprising representatives of central and local administrative authorities, is responsible for establishing guidelines and principles for the implementation of the decentralization programme, while the Expert Group on Decentralization, made up of independent experts, is in charge of monitoring the process and providing guidance as needed.

District, communal/municipal, and subdistrict authorities

Each county comprises two to four districts, which are divided into communes or municipalities; there are administrative offices and governing councils at each of these levels. Municipalities and communes may be further divided into territorial subdistricts.

Local authorities are entitled to develop their own administrative and territorial structures to improve resource management. They manage their own budgets, collaborate with one another on an ad hoc basis, establish contractual relationships with third parties, and create associations (within the bounds of existing laws). They also work with local government units in other countries within the framework of specific projects or programmes.

Municipalities and communes have direct, collective, and delegated functions.

Local authorities are directly responsible for providing utilities and other infrastructure services (water, electricity, public facilities, and road construction and maintenance), social services, urban transportation, and cemeteries. They are also directly involved in promoting local economic development, organizing sports and cultural activities, preserving the environment, and ensuring the safety and security of area residents.

Collective functions are exercised by local authorities in line with central government policies and objectives in the fields of compulsory education, public health care, social welfare, public order, environment, and civil protection.

The central administration delegates defined functions and tasks to local authorities, providing them with sufficient resources as well as guidance on modalities and procedures. Local administrations may also use their own financial resources for these centrally mandated activities.

1.3 Economic context

Public sector privatization has been a key component of the broad transition from a planned economy to a market economy. Numerous economic, political and institutional measures have been undertaken to establish a viable private sector and ensure its growth and sustainability.

This process began in the early 1990s with the privatization of the agricultural sector. Cooperative farms established under the communist regime were decollectivized, generating new socio-economic problems that were difficult to overcome; the fragmentation of large agricultural areas, the dispersion of livestock and machinery, and the creation of excessively small, family-run farms weakened the agricultural economy, and many farmers struggled to survive. This led to increased rural-urban migration, a trend strengthened by another component of the first phase of the Albanian privatization process, involving public housing. Around 230,000 Albanians who had lived in State-owned housing between 1944

and 1990 became homeowners. They were able to buy their homes very cheaply, paying about 100 times less than the actual market value. Albania also undertook to return the homes confiscated by Enver Hoxha to their legitimate owners.¹¹ These policies had a negative impact on urban development, particularly since the private sector was completely unregulated at that point.¹² Relevant laws also covered the privatization of small commercial enterprises owned by the State, but not in all sectors of the economy.

Reform guidelines were revised starting in 1993. The biennial development strategy for 1994/95 – 1996/97 assigned top priority to rapid and comprehensive privatization; all public enterprises were to be transformed into private limited companies or joint-stock companies. In 1997, the Albanian Government adopted guidelines that divided the privatization process into two parts: the privatization of strategic sectors and the privatization of non-strategic sectors. All small businesses and most of the non-strategic sectors have been privatized; the privatization of enterprises operating in strategic sectors is ongoing.

Various ministries are responsible for formulating policies aimed at ensuring the creation of a favourable investment climate.

Over the past decade, a number of independent agencies have been established to promote private sector development and address the needs of the investment and business communities,¹³ and the Government has implemented comprehensive administrative computerization and staff training programmes in order to simplify and expedite relevant processes and procedures.

2. Governance and public administration challenges and reform strategies in Albania

2.1 The legal and institutional framework for administrative reform

Administrative reform constitutes a critical component of the much larger process of comprehensive institutional reform in Albania. The European Union's stabilization and association process and Stability Pact for South Eastern Europe provide a clear framework for identifying institutional development requirements and imple-

¹¹ Law No. 7698 of 15 April 1993.

¹² G. Sergi, "Settlement upgrading programmes in Albania" (available from <http://www.planum.net/topics/documents/Tirana-sergi.pdf>).

¹³ The Albanian Economic Development Agency was established in 1998 to create a favourable environment for domestic and foreign investment. In 2002 the Government set up a consultative council for entrepreneurship to facilitate communication and coordination between the public and private sectors. The same year the Council of Ministers approved Law No. 8877 establishing the Albanian Foreign Investment Promotion Agency (ANIH), which essentially serves as a one-stop shop for foreign investors. Other bodies supporting economic development in Albania include the Tourism Development Committee; the National Agency for Privatization (responsible for coordinating the activities of agencies involved in the privatization process, and exclusively in charge of handling rental contracts for public property); the Public Procurement Agency; the General Directorate for Standardization; the Business Innovation Centre; the Albanian Guarantee Agency (which provides political risk insurance for local and foreign investors); the Small and Medium-Sized Enterprise Development Agency; and the Albanian Export Promotion Agency (which focuses on strengthening public-private partnerships and is part of the Ministry of the Economy). There are also a number of joint initiatives with international partners.

menting the necessary reforms.¹⁴

The main goal of government reform in Albania is to consolidate new democratic institutions by enhancing efficiency, transparency, and public access to administrative processes and information. The fight against corruption is a cornerstone of the reform programme; the Anti-Corruption Action Plan was approved in the summer of 1998. In a joint declaration issued in 2002, the heads of EU delegations stressed the need to improve the administrative capacity and independence of the public sector and urged the Albanian Government to maintain its commitment to public administrative reform and to the fight against corruption.¹⁵

The themes of transparency and citizen participation figure largely in Albania's administrative and institutional reform strategy and constitute the foundations for encouraging political dialogue, establishing democracy and the rule of law, and achieving economic, political, and social stability.

In 1999 the Government established the Inter-Ministerial Committee for Public Administration Reform, headed by the Prime Minister and comprising the ministers of finance, justice and local government as well as the director of the Public Administration Department (which serves as the secretariat). The Committee is responsible for the following:

- Defining institutional and administrative reform priorities in accordance with the government reform strategy and national development objectives;
- Encouraging and coordinating inter-institutional cooperation;
- Monitoring the reform process (restructuring and the adoption of new standards and procedures) and publishing and disseminating periodic status and progress reports;
- Maintaining contact with all actors involved in institutional reform, providing them with information on modern approaches and best practices and on progress achieved in the Albanian reform process.

The main components of the reform process are interconnected and include the following:

- Administrative simplification and decentralization;
- Public sector privatization;
- Human resource development and management;
- Strengthening institutional communication and coordination.

¹⁴The stabilization and association process (SAP) constitutes the cornerstone of EU policy towards the Western Balkans. Within this framework, the EU provides the area's six countries (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, and Serbia) with assistance in implementing reforms and proceeding towards integration with the European Union. See European Commission, "The communication from the Commission to the Council and the European Parliament on the Western Balkans and European integration" (/*COM/2003/0285 def. */).

¹⁵"Joint declaration of the presidents of the EU delegations", Brussels, 9-10 September 2002, p. 3.

Reforms in these four areas are intended to enhance administrative efficiency and transparency and engender a more open, productive working relationship between the public and private sectors, in line with recent trends throughout Europe.

The administrative reform process has taken shape within two interrelated contexts: a significant amount of State legislation has been adopted over the past decade to guide national development; and a number of official agreements have been concluded with the European Union and others to facilitate regional and international integration. Within the latter framework, the EU has guided the development and implementation of various procedural reforms, including recent efforts to simplify the process and reduce the cost of obtaining licences (concessions) for the supply of public services. At the national level, priority has been given to enhancing administrative efficiency and transparency and reducing corruption, and a sizeable body of new legislation over the past decade reflects the Government's commitment to achieving these goals. For example, Law No. 8503 of 1999 requires public agencies to release copies of administrative documents expressly requested by citizens unless such documents contain confidential or restricted information. Measures taken to increase transparency ensure that information on administrative legislation and procedures are publicly available, generally in printed form; diffusion through the Web is less effective, as Internet penetration in Albania is relatively low.¹⁶

Within the broad framework of administrative reform legislation, Law No. 8485 of 1999 deserves special mention. The Law establishes an Administrative Procedure Code based on the fundamental principles guiding public administration, including non-discrimination, the rule of law, responsibility, proportionality, efficiency, and internal and judicial control. The Code is intended to promote greater openness and accessibility, with increased emphasis on service provision and an attenuation of the State's regulatory role. An important segment of this Law deals with complaint procedures. There is also an effort to identify potential conflicts of interest among public sector employees that may arise during decision-making processes.¹⁷

2.2 Decentralization

During the period of communist rule in Albania there were some decentralized bodies engaged in limited self-government within a highly centralized decision-making system responsible for economic planning; because all activities were strictly controlled, few independent decisions were made at the local level. In the early 1990s the new regime pledged to create a more open system of government and increase local participation, and plans for decentralization began to take shape. The first normative steps were taken in 1992 with the adoption of relevant legal instruments, including a framework law on the organization and function-

¹⁶ Information on the status of reforms, with normative annotations, is drawn from the results of a United Nations questionnaire on the state of public administration; further information is available at the Centre for Administrative Innovation in the Euro-Mediterranean Region (www.caimed.org).

¹⁷ Ibid.

ing of local government (Law No. 7572).¹⁸ For the first time, municipalities and communes were granted a degree of political independence and assigned direct responsibility for certain matters, but they were not given any real autonomy. Local governments were entrusted with maintaining the public infrastructure and ensuring the normal functioning of the administrative system within their territories, but they lacked the corresponding decision-making authority and had no say in programme development.

With the adoption of the new Constitution in 1998, local authorities gained the right to exercise a certain amount of financial independence and administrative decision-making authority within certain contexts.¹⁹ Fiscal arrangements are addressed in articles 111-113 of the Constitution; article 111 relates that units of local government have an independent budget. Article 108 states that “the units of local government are communes or municipalities and regions”, that “communes and municipalities are the basic units of local government... [and] perform all the duties of self-government, with the exception of those that the law gives to other units of local government”, and that “self-government in the local units is exercised through their representative organs and local referenda”. Article 110 defines a region as an area consisting of “several basic units of local government with traditional, economic and social ties and joint interests”, and emphasizes that this is the level at which “regional policies are constructed and implemented and where they are harmonized with State policy”. Other provisions in part six of the Constitution²⁰ further define the structure and functions of local government units and their representative organs, allowing a certain degree of independence and flexibility with regard to the formation of unions and joint institutions, cooperation with local units of other countries, representation in international organizations, and the establishment of other arrangements to achieve specific goals. There is also mention of the structure and role of regional councils and other local representative organs.

As noted previously, Albania adopted a national decentralization strategy in 1999. The strategy identifies three types of municipal/ communal authorities (small, medium and large) and provides details regarding the autonomy of each in terms of local taxation and budget management within the limits set by the central Government.²¹ In 2002, Albania ratified the European Charter of Local Self-Government and passed the Law on the Organization and Functioning of Local Government; the latter defines the structure and functions of local government and establishes election procedures as well as provisions for the supervision of local management by the central Government.

¹⁸ Others adopted in 1992 include Law No. 7573 on local government elections, Law No. 7616 on the State budget (later replaced by Law No. 8379 of 1998), and Law No. 7605 on subdivisions of municipalities and communes and on the organization of Tirana municipality.

¹⁹ See Law No. 8652 of 2000 on the organization and functioning of local government, Law No. 8653 of 31 July 2000 on the territorial-administrative division of local government units, and Law No. 8982 of 2002 on local taxation.

²⁰ Part six of the Constitution of Albania, comprising articles 108-115, focuses exclusively on local government.

²¹ See Law No. 8652 of 2000 on the organization and functioning of local government, Law No. 8982 of 2002 on the local taxation system, and Law 8978 of 2002 on local taxes for small businesses.

On the ground, local authorities have traditionally operated as budget distribution and programme implementation agencies for the central Government. Tasks, functions and responsibilities are distributed in a way that promotes a bottom-up system of governance based on the principle of vertical subsidiarity. Citizens turn first to their municipal or communal administrative authorities, only seeking assistance at the regional or national level when local offices have insufficient authority or resources to meet their needs. Internal control mechanisms have been established to provide continuous assessment of the efficacy of local government activities.

Decentralization is a top reform priority but is essentially still at the experimental stage. For the most part, the process has not moved beyond deconcentration. Regions are represented by regional councils that are not popularly elected and therefore not accountable to the citizenry. At a more practical level, self-government is undermined by the failure of central authorities to allocate sufficient resources to local authorities, the weakness of local revenue collection systems, and the general lack of “readiness” at many levels. This can only be remedied by increased political will at the executive level, accelerated infrastructure development, and the establishment of an enabling environment; fortunately, much of the necessary legislation is already in place.

2.3 Public service delivery

Improving public service provision is the ultimate goal of government reform. Efforts to achieve this objective through increased transparency, institutional capacity-building, and administrative simplification and modernization are detailed in various sections of this chapter. There have been a number of obstacles to overcome, but considerable progress has been achieved in key areas. For example, since August 2000 the Office of the People’s Advocate (Ombudsman) has played an important role in strengthening administrative accountability and openness. Law No. 8454 of 1999 establishes the role and functions of the Ombudsman in line with the provisions of article 63 of the Constitution, which states that “the People’s Advocate has the right to make recommendations and to propose measures when he observes violations of human rights and freedoms by the public administration”. By the end of 2000 the Ombudsman had received 810 denunciations; investigations were under way for 209 of them, while the remaining cases had already been closed.²²

2.4 Human resource management

Human resource management and development constitute a key area of administrative reform. Strengthening institutional and staff capacities within the civil service is a prerequisite for achieving the level of competence required for national development and European and international integration.

²² The statistics derive from the results of a United Nations questionnaire on the state of public administration; further details may be obtained from the Centre for Administrative Innovation in the Euro-Mediterranean Region (www.caimeid.org).

Law No. 8549 of 1999 on the status of the civil servant is particularly important within the present context, as it incorporates elements intended to contribute to the development of results-based public administration, including provisions requiring open, competitive access to public sector employment and the adoption of a performance appraisal system.

The Training Institute of Public Administration (TIPA) was established in 2000 to ensure the alignment of staff competencies with evolving national development and reform priorities.²³ The Institute tailors its training activities to specific needs as identified by the Department of Public Administration and individual ministries. In recent years, TIPA has begun to provide training specifically geared towards European integration.

An e-government strategy adopted in August 2002 includes a number of provisions for ICT infrastructure development, including the strengthening of human resource capacities within this framework.²⁴

2.5 Support for administrative innovation and modernization in Albania

A number of Governments, international and intergovernmental organizations, private financiers, and foreign and domestic non-governmental organizations (NGOs) play a fundamental role in the Albanian administrative reform process. International, regional and local foundations and institutions are involved in a multitude of projects and programmes aimed at improving social services, enhancing the quality of public education and health care, strengthening the public infrastructure, resolving social conflicts, promoting economic growth, streamlining and modernizing the State apparatus, and reducing government corruption; these entities account for a significant proportion of the financial and technical resources invested in administrative reform in Albania.

The most important supporting institutions include the World Bank, the United States Agency for International Development (USAID), the Swedish International Development Cooperation Agency (SIDA), the United Nations Development Programme (UNDP), the European Commission, various private foundations based in the United States (including Freedom House and the Mott Foundation), the SNV Netherlands Development Organization and VNG International (International Cooperation Agency of the Association of Netherlands Municipalities), the Department for International Development in the United Kingdom, and domestic NGOs such as the Institute for Development Research and Alternatives (IDRA) and the Urban Research Institute (URI).

These and other institutions have provided various types of financial and technical assistance, often collaborating with local government agencies or NGOs in the development and implementation of targeted projects and programmes. The

²³ Within Albania, TIPA is referred to as ITAP (an acronym for Instituti i Trajnimit të Administratës Publike).

²⁴ See the subsection on electronic government in the present chapter for a more detailed description of ICT integration efforts and the development of e-government in Albania.

World Bank approved a structural reform credit for Albania in June 1999 and in March 2000 provided an US\$ 8.5 million assistance loan for the implementation of its fast-track Public Administration Reform Project, initiated the following year. UNDP set up an operative section in Albania in 1991 to support the country's development during its transition phase. IDRA has taken a number of concrete steps to advance administrative reform.²⁵ The Open Society Foundation for Albania (OSFA), an NGO and financing agency established by American philanthropist George Soros in 1992 to promote the democratization process, has thus far invested more than US\$ 40 million in various reform projects.²⁶ IDRA and OSFA activities are described in some detail below.

The work of the Institute for Development Research and Alternatives

IDRA is actively involved in the Albanian administrative reform process.²⁷ During the first half of 2001, with support from the Fiscal Decentralization Initiative for Central and Eastern Europe,²⁸ the Institute carried out a project entitled Strategic Planning for Local Economic Development in Albanian Municipalities. Pilot initiatives were implemented in Kukës and Vlorë, where IDRA staff worked together with key representatives from municipal and regional authorities, city councils, NGOs and local business organizations to prioritize local development issues, conduct surveys, and prepare community profiles and medium-term plans for economic development.

During the initial phase of the six-month project, a survey was undertaken to assess economic development management capacities and identify training needs. Research results were incorporated in two documents, including a socio-economic profile of the areas in question and an economic development plan with concrete recommendations on the acquisition of new professional skills and the valorization of existing competencies. The findings were also disseminated and applied within the framework of a training seminar on strategic planning for local economic development.

Another IDRA project focused on local government budgeting in transition countries and entailed a comparative study of spending and financing possibilities and programming capacities in Albania, Croatia, Poland and Romania. During the first phase, research was undertaken to identify the legal and institutional traditions of the municipal system and its capacity to secure economic resources. In the second phase (completed in June 2001), experts from IDRA and the Institute for Contemporary Studies analysed the research findings in order to establish a reference point for the formulation of budget policy goals.

²⁵ <http://www.idra-al.org/>.

²⁶ <http://www.soros.al>.

²⁷ Within IDRA there are four areas of interest and expertise: democracy and governance; economic growth and trade; capacity-building and education; and cross-cutting programmes such as local and regional development and Albania-EU relations. The organization's founding members include experts in economics, social sciences, and public administration. See <http://www.idra-al.org/en/about/expertise.php>.

²⁸ This Initiative is a grant programme established to assist transition countries with government reforms and is a joint undertaking of the Council of Europe, the Organization for Economic Cooperation and Development, the World Bank Institute, USAID, the Open Society Institute, the Danish Ministry of Interior, the Italian Ministry of Foreign Affairs, and UNDP.

IDRA was commissioned by Management Systems International to undertake a USAID-sponsored project to engage civil society and public servants in a joint effort to reduce corruption in Albania.²⁹ Within the framework of this project, implemented between 2000 and 2004, IDRA organized a wide range of activities, including public forums relating to local government, the reform of the magistrature, and freedom of information. In the years since the project was initiated, IDRA has worked to stimulate open dialogue between members of the Albanian Coalition Against Corruption (ACAC), the Government, and civil society in order to promote respect for the rule of law and the evolution of a new democratic culture.

An important component of the anti-corruption project was the development of a code of ethics for local civil service personnel.³⁰ Several municipalities, including Tiranë, Gjirokastra, Lushnjë, Pogradec and Vlorë, participated in this pilot initiative. The new code, published by IDRA and disseminated among municipal employees, now constitutes the first chapter of the internal regulations adopted by the municipal councils of Vlorë and Pogradec.

The work of the Open Society Foundation for Albania (Soros Foundation)

OSFA was established in 1992 to support the democratization of Albanian society following 50 years of isolation. The Foundation has invested about US\$ 40 million in the country to promote sustainable development, the rule of law, the protection of minority rights, and increased administrative professionalism. Efforts are aimed at encouraging the gradual assimilation of democratic values.³¹

In 2002, OSFA activities were concentrated in four priority areas:

- Promoting institutional reform and good governance;
- Strengthening social cohesion;
- Enhancing opportunities for youth;
- Creating a more enabling environment for business development.³²

OSFA has tended to play a complementary role vis-à-vis other financing agencies operating in Albania and has sought to establish a synergistic relationship with those entities (especially other foundations) actively involved in institution-building and institutional reform.

The Foundation provides project support within the framework of nine different programmes. The Local Governance and Public Administration Program focuses

²⁹ Partners in this endeavour included Management Systems International, the Institute for Contemporary Studies, the Urban Research Institute, and the Albanian Coalition Against Corruption.

³⁰ Previous norms were institutionalized in various laws and centred exclusively around hierarchical relationships. In May 2002, Management Systems International launched two pilot projects to combat corruption in the cities of Vlorë and Elbasan. IDRA participated in the Vlorë project and was involved in the creation of a working group on corruption, an assessment of procedures for acquiring building licences, the development of initiatives to increase transparency, and the preparation of a report on the internal situation.

Other project activities undertaken by IDRA in 2002 included the establishment of a website for the Albanian Coalition Against Corruption, the identification of monitoring indexes, the preparation of a survey on the contribution of lobbies to improving social services, and the monitoring and supervision of privatization efforts.

³¹ See <http://www.soros.al/English/kryesore.htm>.

³² Information on OSFA activities is available from http://www.soros.al/soros/english/What_is_OSFA/what_is_osfa.html.

on expanding the institutional capacity of central and local administrations, promoting human resource development (improving management skills and providing ongoing training for administrators), fostering a culture of transparency and accountability, strengthening local governance and community participation in decision-making at all levels, and encouraging the participation of highly qualified young professionals in national and local government administration through the OSFA Fellowship Programme.³³

OSFA is also sponsoring a programme to strengthen the foundations of civil society in Albania,³⁴ highlighting the importance of citizen and community involvement in efforts to address short-term and long-term challenges such as the European integration process. The primary objectives are to build social cohesion and develop leadership skills through educational projects aimed at promoting tolerance among different social groups and creating an environment that encourages the free exchange of opinions and ideas and the evolution of an open, democratic society.

2.6 Electronic government

ICT integration in government institutions and public sector activities emerged as a clear priority during the 1990s. The comprehensive e-government strategy adopted in 2002 is key to improving the overall efficiency of public administration and strengthening the relationship between the public and private sectors. The strategy includes five components with separate but related themes:

- Aligning the ICT integration programme with Albania's administrative modernization, national development and regional integration objectives;
- Defining the role of the Government in promoting, regulating and utilizing ICT;
- Developing the necessary infrastructure for an open information society;
- Identifying uses for ICT in education, research, health care and social services and developing appropriate applications;
- Supporting private sector economic growth.

Despite the growing commitment to ICT integration in public administration, the immediate prospects for successful e-government are not encouraging. The physical ICT infrastructure is poorly developed, and unified institutional information systems and institutional applications are virtually non-existent. Most ministries now have their own websites, but many of the sites are not accessible, and few offer public services online. Albania ranks lowest in Europe in terms of ICT penetration and e-readiness; only 3.9 per thousand residents use the Internet, and only 11.7 per thousand have access to a personal computer.

ICT integration is a critical component of the administrative reform process and must be given top priority. Efforts should be made to capitalize on the growing interest in ICT among young people, donors and foreign investors, as the potential

³³ See http://www.soros.al/English/P_Public_Admin.htm.

³⁴ For detailed information on the Civil Society Program see http://www.soros.al/English/P_Civil.htm.

benefits accruing from the virtually limitless applications of new information and communication technologies in commerce, administration, education, telecommunications and other fields are enormous.

In order to enhance its e-readiness and catch up with the better-performing transition countries, Albania must invest heavily in strengthening both the ICT and energy infrastructure (sudden power losses are common). At the practical level, steps should be taken to accelerate the digitization of public data and information (including records, forms, procedures, and all materials relating to the civil service, budget and accounting, and other aspects of public administration) in order to streamline administrative processes and improve the provision of public services.

3. Priorities and achievements in reforming governance and public administration in Albania

3.1 Overview

The Government of Albania has assigned high priority to institutional reform as a means of establishing democracy and the rule of law. Efficiency, transparency and accountability in public administration constitute a prerequisite for sustainable development and national stability. One of the primary objectives of administrative reform is to create an enabling environment for the development of a strong market economy in order to improve the quality of life in Albania and enhance the country's prospects for successful regional and international integration.

The process of government reform began after the fall of communism in 1990, when former President Ramiz Alia (1982-1992) endorsed the establishment of independent political parties. When the anti-communist Democratic Party won control of the country in 1992, Albania was able to secure increased political support and financial and technical assistance from the West. These new links opened the door to Albanian economic, political and institutional integration with Europe.

A brief overview of the Albanian administrative structure provides a frame of reference for the reform process outlined in this chapter and the priorities elaborated below. The executive branch of government is represented by the President (Head of State), Prime Minister (Head of Government), and Council of Ministers. Legislative authority is exercised by the unicameral People's Assembly. The system of public administration in Albania comprises central, peripheral and local authorities and agencies. Well over a dozen line ministries make up the central administration, and peripheral bodies are essentially extensions of the central Government. Regional and municipal/ communal administrations serve as the units of local government and are formally granted a certain level of independence and autonomy but are primarily responsible for carrying out centrally mandated decisions and policies.

3.2 Institutional reform: strategies and objectives

Institutional reform remains a top priority in Albania, as an effective system of government and public administration is essential for sustainable economic and social development. The institutional reform process generally encompasses a certain amount of institutional restructuring and reorganization, efforts to ensure a more balanced distribution of authority among government institutions, extensive civil service reforms, the separation and delineation of administrative and political functions and priorities, the strengthening of policy development and law enforcement capacities, and the creation of an enabling environment for increased citizen involvement in government affairs and decision-making (poverty alleviation measures represent a means of encouraging increased participation by disadvantaged social groups; other measures might be aimed at strengthening civil society).

One of the primary targets of institutional reform is the central administration, including the Council of Ministers, line ministries, and central and peripheral agencies and institutions. Reforms are designed to ensure a more balanced and productive distribution of power among executive, policy-making, policy implementation, and monitoring and assessment bodies, and to facilitate the process of administrative decentralization.

Institutional reform is a dynamic process of innovation and modernization that affects the entire public sector. Ongoing reforms are required to align the structure, functions and capacities of government institutions with the evolving needs of Albanian society. The State apparatus must have sufficient strength and competence to maintain internal stability and support socio-economic development. An action plan for the period 2003-2006 identified the two most urgent objectives of the institutional reform programme: strengthening administrative stability and enhancing performance and efficiency within the civil service and public administration.

3.3 Civil service reform: a top priority

Legislative and institutional framework

In the years immediately following the end of communist rule, Albania faced a difficult period of transition. In the domain of public administration, action was clearly required to address civil service instability and associated institutional weaknesses, as well as serious resource constraints, but it was these same deficiencies that precluded the successful formulation and implementation of needed reforms during the early and mid-1990s. It was not until the latter part of the decade that the reform process began to crystallize and gain the momentum needed to produce visible results.

Civil service reform was initiated in 1996 with the adoption of Law No. 8095, which drew a clear distinction between political officers, civil servants (technical and professional staff), and other public sector employees, defining the legal position, functions and responsibilities of each group. This legislation was designed

to end administrative politicization and initiate steps to create a meritocratic civil service — arguably the most important aspect of government reform.

A comprehensive reform programme targeting public administration and key financial sectors was initiated in 1998, with particular attention given to institution-building and combating corruption.

In line with administrative reform priorities and the broader national objective of creating a modern State governed by the rule of law, further legislative changes were introduced to enhance transparency and professionalism within the civil service. Law No. 8549 of 1999 on the status of the civil servant relied upon Law No. 8095 of 1996 as a point of departure, establishing a new legal framework for staffing and promotions based on merit rather than on political or personal influence. Both instruments, but particularly the more recent law, have laid the foundations for the creation of a modern civil service, which is critical to effective public administration.

Law No. 8549 provides a framework for civil service management, defining the rights and responsibilities of civil servants and introducing regulations for recruitment, promotion, job performance and disciplinary action. This Law is designed to legitimize public administration in Albania by facilitating the creation of an efficient, accountable and highly qualified civil service. It also establishes a legal and institutional framework that allows the country's elected Government to ensure the primacy of national interests at all times.

A number of new institutions have been created (and some existing institutions strengthened) to handle the practical implementation of policies and decisions within this context and to engage in ongoing efforts to improve the civil service and promote good governance. The two institutions most directly involved in such activities are the Department of Public Administration and the Civil Service Commission, both of which were established in accordance with the provisions of Law No. 8549 of 1999.

The general responsibilities of the Department of Public Administration are as follows:

- Developing and implementing (or overseeing the implementation of) government policies relating to the civil service and specific public employment issues;
- Preparing an annual report on the general civil service situation and presenting it to the Government;
- Handling all personnel matters for which central administrative institutions are not legally responsible.

The Civil Service Commission is an independent body assigned the following responsibilities:

- Resolving “individual appeals of decisions concerning hiring in the public service, probationary periods, promotions, lateral transfers, appraisals, disciplinary measures and the rights of civil servants”;

- Monitoring the management of the civil service in all institutions operating within the scope of the provisions of Law No. 8549 of 1999 and taking appropriate action when irregularities are identified;
- Fulfilling any other functions “deriving from this law or from normative legislation set forth for its implementation and on the basis thereof”.³⁵

The Department of Public Administration and the Civil Service Commission represent the two main pillars of the administrative reform process in Albania.

Human resource development

As noted earlier in the chapter, human resource development and management constitute a key component of administrative reform.

The Training Institute of Public Administration was established on the basis of legislation adopted in June 2000 and receives development support through an arrangement between OSFA and the Department of Public Administration. The Institute’s strategy, policies and activities derive from the provisions of Law No. 8549 of 1999. TIPA exists to improve the professional skills and qualifications of civil servants and thereby enhance administrative efficiency and the quality of public service.

Higher levels of competence are required for modern public administration. It is now necessary for training programmes to focus not only on the acquisition of practical skills, but also on the development of a new administrative culture; civil servants at all levels must be encouraged to exercise initiative and work cooperatively, and higher-level managers and public officials must learn how to support creative capacity-building and the pursuit of innovation in public administration. Critical thinking is essential to good governance. In sum, all civil servants require enhanced skills and capabilities to enable them to function effectively in an increasingly complex administrative framework.

Priorities for civil service reform

Achieving administrative stability requires the following:

- Enforcing legislation and institutional regulations that draw a clear distinction between the political and administrative functions of government and clarify the rights and responsibilities of those operating in each domain;
- Persuading stakeholders that administrative stability should take precedence over political imperatives;
- Strengthening the role of the Civil Service Commission as a monitoring mechanism in order to reduce corruption and administrative abuses, in line with the provisions of Law No. 8549 of 1999;
- Ensuring the full implementation of Law No. 8549 of 1999 and other instruments promoting administrative best practices, not only within the

³⁵The quoted segments in the bulleted list are from article 8 of Law No. 8549 of 1999 on the status of the civil servant.

central Government, but also among regional authorities, where most problems arise, and within other government institutions such as fiscal and customs authorities and the diplomatic service.

There is a close relationship between performance, efficiency and stability within the civil service and the overall quality of public administration. Conditions within the public sector have long been unsatisfactory, and evidence indicates that further deterioration is likely unless ameliorative action is taken. Instability, inefficiency and poor performance within the civil service endanger the entire reform process and create unnecessary administrative bottlenecks. The overall objective of improving the quality of public administration is supported by a comprehensive set of medium-term measures aimed at strengthening human resource capacities, clarifying administrative roles and functions, enhancing personal and professional motivation, discouraging procrastination, and increasing professional responsibility and accountability. Specific reform components include the following:

- Introducing structural improvements, revising and clarifying organizational mandates and missions, and defining responsibilities and the scope of authority within ministries and at the inter-ministerial level;
- Establishing clear and measurable performance objectives for all civil servants;
- Establishing objective performance evaluation mechanisms;
- Providing appropriate incentives to enhance motivation and encourage innovation;
- Expanding training and other professional development opportunities for all civil servants, with particular attention given to strengthening administrative management capacities — an area in which TIPA will play an important role.

3.4 Progress achieved in the reform process

While much remains to be done within the realm of administrative reform, considerable progress has been achieved in a number of areas. With the development of appropriate legislative frameworks, particularly for civil service reform and decentralization, and the establishment of training, oversight and other support institutions, firm foundations have been laid for effective public administration. The adoption of laws strengthening local financial autonomy and decision-making authority, the establishment of a new code of ethics for civil servants and the implementation of measures to combat corruption, and the steps taken to improve working conditions and administrative efficiency all represent notable gains. With reference to the last item, TIPA management training programmes and targeted provisions for civil service career development and improved remuneration are especially important.

Action has been taken to extend the scope of Law No. 8549 of 1999 and establish a general legal framework with common principles for all civil servants. The Public

Procurement Agency and General Tax Directorate are now covered by the Law, and efforts to bring the General Customs Directorate under this legal umbrella are under way.

Administrative reforms are aimed at improving procedures, practices and institutional arrangements within the Albanian public sector. The primary developmental objectives include the following:

- Establishing new practices for budget formulation and administration that ensure rational budget allocation decisions and the effective management of budget institutions;
- Improving human resource development and management;
- Establishing working conditions within the civil service that facilitate the recruitment and retention of qualified, motivated staff;
- Transforming the civil service into a meritocracy through the depoliticization of public sector management;
- Establishing institutional mechanisms that ensure greater inclusiveness and accountability in policy formulation and execution.

Reforms are at various stages of development, implementation and follow-up. The Government monitors relevant indicators on a regular basis to determine the extent to which development objectives are being achieved. A summary of progress is provided below.

Principles and practices contributing to effective public administration have gradually been introduced over the past several years, and there are signs that a more professional, citizen-oriented civil service is beginning to emerge in Albania.

The significant brain drain experienced by Albania has seriously undermined its development prospects. During the early 1990s many of the country's most qualified professionals emigrated because of economic and social pressures; by the middle of the decade around 12 per cent of the population had left to seek better living conditions and career opportunities. The unemployment rate has remained high,³⁶ reaching 22.7 per cent in 2001, and the exodus continues. Expatriate remittances have been vital to the Albanian economy, but the cost of losing some of the country's best minds is incalculable.

The Government has launched an initiative aimed at strengthening executive capacities in public administration and is offering incentives to attract highly qualified individuals with university degrees obtained abroad. Within the civil service, management capacities are being developed through targeted training programmes provided by TIPa. This Institute, with support from the European Union, OSFA and other donors, has contributed significantly to enhancing professional capabilities within the public sector; in 2003, training programmes were organized for almost 1,200 civil servants in more than a dozen fields.

³⁶ Estimates for 2005 place the official unemployment rate at 14.3 per cent, but actual unemployment may exceed 30 per cent.

Substantial salary increases have made civil service employment more appealing. Since 1998, average wages within the government sector have risen faster than the corresponding wages in the private sector. The results of a survey conducted in 2000 indicated that, for comparable positions, civil service salaries were equivalent to between 40 and 60 per cent of private sector salaries in Albania. With the implementation of the revised salary scale in 2002, public and private sector wages were largely equalized. The virtual doubling of salaries made civil service employment considerably more attractive, and the number of applicants for advertised posts increased significantly. Over the past several years, larger numbers of young people have sought public sector positions, particularly within the education and health-care fields. Competitive salaries have made the civil service a viable career option for professionals, and higher levels of staff competence are beginning produce visible results in terms of improving public administration and service provision.

Recruitment procedures have been improved; the employment process is now more open and competitive, with all applicants given the opportunity to secure civil service positions based on their professional qualifications. Gains in this area have been hard-won; efforts to depoliticize civil service management have met with serious resistance. The Department of Public Administration, with the support of the Prime Minister, has sought ways to overcome this resistance and encourage the consistent application of meritocratic principles in line with the provisions of Law No. 8549 of 1999. Observable progress was first achieved in 2000 with the hiring of 50 civil servants using transparent and competitive recruitment and selection procedures, despite strong resistance from a number of ministers and higher-level bureaucrats. The Department of Public Administration reported a tendency among public officials to cite “emergency staffing needs” and recommend contractual arrangements rather than regular appointments, mainly to circumvent the official recruitment and selection procedures designed to discourage favouritism and nepotism. In response, the Department began monitoring and publicizing the extent to which such exceptions were sought and granted, and took far greater care in reviewing and approving proposals for contract employment. With support from the Council of Ministers, the Department of Public Administration was able to reduce the prevalence of such practices.

Current indicators of the extent to which the civil service is managed on the basis of merit rather than political considerations present a mixed picture. Some notable gains have been made, but there is a general reluctance, particularly among higher-level bureaucrats, to contribute to the establishment of a more objective management framework. In some cases, further guidance and support must be provided to clarify expectations and facilitate the consistent application of new principles and practices. Overcoming internal resistance to administrative reform and providing a clear strategy for implementation and enforcement constitute the most fundamental challenges in efforts to improve public administration.

As suggested above, increased institutional support and a stronger commitment at the management level are required to expedite the meritocratization and depoliticization of the civil service and enhance overall efficiency. The job description and classification exercise has not proceeded smoothly in many ministries; there is some uncertainty about which positions are covered by Law No. 8549 and other relevant legal provisions, and several jobs may not be appropriately classified. Performance evaluation is another area in which further action is required. In 2002, around 94 per cent of the civil service employees whose work had been subject to review received performance ratings of “very good” (57.8 per cent) or “good” (36.0 per cent); only 4.5 per cent were given “fair” or “poor” ratings. By 2004, performance appraisals were being conducted for only 45 per cent of Albania’s civil servants. In short, the performance appraisal process does not yet constitute a reliable mechanism for employee evaluation and promotion. The government leadership and the management of administrative support institutions and implementing agencies must make a serious commitment to address these challenges; relevant suggestions are provided in the paragraphs below.

Job description. Line ministries lack the organizational capacity to define job requirements and draft accurate job descriptions for all posts. This exercise is critical to the reform process, as it provides a precise indication of the duties and responsibilities of each civil servant and the distribution of administrative functions within each unit. Clearly defining the role of each staff member enhances overall administrative efficiency. Benchmarks are established that allow an objective assessment of employee performance. Job descriptions that are vague, inaccurate or incomplete negatively affect recruitment, actual job performance, and performance evaluation. Standardized job descriptions, which provide detailed information on the skills, qualifications, duties and responsibilities associated with all common posts, must be developed and applied across the board. Progress in this area should support parallel efforts to standardize common functions exercised by administrative units throughout the government system, including budget and financial management, human resource management, and policy management (development, implementation and impact assessment).

Job classification. Classifying posts involves determining the different types of work performed within the civil service or its respective units and consolidating similar jobs into classes based on similarities in duties, responsibilities, skill requirements and job complexity. Finalizing this process is important for many of the same reasons as those listed above; the job description and job classification processes are connected, and both affect the performance evaluation process. Furthermore, because job classification is linked to employee compensation and promotion, it represents a motivating factor for civil servants.

Performance evaluation. A performance appraisal system has been set up but is not properly utilized. Action must be taken by the Department of Public Administration, individual line ministries and others to ensure the objectivity of the assessment process and a normal distribution of performance ratings. Priorities in this area are as follows:

- Performance evaluation criteria need to be better tailored to individual job descriptions;
- Performance evaluation guidelines should be reviewed and possibly revised so that reliable distinctions can be made between good, average, and below-average performance and appropriate ratings can be assigned on the basis of clear, objective assessment criteria;
- Government personnel (both those conducting assessments and those being evaluated) should receive additional training to ensure that they fully understand the details and objectives of the performance appraisal process and how it should be implemented;
- Steps should be taken to strengthen the capacity of the Department of Public Administration to enforce performance appraisal requirements.

The ongoing process of legislative reform is gradually strengthening the institutional foundations of public administration. Law and amendments that have been proposed or adopted in recent years have focused on increasing transparency and objectivity and on bringing local and regional authorities under the same legal umbrella as the central administration.

A screening survey was carried out in all public institutions subordinate to executive and independent government agencies in order to identify their functional and organizational structures as well as their formal and informal missions and mandates. Findings will be assessed to determine areas in which reforms might be introduced to improve the efficiency of public administration.

An initiative aimed at enhancing policy-making and policy implementation capacities entails the establishment of a computerized network to facilitate the exchange of information between the Council of Ministers and line ministries. There are plans to create a special unit responsible for digitizing administration within the Council of Ministers and for setting up and maintaining the inter-ministerial network.

Steady progress has been achieved in the implementation of administrative reforms, but a number of fundamental challenges must be addressed if the forward momentum of the process is to be maintained. The poor enforcement of laws and regulations, the relative lack of headway with regard to ICT integration and e-government implementation, and the weak capacity of local government institutions represent the main obstacles to improving the quality of governance in Albania. Every effort must be made to strengthen the Department of Public Administration and the Civil Service Commission — the institutions primarily responsible for overseeing the implementation of reforms — so that these and other barriers to progress may be overcome.

The Albanian Government has established short-, medium- and long-term objectives within the framework of a comprehensive administrative reform programme. The most immediate reform priorities include strengthening public finance man-

agement in order to improve revenue collection, with particular attention given to customs, taxation and financial control policies and practices; combating fraud and corruption; improving the public procurement system; and developing the country's statistical capacity in order to ensure the availability of sufficient and reliable data for use within the public sector. Efforts to continue strengthening the legislative framework for administrative reform also constitute a priority.

Bosnia and Herzegovina

1. Political and institutional context

1.1 Political context

Formerly one of the six federative units comprising the Socialist Federal Republic of Yugoslavia, Bosnia and Herzegovina declared its independence on 5 April 1992. The political structure of the Federal Republic of Bosnia and Herzegovina was established within the framework of the Dayton Accords in late 1995 following almost four years of intense ethnic conflict.¹ The country is currently an international protectorate, with decisive power given to the High Representative for Bosnia and Herzegovina,² though the State Government and that of the two national Entities comprising the Republic enjoy considerable political and administrative autonomy. There are four separate internal political/administrative levels:

- The country is divided into two sub-State “Entities”;³ the mainly Croat-Bosnian Federation of Bosnia and Herzegovina (FBiH) accounts for 51 per cent of the territory and the Serb-dominated Republika Srpska (RS) the remaining 49 per cent. The autonomous federal district of Brcko includes land from both Entities but is governed by neither, operating under the supervision of the United Nations;
- A unified, democratic “State” Government based on proportional representation of the three main ethnic groups is responsible for foreign, economic and fiscal policy. Since the mid-1990s the power of the broader federal Government has increased relative to that of the individual Entities;
- The Federation of Bosnia and Herzegovina consists of ten cantons, each with its own cantonal government operating under the law of the Federation; some cantons are ethnically mixed. The Republic of Srpska includes six general administrative regions;
- Both Entities are subdivided into municipal districts (74 and 63 for the FBiH and RS respectively). Municipalities have their own local governments and are further divided into cities and local communities.

¹ The General Framework Agreement for Peace in Bosnia and Herzegovina, commonly referred to as the Dayton Agreement or Dayton Accords, was approved and initialled by the Serbian, Croatian and Bosnian presidents in Dayton, Ohio, on 21 November 1995 and signed in Paris on 14 December 1995. The Agreement was brokered and also signed by the leaders of France, Germany, the Russian Federation and the United States. This instrument defined the Inter-Entity Boundary Line and included detailed provisions for the establishment of a representational system of joint government (see http://www.ohr.int/dpa/default.asp?content_id=380).

² The High Representative and his Office represent the international community through the United Nations and are responsible for implementing the terms of the Dayton Accords.

³ Cfr. article 3 of the General Framework Agreement for Peace in Bosnia and Herzegovina (the Dayton Accords).

1.2 Institutional framework

The Constitution of Bosnia and Herzegovina represents an integral part of the Dayton Accords,⁴ which were primarily designed to formalize and regulate the de facto situation that had brought the intense internal conflict to an end. Incorporating comprehensive provisions aimed at ensuring the peaceful coexistence of multiple ethnic groups, the Constitution recognizes two distinct national Entities: Republika Srpska, with a Serbian majority; and the Federation of Bosnia and Herzegovina, with a Croatian Muslim majority. The use of the term “State” is deliberately avoided in the Constitution, except in direct reference to the Republic of Bosnia and Herzegovina in its entirety. The Constitution defines the responsibilities of and relations between the Entities as well as the role of the unified representative Government of the Republic. The Entities enjoy wide-ranging powers and autonomy, though the State Government, through various common institutions, is responsible for conducting foreign affairs, developing monetary and financial policy, and addressing immigration, asylum, and refugee issues.

The constitutions of the two Entities pre-date that of the State and remain in force. The complex interplay of the three constitutions is indicative of the mutual concessions made to bring the long war to an end. While arguably necessary, this arrangement has caused some problems. For example, the identification of each Entity as a State of either Serb peoples or Croatian and Bosnian peoples in the respective constitutions has interfered with refugee and exile re-entry and integration, which runs counter to one of the fundamental principles of the Constitution of Bosnia and Herzegovina adopted in 1995.⁵

Over the past decade, the two Entities have found it necessary to bring their constitutions increasingly in line with the Constitution of the Republic; this process has been gradual and sometimes marked by serious resistance and disagreement, but the reality is that a certain amount of uniformity and harmonization is required to ensure effective national governance and administration, particularly within the common institutional framework in which the Entities are compelled to operate at certain levels. Especially important in recent years have been the rulings of the Constitutional Court of Bosnia and Herzegovina on the status of constitutive peoples and on the structure and organization of the parliament and other common institutions. The new provisions on the status of constitutive peoples entered into effect in 2002 with the introduction of appropriate modifications to the constitutional charters of the two Entities. At the practical level, changes in decision-making processes have been required to safeguard the interests of ethnic minorities. Officially recognizing and guaranteeing the rights of all constitutive peoples represents an important reaffirmation of the multi-ethnic character of Bosnia and Herzegovina.

⁴ The Constitution of Bosnia and Herzegovina was adopted as annex 4 to the General Framework Agreement for Peace in Bosnia and Herzegovina; see http://www.ohr.int/dpa/default.asp?content_id=380.

⁵ See article II of the Constitution of Bosnia and Herzegovina.

The institutional system of administration in Bosnia and Herzegovina is characterized by the following:

- Highly complex decision-making processes in the exercise of both legislative and executive power;
- Asymmetrical and somewhat ambiguous institutional structures (many levels of government and insufficient regulations to unequivocally define relations between them);
- A preponderance of peripheral levels of government (relative to central State administration).

Complicating matters is the fact that the government systems of the two Entities differ and are in some respects incompatible; the FBiH canton system features decentralized governance and administration, while RS government operations are highly centralized. Government reforms must address internal weaknesses within each system as well as the need to establish greater coherence between the two systems; the latter is critical for both national development and the eventual integration of Bosnia and Herzegovina into the European Union.

1.3 The central administration at the State and Entity levels

The central administration of the Republic of Bosnia and Herzegovina

At the State level, the institutional structure is characterized by the separation of powers between three branches of government; the Parliamentary Assembly is the country's lawmaking body, the Presidency and the Council of Ministers share executive power, and judicial authority is exercised by the Constitutional Court of Bosnia and Herzegovina.

The Parliamentary Assembly comprises two chambers. The House of Peoples, or Upper House, has 15 members appointed by the parliaments of the constituent republics (five Croats and five Bosniaks from the FBiH and five Serbs from the RS). The House of Representatives, or Lower House, includes 42 deputies elected for four-year terms, with each of the three major ethnic groups equally represented.⁶ All legislation requires the approval of both chambers. A majority of all members present and voting constitutes a quorum, though every effort must be made in each House to ensure that the majority includes at least one third of the votes of delegates or members from the territory of each Entity; otherwise, the chair and deputy chairs will attempt to obtain approval within three days of the vote. If such efforts fail, decisions are taken by a majority of those present and voting, provided that the dissenting votes do not number more than two thirds or more of the delegates or members from either Entity.⁷

The Presidency and the Council of Ministers hold executive power. The Presidency comprises three members (a Bosniak and a Croat from the FBiH and a Serb from

⁶ The composition of the Lower House is much like that of the Upper House, though in the former there are 14 rather than 5 members representing each of the main ethnic groups. The 28 members from the FBiH are elected directly by voters, while the 14 representatives from the RS are selected by that Entity's National Assembly.

⁷ See article IV, paras. 1-3, of the Constitution of Bosnia and Herzegovina (<http://www.parlament.ba.eng/ustav/index.php#>).

the RS) who are popularly elected for up to two consecutive four-year terms; the member receiving the most votes is designated chairman unless he or she was the incumbent chairman at the time of the election, but the chairmanship rotates every eight months. While unanimity is sought for all presidential decisions, a two-member majority is sufficient provided every effort has been made to achieve accord; in such cases, the dissenting member has three days to declare that his or her ethnic rights have not been respected.

Prospective Cabinet members are nominated by the chairman of the Council of Ministers, or Prime Minister (who is appointed by the Presidency and selects two deputies from among the ministers), and approved by the House of Representatives. There are currently eight ministers and a chairman, and the nine Cabinet positions are distributed equally among the three main ethnic groups; the Prime Minister and two Deputy Prime Ministers, and each minister and his or her deputy, must not be from the same constituent peoples.⁸ Council decisions on issues to be definitively resolved by the Parliamentary Assembly may be taken if at least half of the members are present but require the vote of at least two representatives of each of the three constituent ethnic groups. A unanimous vote is generally required for all decisions relating to legal provisions, appointments or procedural regulations, though if unanimity cannot be achieved within a seven-day period, a simple majority that includes at least two members of each ethnic group is sufficient to ensure the approval of the initiative in question.

BOX 10. GOVERNMENT MINISTRIES IN THE REPUBLIC OF BOSNIA AND HERZEGOVINA

- Ministry of Finance and Treasury
- Ministry of Foreign Affairs
- Ministry of Foreign Trade and Economic Relations
- Ministry for Human Rights and Refugees
- Ministry of Justice
- Ministry of Security
- Ministry of Communications and Transport
- Ministry of Civil Affairs

The following permanent bodies have been established by the Council of Ministers:⁹

- The General Secretariat, headed by a General Secretary nominated by the President of the Republic and appointed by the Council of Ministers, provides the Council with technical and administrative support;
- The Legislative Office plays a technical-consultative role;
- The Internal Policy Committee, headed by a deputy chair of the Council of

⁸ Each minister has one deputy; the original plan was to have two deputies representing the groups of which the minister was not a member.

⁹ Established in accordance with article 22 of the Law on the Council of Ministers of Bosnia and Herzegovina, which entered into force on 3 December 2002; the role and functions of each body are elaborated in articles 23-27.

Ministers and comprising selected ministers or deputy ministers as well as members of some of the other permanent bodies, coordinates the work of the ministries of civil affairs, human rights and refugees, justice, and security;

- The Economy Committee, also headed by a deputy chair of the Council of Ministers and comprising selected ministers or deputy ministers as well as members of some of the other permanent bodies, coordinates the work of the ministries of foreign trade and economic relations, finance and treasury, and communications and transport;
- The Directorate of EU Integration carries out the duties of the former Ministry for European Integration, coordinating and supervising harmonization efforts and other relevant activities.

The Constitutional Court is the country's highest judicial authority. Four of its nine judges are selected by the House of Representatives of the FBiH, two are chosen by the RS National Assembly, and the remaining three, who must not be citizens of Bosnia and Herzegovina or neighbouring countries, are appointed by the President of the European Court of Human Rights. Judicial appointments to the Court were initially made for a period of five years, but judges may now serve until the age of 70 unless they resign or are removed for cause by consensus of the other judges. The Constitutional Court has "exclusive jurisdiction to decide any dispute that arises under [the] Constitution between the Entities or between Bosnia and Herzegovina and an Entity or Entities, or between institutions of Bosnia and Herzegovina".¹⁰

The central administration of the Federation of Bosnia and Herzegovina

The FBiH is divided into 10 largely autonomous cantons.¹¹ This Entity has its own three-branch system of government similar to that of the State. The parliament comprises the House of Representatives, a 98-member elected body that must include at least four individuals from each constituent ethnic group (Bosniak, Serb and Croat), and the House of Peoples, consisting of 58 representatives delegated by the cantonal parliaments (17 from each of the three main ethnic groups and 7 representing other ethnicities). Members of the House of Representatives are democratically elected; any party receiving at least 5 per cent of the total votes cast is allocated a number of seats proportional to its relative share of the total. The House of Peoples is structured in a way that ensures parity between the major ethnic groups as well as the input of others. The term of office for both Houses is four years. Part IV.A of the Constitution of the Federation details the legislative process; articles 17 and 18 outline special procedures for dealing with issues of "vital interest" to all ethnic groups.

The executive branch includes the President, two Vice-Presidents, and the Cabinet. Article 2 of part IV.B of the Federation's Constitution states that "at least one third

¹⁰ Article VI of the Constitution of Bosnia and Herzegovina (http://www.oefre.unibe.ch/law/icl/bk00000_.html).

¹¹ Una-Sana, Tuzla, Zenica-Doboj, Bosnian Podrinje, and Sarajevo have a Bosniak majority; Posavina, West Herzegovina, and Canton 10 (in western Bosnia) have a Bosnian Croat majority; and Central Bosnia and Herzegovina-Neretva are "ethnically mixed", meaning that there are special legislative procedures for the protection of the constituent ethnic groups.

of the delegates of the respective Bosniak, Croat or Serb caucuses in the House of Peoples may nominate the President and two Vice-Presidents of the Federation". The election of these candidates for a term of four years requires "the joint approval of the list of three nominees by a majority vote in the House of Representatives, and then by a majority vote in the House of Peoples, including the majority of each constituent people's caucus".¹² The Cabinet, which the Constitution refers to as the Government of the Federation, comprises the Prime Minister/President of the Government and 16 ministers, two of whom also serve as Deputy Prime Ministers.¹³ The Cabinet is composed of eight Bosniak, five Croat and three Serb ministers; one member from another ethnic group may be nominated by the Prime Minister from the quota of the largest constituent people.

BOX 11. GOVERNMENT MINISTRIES IN THE FEDERATION OF BOSNIA AND HERZEGOVINA

- Ministry of Interior
- Ministry of Justice
- Ministry of Finance
- Ministry of Energy, Mining and Industry
- Ministry of Transport and Communications
- Ministry of Labour and Social Policy
- Ministry of Displaced Persons and Refugees
- Ministry for Issues of Veterans and Disabled Veterans of the Defensive-Liberation War
- Ministry of Health
- Ministry of Education and Science
- Ministry of Culture and Sports
- Ministry of Trade
- Ministry of Physical Planning
- Ministry of Agriculture, Water Management and Forestry
- Ministry for Development, Entrepreneurship and Crafts
- Ministry of Environment and Tourism

The judiciary comprises Federation, cantonal and municipal courts. At the highest level, judicial authority is exercised by the Constitutional Court, the Supreme Court, the Human Rights Court, the Federal Prosecution Office, the Federal Public Attorney's Office, the Federal Violation Council, and the Office of the Ombudsman.

The central administration of the Republika Srpska

The National Assembly is made up of 83 popularly elected deputies, including

¹² Cited from the Constitution of the Federation of Bosnia and Herzegovina, as amended in 2003; see <http://www.ohr.int/ohr-dept/legal/oth-legist/doc/fbih-constitution.doc>.

¹³ The Prime Minister and his two deputies must be from different constituent peoples (ethnic groups).

at least four members of each of the Entity's constituent peoples; constitutional provisions ensure that all municipalities are appropriately represented in the legislature. The 28-member Council of Peoples established within the National Assembly in late 2002 includes eight representatives from each of the three major ethnic groups and four from smaller ethnic communities, each selected by their respective caucuses within the Assembly. Addressing legislative issues deemed to be of "vital interest" to all constituent peoples is one of the primary functions of the Council.

Executive authority is exercised by the President, two Vice-Presidents, and the ministerial Cabinet. Article 83 of the Constitution of Republika Srpska states that "the President and Vice-Presidents of the Republic shall be elected for a four-year mandate by the citizens through direct and secret ballot... from the list of candidates for President... so that a candidate who wins the highest number of votes shall be elected President, while the Vice-Presidents shall be elected candidates from the other two constituent peoples who win the highest number of votes after the elected President of the Republic".¹⁴ These individuals may serve two consecutive terms. The President is primarily responsible for representing the Republic, promulgating laws, nominating or appointing high-level public officials (including the Prime Minister), and carrying out duties relating to defence, security and international relations.

A new Cabinet is appointed each time a new National Assembly is elected (every four years). The structure of the RS Government is very similar to that of the FBiH, with a Prime Minister and 16 ministers, two of whom serve as Deputy Prime Ministers; the major differences lie in the ministry designations and in the composition of the Cabinet, which currently must include eight Serbs, five Bosniaks, three Croats, and one other member chosen from a smaller ethnic community. The Prime Minister must submit the government programme and a list of prospective ministers to the President for approval, and all Cabinet appointments must be confirmed by the National Assembly.

BOX 12. GOVERNMENT MINISTRIES IN THE REPUBLIKA SRPSKA

- Ministry of Finance
- Ministry of Interior
- Ministry for Family, Youth and Sports
- Ministry of Justice
- Ministry for Public Administration and Local Self-Government
- Ministry of Economy, Energy and Development
- Ministry of Economic Relations and Coordination
- Ministry of Labour and Veterans' Affairs

¹⁴ Constitution of Republika Srpska, as amended in 2003; see <http://www.kfunigraz.ac.at/suedosteuropa/verfassung/Bosna%20i%20Hercegovina/RepublikaSr.pdf>.

BOX 12. GOVERNMENT MINISTRIES IN THE REPUBLIKA SRPSKA (continued)

- Ministry of Trade and Tourism
- Ministry of Transport and Communications
- Ministry of Agriculture, Forestry and Water Resources
- Ministry of Urban Planning, Public Works and Environment
- Ministry of Education and Culture
- Ministry of Displaced Persons and Refugees
- Ministry of Health and Social Welfare
- Ministry of Science and Technology

The highest judicial bodies are the Constitutional Court and the Supreme Court. Basic courts are the courts of first instance in criminal cases punishable by less than 20 years imprisonment and in certain civil, property, employment and commercial cases. District courts have appellate jurisdiction but also serve as first-instance courts in criminal cases punishable by more than 20 years imprisonment and in various specialized areas of law.

1.4 Local administration

Distribution of authority among institutions at the State, Entity and subnational levels

The Constitution of the Republic of Bosnia and Herzegovina provides few specifics with regard to the distribution of competences between the State and the Entities. The federal Government is primarily responsible for external relations and for domestic affairs that require centralized administration and coordination; areas of State competence include foreign policy, international trade and customs policy, the application of international law and criminal law enforcement, monetary policy and the management of finances in connection with the execution of international obligations at the State level, immigration and refugee policy, the regulation of inter-Entity transportation, air traffic control, and the domestic and international communications infrastructure. Each Entity has its own autonomous central administration and is responsible for all public functions not expressly assigned to the State by the Constitution. As indicated below, competences within each Entity are distributed very differently.

The Federation of Bosnia and Herzegovina is made up of 10 highly autonomous cantons, which are further divided into municipalities. The distribution of competences between the Federation and the cantons is similar to that between the State and the Entities; in other words, the cantons are individually responsible for their own administration in all areas except those that fall directly under the authority of the Federation and its central institutions. Some functions are exercised jointly. The constituent cantons have seats in the Federation parliament but also have their own assemblies with the power to adopt and enforce laws in their respective ju-

risdictions. Each canton has its own constitution, ministerial Cabinet, and judicial bodies, and the fiscal system is decentralized as well.

Articles 1, 2 and 4 of part III of the Constitution of the Federation of Bosnia and Herzegovina respectively list many of the responsibilities and areas of competence of the Federation alone, the Federation and the cantons together, and the cantons alone. Such provisions notwithstanding, it is argued that the mechanisms for assigning competence within the FBiH are ineffective, as functions that might be better executed or at least coordinated at the Federation level are often duplicated within a complex framework of central and cantonal administration, inter-cantonal relations, and canton-Entity interaction.¹⁵ An attempt is made in article 3 of part III of the Constitution to provide some clarification with regard to those functions for which the Federation and the cantons are to share responsibility, but little definitive guidance is offered. The article merely states that such functions or responsibilities “may be exercised jointly or separately, or by the cantons as coordinated by the Federation Government”, and incorporates general cautionary clauses that urge the Federation to act with respect for cantonal prerogatives, the diverse situations of the cantons, and the need for flexibility in executing laws and regulations binding throughout the Federation, and that urge the cantons to act with respect for inter-cantonal comity, the need for coordinated approaches to inter-cantonal matters, and the need for consistency on matters implicating interests outside their respective borders.¹⁶

Each canton is divided into municipalities whose functions and institutions are defined by the Constitution of the Federation (part VI) but are more precisely shaped by constitutional provisions and legislation at the cantonal level. Municipal administrations have a certain amount of decision-making autonomy with regard to local matters but are ultimately under cantonal authority. Municipal governing councils, whose members are democratically elected to four-year terms, may adopt local statutes compatible with the cantonal constitution by means of a two-thirds majority vote, approve the local budget, and institute tax measures, to the extent that such matters are not addressed by the cantonal or Federation Governments. Each council appoints a mayor responsible for appointing and removing municipal officials; executing and enforcing municipal policies, ordinances and regulations and fulfilling any duties assigned by the cantonal and Federation Governments; ensuring the cooperation of municipal officials with the ombudsman; and reporting on the implementation of municipal policies and activities to the governing council and the public.¹⁷ Two or more contiguous municipalities linked by the everyday needs of citizens constitute a city, which represents a unit of local government responsible for finances and tax policy (consistent with cantonal and Federation laws), joint infrastructure, urban planning, public transport, and any other duties assigned by the cantonal or municipal governments.

¹⁵ Problems of overlap and redundancy in areas of competence are also apparent at the State-Entity level.

¹⁶ Articles 1-4 of part III the Constitution of the Federation of Bosnia and Herzegovina, as amended in 2003; see <http://www.ohr.int/ohr-dept/legal/oth-legist/doc/fbih-constitution.doc>

¹⁷ See part VI of the Constitution of the Federation of Bosnia and Herzegovina, as amended in 2003; the functions of the municipal executive are listed in article 6. Part VI.A details the responsibilities of the city government.

Substantial resources are required to sustain the large number of public institutions functioning at different levels within this Entity. Reforms have been undertaken in recent years to reduce the level of bureaucracy and streamline operations.

The political structure of the Republika Srpska is far more centralized, as there is no intermediate administration between the Entity and local authorities. There are currently more than 60 municipalities, and while constitutional and legislative provisions affirm the right of citizens to local self-government, municipal authorities are primarily responsible for implementing policies adopted at the Entity level and have only limited decision-making power. Municipal assemblies are popularly elected based on a system of proportional representation, and municipal administrations are headed by mayors who are now directly elected by the voters as well. Local governments may adopt statutes, establish public institutions, or initiate other independent activities in order to meet area needs, provided such actions are consistent with RS laws and constitutional provisions, but are otherwise responsible for executing centrally mandated decisions. Part VI of the RS Constitution addresses the issue of territorial organization, with article 102 detailing the functions, responsibilities and ethnic composition of municipal bodies. Article 103 states that “the city and municipality shall be entitled to revenues as established by law, and resources for administering the tasks entrusted to them”.¹⁸ The municipalities receive a specified share of government revenues collected from various sources at multiple levels, with funds disbursed by the RS Government. However, budget allocations are rarely sufficient for them to meet their obligations, and mechanisms for securing and retaining local revenues are seriously limited. Recognizing the need to strengthen municipal financial autonomy and improve the local resource base, and to establish more effective mechanisms for decentralization in general, the RS recently sought and received assistance from the Council of Europe in revising the Entity’s Law on Local Self-Government.

Local government objectives may also be pursued at the city and town levels. Only Banja Luka has the legal status of a city within the Republika Srpska, and it has its own mayor, city assembly and administrative institutions; it is also the seat of the Banja Luka municipal government and the ad hoc capital of the Entity as a whole. There are a number of sizeable towns, each with its own government and local administration.

2. Governance and public administration challenges and reform strategies

2.1 The guiding framework for public administration reform

The pursuit of administrative reform is linked to a number of critical development priorities but is perhaps most clearly associated, at present, with the objectives of EU accession and independent Statehood. Since 1999, the Republic of Bosnia and Herzegovina and its constituent Entities have been part of the stabilization and asso-

¹⁸The Constitution of Republika Srpska, as amended in 2003; see part VI, articles 100-103 ([http:// www. legislationline.org/upload/legislations/5b/11/c8ea79bc0db11c11f49f19525f43.htm](http://www.legislationline.org/upload/legislations/5b/11/c8ea79bc0db11c11f49f19525f43.htm)).

ciation process launched by the European Union to create a more favourable policy environment in the Balkans.¹⁹ Between 2001 and 2005 the country received more than 300 million euro through the Community Assistance for Reconstruction, Development and Stabilization (CARDS) programme to support its participation in this process, in which administrative reform is identified as a key component. An EU “road map”²⁰ issued in March 2000 set a total of 18 preconditions for the Republic of Bosnia and Herzegovina to qualify for a feasibility study on the conclusion of a stabilization and association agreement (SAA) that would establish a formal, contractual relationship between the country and the EU. In November 2003, the feasibility study identified further conditions to be met, and in November 2005, SAA negotiations were finally initiated. The pace of negotiations has largely been determined by the progress made in certain critical areas, including the development of the legislative framework and administrative capacity, the implementation of police reforms, the adoption and implementation of relevant public broadcasting legislation, and the achievement of full cooperation with the International Criminal Tribunal for the former Yugoslavia.²¹ On 3 May 2007, the EU member States approved the text of the agreement. However, there are some concerns that many of the necessary reforms have not been effected; the EU Presidency has called upon all stakeholders “to work together constructively to overcome all remaining obstacles as soon as possible”.²² This entire process is meant to facilitate EU integration but is more broadly aimed at ensuring the country’s fulfilment of the provisions of the Dayton Accords and its gradual transition to a fully independent sovereign State.

The Intergovernmental Task Force on Public Administration Reform, established by the Peace Implementation Council, held its first meeting in Brcko on 15 April 2003. The meeting was attended by State- and Entity-level ministers responsible for government administrative reform;²³ the mayors of Sarajevo, Banja Luka and Brcko; the heads of the State- and Entity-level civil services agencies; national experts (including auditors); and members of the international community, including the Ambassador of the European Community. The Task Force, which is open to input from other national and international experts and officials, is responsible for supervising the development and coordination of public administration reform at all levels of government, based on a comprehensive strategy that provides an overall framework for both current and future reform initiatives. The main objectives of administrative reform include streamlining the complex bureaucracy,

¹⁹ In exchange for EU assistance, the prospect of EU accession, and the continuation of preferential access to EU markets, the countries of South-Eastern Europe have agreed to bring their government legislation, institutions, and approaches to governance in line with those of the European Union and engage in regional cooperation activities; see <http://ideas.repec.org/p/wbk/wbrwps/3108.html>.

²⁰ The “road map” includes seven political steps, six economic steps, and five steps in the areas of democracy, human rights and the rule of law; see <http://www.esiweb.org/pdf/bridges/bosnia/EURoadMap.pdf>.

²¹ Based on comments made by the representative of Austria at the 5412th meeting of the United Nations Security Council (SC/8693, issued on 18 April 2006); see <http://www.un.org/News/Press/docs/2006/sc8693.htm>.

²² Germany 2007 — Presidency of the European Union, “EU Presidency statement on the Stabilization and Association Agreement with Bosnia and Herzegovina”, CFSP Statements (press release, 10 May 2007) (available from http://www.eu2007.de/en/News/CFSP_Statements/May/0510Bosnien.html).

²³ Namely, the ministers of justice in the FBiH and the Republic of Bosnia and Herzegovina and the Minister for Public Administration and Local Self-Government in the RS.

improving public services, enhancing the administrative and financial capacities of city and municipal administrations (where interaction with citizens is the greatest), achieving increased internal coherence, and harmonizing the country's administrative principles and practices with those of the European Union in order to facilitate regional integration. The work of the Task Force is to be guided by the following principles:

- Public administration must be efficient and cost-effective; downsizing may be necessary;
- Taxpayer revenues and other public funds must be managed reliably and efficiently;
- At every level, the Government must be run by professionals rather than political-party appointees, with all constituent peoples equitably represented;
- Funds and other resources available for public administration must be used transparently and in accordance with EU and international best practices;
- The administration exists to serve citizens, not politicians; every effort must be made to address the needs of all constituent peoples.

2.2 Institutional arrangements and priorities for administrative reform

Responsibility for overseeing and coordinating the public administration reform process lies with the Ministry of Justice in both the FBiH and the Republic of Bosnia and Herzegovina. Article 7 of the Law on Federation Ministries and Other Bodies of Federation Administration, enacted on 21 October 2002, defines the role of the FBiH Ministry of Justice in supervising administrative affairs and provides for the establishment of the Institute for Public Administration within the Ministry. The responsibilities of the Institute include the following:

- Improving the internal organization of Federation ministries and other authorities in order to ensure efficient management, streamline operations, and enhance the quality of work;
- Facilitating the adoption of modern means and methods in public administration, with particular attention given to comprehensive ICT integration and the development of digitized information and documentation systems;
- Working with the competent labour and trade unions to establish a clear and consistent legal framework regulating all aspects of government employment; legislative provisions should address the rights and duties of public employees and officials, remuneration and benefits, appointment and promotion procedures, and other relevant issues;
- Organizing vocational training and other capacity-building opportunities for civil servants;
- Building and strengthening systems of local self-government, election mechanisms, and political and territorial organizations within the Federation, and drafting relevant legislation;

- Issuing publications on legal and judicial matters;
- Developing cooperation with international organizations, in accordance with the Constitution of the Republic of Bosnia and Herzegovina, and with local authorities and their associations on issues relating to public administration.

Of the two Entities, the RS has made the greatest progress in administrative reform, likely because its political and institutional structure is more centralized and less complex than that of the FBiH. The RS Ministry for Public Administration and Local Self-Government is charged with a range of responsibilities relating to the following:

- Political/territorial organization within the RS;
- The systems of governance and administration at the Entity and local levels;
- The structure and functions of administrative bodies;
- Certain financial matters relating to public administration, including salary determinations;
- The electoral system;
- Political and civil society organizations and citizens' associations;
- Systems and procedures relating to civil registration (names, citizenship, and birth records);
- Internal oversight (monitoring and inspection within the system of public administration).

2.3 Decentralization

The two Entities enjoy extensive autonomy themselves but employ very different approaches to internal governance, especially with regard to the decentralization of authority. As noted previously, the FBiH comprises 10 largely autonomous cantons that are further divided into municipalities answerable to both the cantonal and Federation governments, while the RS has no intermediate administration and is highly centralized, with its constituent municipalities given limited decision-making power. Both Entities have identified decentralization as a reform priority and have laid the foundations for transferring certain functions and responsibilities to municipal and other local authorities. So far, though, relatively little progress has been made on the ground.

The international community has strongly encouraged the country to strengthen local governance and improve public administration at all levels, with particular pressure coming from the Council of Europe, which seeks to ensure the alignment of administrative principles and practices in the Republic of Bosnia and Herzegovina with those of the European Union in order to facilitate the regional integration process. The Government has readily acknowledged its obligations within this framework, but the implementation of major reforms — especially the radical structural changes required for genuine decentralization and the devolution of authority — is likely to prove extremely difficult given the complexity of the country's political structure, the multiple constitutional contexts, and the likelihood of strong resistance

from entrenched bureaucrats with vested personal and political interests (especially in the FBiH, where administrative streamlining and comprehensive deconcentration would require the elimination of one or more levels of bureaucracy).

Within the FBiH, the reforms most likely to be implemented or given serious consideration are those that may require constitutional adjustments but do not radically alter the general administrative structure or framework. A number of such reforms have been undertaken in recent years, many of them “externally” introduced and overseen. On 6 October 2002, for example, the High Representative, in his capacity as the final authority in interpreting the General Framework Agreement for Peace in Bosnia and Herzegovina and facilitating the resolution of any difficulties arising in connection with civilian implementation, issued a decision amending the FBiH Constitution (such amendments automatically take precedence over inconsistent provisions in cantonal constitutions, which must ultimately be harmonized with that of the Federation). This decision eliminated the post of cantonal president, transferring leadership to the cantonal government; a candidate for prime minister nominated by the chairman of the cantonal legislature (another post modified through the amendment process) would propose a list of ministers, and once approved by a majority vote of the cantonal assembly, the leader and members of the new government would assume office.

External involvement is also a factor in the RS administrative reform process. Several years ago the Government formally requested assistance from the Council of Europe in establishing a sound institutional framework for local and regional government and in building capacity for effective and democratic local governance. In 2004, under the guidance of the Council’s Directorate of Cooperation for Local and Regional Democracy, the Entity developed and adopted the new Law on Local Self-Government, which broadly complies with the standards of the European Charter of Local Self-Government;²⁴ the Law entered into force on 1 January 2005.

The Governments of the Republic of Bosnia and Herzegovina and both Entities have agreed to abide by the provisions of the European Charter of Local Self-Government and are therefore obliged to carry out specific reforms, particularly since monitoring mechanisms have been set up by the Council of Europe’s Congress of Local and Regional Authorities to ensure compliance. In 2005, a number of important legislative development activities were undertaken within this context, and a joint Council of Europe/Organization for Security and Cooperation in Europe “best practice programme” was implemented by both Entities as a national activity to improve leadership, service delivery and citizen participation at the municipal level.

Private sector development: investment promotion and privatization

Economic liberalization represents another important aspect of decentralization. The Foreign Investment Promotion Agency of Bosnia and Herzegovina (FIPA) was established by the Council of Ministers in August 1998 and began operating at

²⁴The European Charter was ratified on 12 July 2002 and entered into force on 1 November of the same year.

the end of 1999. The Agency's stated mission is "to create a process of cooperation between the public and private sectors such that there will be joint action to improve the economic and political environment... in such ways as to promote the country as a place for private sector investment in sustainable and environmentally and publicly acceptable businesses".²⁵ FIPA is primarily responsible for creating a more conducive business environment, attracting new foreign investment, retaining existing foreign investment, engaging in investment policy advocacy, providing the necessary support to strengthen small and medium-sized enterprises and regional development agencies, and ensuring the institutional strengthening of the Agency itself. Essentially, the goal is to create an enabling environment while also providing comprehensive practical support to the business community. In pursuit of its stated objectives, FIPA is involved in the following activities:

- Generating new investments by promoting the country as a favourable location for commercial activities;
- Servicing potential and existing investors by facilitating business registration, document processing, and other enterprise development activities. One particularly noteworthy achievement in recent years has been the simplification of bureaucratic procedures linked to the investment project approval process, for which a streamlined "one-stop shop" model has been established;
- Providing potential and existing investors with information and legal advice on all matters relating to the business environment, including FDI regulations, land ownership, taxation, employment, and investment opportunities (including those linked to privatization);
- Identifying attractive sectors for investment, based on detailed analysis of all relevant factors; such sectors presently include wood processing and furniture production, food and tobacco processing, electricity production, metalworking, tourism, agriculture, construction, textiles, and information and communication technologies;
- Developing cooperation with all levels of government; FIPA is actively involved in the establishment of regional development agencies and is forging closer links with the Republic's Ministry of Foreign Affairs and diplomatic-consular networks for FDI promotion abroad;
- Improving the business environment by identifying legal obstacles to foreign investment and taking appropriate action to remove them;
- Developing FIPA presentations and promotional materials for domestic and international dissemination; Agency and privatization websites were established in 2003 and 2004, respectively;
- Creating and maintaining a database on investment projects and available locations;
- Improving cooperation with other investment promotion agencies in South-Eastern Europe and worldwide.

²⁵ Cited from www.fipa.gov.ba/index2.htm.

In the Republika Srpska, the most recent version of the Law on the Privatization of State-Owned Capital in Enterprises was approved on 17 May 2006. The Law, which is built upon the constitutional principles of equity, transparency and public access, regulates the terms and procedures of the sale and transfer of State-owned capital in enterprises to domestic and foreign individuals and legal entities. Article 2 emphasizes that privatization is “part of the total economic and development strategy and policy” of the Entity and is being undertaken to accelerate economic growth under developing market conditions, to facilitate technological modernization and the application of new and more efficient economic management approaches, to promote job creation and productive employment, to provide local entrepreneurs with an incentive to invest in domestic projects, and to facilitate integration into the European economy and the global economy.

The Law covers enterprises that are fully or partially under government ownership and is unusually comprehensive; as article 6 indicates, even enterprises within strategic sectors (including electric power, petroleum, railways, telecommunications, water utilities, mining, forestry, public media, the lottery, and arms and military equipment) are targeted for privatization, though in such cases the process is regulated by specialized programmes approved by the Government and the National Assembly. Article 9 stipulates that “State-owned apartments, business premises, garages and other State-owned property... shall be privatized in compliance with separate legislation”.²⁶ Certain sectors are excluded from the process; article 8 notes that “natural resources, property in public use, [and] objects of cultural and historical importance used by the enterprise may not be subject to privatization under this Law”. Many of the remaining provisions address special circumstances and considerations within the privatization framework and offer information on eligibility, payment procedures, and other technical matters.

The privatization model adopted by the FBiH was developed based on the experiences of other countries but was tailored to the unique circumstances prevailing within the Federation. The legal foundations for privatization include the 1998 Framework Law on Privatization of Enterprises and Banks in Bosnia and Herzegovina (State legislation), as amended by the High Representative’s 2000 Decision aimed at protecting investors; the Federation’s 1996 Law on the Agency for Privatization, amended in 2002; and around 30 legislative acts adopted at the Entity level to address specific components or requirements.

The privatization process is to be characterized by speed, simplicity, transparency, and wide-ranging participation. Privatization represents a key component of the economic recovery programme adopted within the post-war reconstruction framework. Information obtained from the Agency for Privatization website²⁷ indicates that privatization constitutes part of the process of economic liberal-

²⁶ The information in this paragraph is taken from http://www.rsprivatizacija.com/en/laws/law_on_privatization_of_state_capital.htm.

²⁷ Privatization objectives are detailed on the “model of privatization” page of the Agency website (<http://www.apf.com/ba/model-priv/?cid=1,1,1>).

ization and revitalization and is intended to contribute to free market development, the recovery of lost markets, national and international debt repayment, budget strengthening (through income from the sale of government capital and the divestment of unprofitable, subsidized holdings), the adoption of European and international norms and standards, the integration of new technologies and modern methods of capital management, job creation, and the development of a competitive business environment through support for entrepreneurial capacity-building and the elimination of government monopolies in the goods and services market.

Participants in this process include government bodies and agencies authorized to approve and implement various components of the privatization programme, company directors and other decision makers within the enterprises themselves, and the many potential categories of buyers, which may include the general public, private companies, and domestic and foreign investment funds, among others. Compensatory arrangements represent an important feature of the privatization strategy; FBiH citizens with a legal, certified claim to lost or frozen assets have the right to obtain shares in privatized companies in exchange for their claim to these assets, which include old savings in foreign currency, unpaid army and police wages, and nationalized assets that cannot be restored to their legitimate private owners until a restitution law is adopted. The acquisition of enterprises in which the Government has a capital share may be effected through auctions, payment offers, direct-sale agreements, or public share offerings.

The Agency for Privatization, established in the mid-1990s, plays a role in regulation and coordination and offers professional, consultative, informational, educational, and promotional services connected with privatization. Its responsibilities include the following:

- Participating in the development and adoption of legislation and other regulatory measures within its sphere of competence;
- Working together with Federation ministries, cantonal authorities, and various agencies and institutions involved in the privatization process;
- Approving and initiating the privatization of businesses whose activities involve more than one canton;
- Organizing and promoting training programmes;
- Coordinating the activities of cantonal agencies and monitoring the implementation of laws and measures relating to privatization;
- Providing mediation services, upon request, in cases of conflict between cantonal agencies involved in the privatization process.

Specialized cantonal agencies are responsible for organizing, executing and supervising privatization activities involving enterprises situated in their respective territories. The cantonal legislatures regulate all agency activities not governed by Federation law.

A round table on the progress and results of privatization for the period 1999-2005 and on possibilities for improving the privatization process was held on 12 June 2006. It was noted that as of 2005, 71 per cent of the targeted enterprises and almost 40 per cent of the State capital in such enterprises had been privatized. The participants acknowledged that demonstrable progress had been made in certain areas but noted that the process had stagnated somewhat. It was generally agreed that legislative amendments, a thorough assessment of gaps and weaknesses, and the increased involvement of non-governmental entities would revitalize the privatization process.

2.4 Human resource management: the civil service law

The adoption of the Law on Civil Service in the Institutions of Bosnia and Herzegovina fulfils one of the political conditions included in the EU “road map” mentioned previously. To ensure the fulfilment of both national and European requirements, the Law was drafted collaboratively by the Council of Ministers of the Republic of Bosnia and Herzegovina and the European Commission for Democracy through Law (better known as the Venice Commission).²⁸ The following are among the general principles incorporated in the Law on Civil Service:

- The ethnic composition of the Republic of Bosnia and Herzegovina must be reflected in the composition of the public sector workforce;
- The principles guiding effective public administration include transparency, reliability, responsibility, efficiency, productivity, professional impartiality, and the rule of law;
- Civil service administration and the duties of civil servants derive from these guiding principles, in particular impartiality and transparency;
- Civil servants have the right to ongoing support and professional training to facilitate career advancement, the right to participate in trade unions and to strike, and the right to fair wages and adequate working conditions; they are also exempt from military service.

Important changes have been made in the civil service recruitment and promotion system. Fair and open competition for available positions and qualification-based hiring have replaced less transparent selection practices, indicating a strengthened commitment to professionalism. Employee recruitment procedures are organized and overseen by the Civil Service Agency, which was established in May 2002 and commenced operations in February 2003. Vacancy announcements are first circulated within the same organization and then among other government departments and agencies; posts that are not filled through internal transfers are externally advertised and opened to public competition. New applicants are generally required to take a multiple-choice general knowledge exam that is graded on the spot. Successful candidates are given an essay-oriented specialized knowledge exam administered by a five-member commission made up of appointees from both the Civil

²⁸The Venice Commission is the Council of Europe’s advisory body on constitutional matters.

Service Agency and the ministry or agency advertising the post. Those scoring at least 75 per cent on the specialized exam are subjected to an oral examination, and the two test scores are totalled. Those who pass are ranked on the basis of their scores, and the final candidate list is submitted to the ministry or agency advertising the vacancy; final appointments are made by this body alone or in consultation with the Civil Service Agency, depending on the nature and level of the position in question. Hiring decisions reflect consideration of test scores, performance records, and other evidence of qualification including academic credentials and professional certification.

The Civil Service Agency occupies a critically important place within the institutional framework of public administration, given its mandate to ensure the implementation of the new civil service law and to oversee human resource development and management within the public sector. The High Representative of Bosnia and Herzegovina has repeatedly drawn attention to the central role the Agency plays in administrative modernization, evidence of which lies in the appointment of its director to the Intergovernmental Task Force on Public Administration Reform.

The Law on Civil Service in the Institutions of Bosnia and Herzegovina has been adopted by both Entity Governments, and each has established its own civil service agency, the heads of which are also members of the above-mentioned Task Force. As an example of the reform dynamics within this context, a review and assessment of public service employment has been undertaken by the State-level Civil Service Agency and also by the corresponding RS and FBiH agencies; such efforts have been coordinated in an effort to reduce staffing levels and streamline public administration.

The ombudsman: a sign of progress

The institution of the ombudsman exemplifies the commitment to open and productive communication and fair treatment within the government ranks. The Law on Civil Service in the Institutions of Bosnia and Herzegovina includes legal provisions requiring that each government body choose its own ombudsman to address internal concerns. Article 61 states that this individual is to “act as a mediator in all issues pertaining to the status of a civil servant in accordance with this Law. ... All civil servants and employees within each institution shall elect a civil servant for the position of ombudsperson. The ombudsperson must not be a member of the appointing authority in the institution in which he is exercising his functions. The same ombudsperson may be appointed for two or more institutions”.

2.5 The challenge of electronic government

The integration of modern information and communication technologies (ICT) in both the public and private sectors has only recently been assigned priority in the Republic of Bosnia and Herzegovina. Limited ICT infrastructure development was initiated in 2000, with efforts focused almost exclusively on telephony, especially

mobile communications; activities in this area were largely motivated by prospects for the eventual privatization of the telecommunications sector within the broader economic liberalization framework. It was not until the latter part of 2003 that national and international actors came together to lay the foundations for a comprehensive ICT programme with the broad objectives of supporting recovery and consolidating peace, increasing national capacities at all levels, and facilitating EU accession. By the middle of 2004, the Government had published its official policy, strategy and action plan for the establishment of a “national information society”. A number of international entities, including the United Nations Development Programme, the Norwegian Agency for Development, and various EU development and assistance programmes, have been directly involved in the preparatory stages and are providing ongoing financial and technical support for the implementation of key projects to be carried out within the national ICT development framework. In recent years the focus has been on laying the groundwork, with priority given to the preparation and publication of the national information society policy and strategy paper (completed in November 2003), the establishment of the Cabinet-level Agency for Information Society, the creation of a legal framework for ICT integration (through the e-legislation project), the development of e-government, the implementation of the Environmental Data Registry and Assessment project, and human resource capacity-building (youth-oriented ICT training through the Cisco Academy).²⁹ There are essentially three areas of focus: ICT and national administration (e-government); ICT and education (e-education); and ICT and economy (e-commerce).

E-government development constitutes a key component of the national ICT strategy. E-government essentially involves the comprehensive integration of modern information and communication technologies in public administration to provide citizens, central and local government authorities, business partners, governmental and non-governmental organizations, and other institutions with permanent access to a wide range of streamlined administrative applications and public services. It has been argued that the success of e-government is less dependent on the availability of appropriate technical platforms than on changes in the operational structure of public administration and on the expectations of society.³⁰ All of these factors are critical and have been taken into account in the development of an e-government strategy; broad reforms are aimed at achieving better coordination, efficiency and transparency in public administration through structural reforms and organizational changes, and more focused efforts are aimed at ensuring that the public sector makes optimal use of ICT options to improve internal performance and communication, public service delivery, and overall administrative capacities.

The basic e-government programme includes five phases of implementation: the preparatory phase involves the adoption of relevant legislation along with other

²⁹ How to build open information societies, a collection of best practices: Bosnia and Herzegovina” (available from http://www.ecissurf.org/files/bookstore/89/bosnia_herzegovina.pdf).

³⁰ International Telecommunication Union, “Expert assistance in the preparation of the e-government project in Bosnia and Herzegovina” (available from http://www.itu.int/ITU-D/e-strategy/e-applications/Bosnia_i_Herzegovina_2004/BiH.html).

fundamental steps signifying a firm commitment to e-government development; the integration phase involves the establishment of secure communication networks among State institutions; the initial publication phase features the first offerings of specialized and regularly updated information on all State entities through individual and comprehensive institutional and governmental websites; the vertical integration phase marks the final, detailed coordination and integration of State, Entity, cantonal and municipal authorities within the ICT framework, with sites offering current information and links to other official web pages; and the completion of the publication phase signifies the achievement of an interactive presence, with access provided to a wide range of government institutions and services (users have the capacity to search specialized databases and download forms). Since 2004, much has been achieved within this framework at both the State and Entity levels, and even among various cantons.

From a broader perspective, progress with regard to ICT integration and e-government development has been referred to as slow but definite. Over the past couple of years, the legal framework has begun to take shape, with particular attention given to e-commerce. Updating older legislation has been a major challenge, since much of it lacks contemporary relevance. Laws that have been considered, proposed, revised or adopted in recent years relate to telecommunications regulation, ICT infrastructure development, intellectual property, standardization, information access, privacy and security, and e-business applications (including, for example, commercial documentation, electronic contracts and signatures, online banking, electronic payments and consumer protection). As alluded to previously, the Government and its institutions at the State and Entity levels have achieved a visible Web presence, though levels of site sophistication vary widely.³¹ A large number of major projects are under way; the Government is now firmly committed to comprehensive ICT development and is fortunate to have extensive national and international guidance and support for its efforts to establish a modern information society.

Notwithstanding these significant gains and the strong momentum driving ICT integration, a number of critical gaps and deficiencies remain. Action must be taken at the most fundamental level to enhance the country's e-readiness; the Republic of Bosnia and Herzegovina has one of the lowest rates of computer and Internet use in Europe. Steps must also be taken to establish dedicated institutions charged with coordinating and overseeing the process of ICT integration and e-government development; some are already being set up at the State and Entity levels, though efforts within this context require further consolidation.

3. Achievements and priorities in reforming public administration

Administrative reform is a key development objective. Over the past decade, and particularly since the dawn of the new millennium, the Government and European authorities have worked together to identify priorities and goals (through

³¹ A partial listing of these sites is provided in the reference section of this chapter.

such mechanisms as the “road map”) and to establish policies, strategies and action plans for modernizing public administration and achieving good governance. Aside from the fundamental goal of national development, these efforts are aimed at fulfilling the provisions of the Dayton Accords and moving the country closer to becoming a fully independent sovereign State and a member of the European Union.

The establishment of the State Border Service and the introduction of substantial changes within the State-level Council of Ministers are two examples of the major reforms that have been undertaken in recent years.

The establishment of the State Border Service (SBS) represents an important step forward in strengthening the internal coherence, security and stability of the Republic of Bosnia and Herzegovina. The High Representative, recognizing the enormous practical and symbolic value of such an institution, played an instrumental role in its creation and development.³² The SBS is the first State-level multi-ethnic law enforcement agency and, with its highly qualified staff and strong international support, has proved enormously effective in policing the country’s 1,600 kilometres of borders. SBS representatives are responsible for the control, security and surveillance of the State borders and airports and are charged with detecting and preventing not only illegal entry, but also cross-border trade in narcotics, human trafficking, the transport of stolen vehicles, the use of forged documents, and terrorist activities.³³ Over the past five or six years the SBS has succeeded in reducing illegal immigration and smuggling, with a positive impact on State revenues, and border arrests linked to criminal activity have skyrocketed. This institution is regarded as one of the most advanced border police services in South-Eastern Europe.

A law passed in December 2002 redefined the role, composition and functions of the Council of Ministers. The most important innovations (reflected in section 1.3 of the present chapter) include the following:

- The number of ministers was increased from six to eight;
- The role of the chairman of the Council of Ministers (the Prime Minister) was strengthened, in part through the discontinuation of the practice of rotation;
- The number of deputies for each minister was reduced from two to one, ensuring greater homogeneity and continuity along political lines in each ministry;
- Various technical and political bodies were created to support the activities of the Council of Ministers. The Directorate of EU Integration and the General Secretariat play a particularly important role in administrative coordination and development at present.

³² See the Decision Imposing the Law on State Border Service, issued by the Office of the High Representative of Bosnia and Herzegovina on 13 January 2000.

³³ European Union Police Mission in Bosnia and Herzegovina, “Securing the borders of Bosnia and Herzegovina: the State Border Service (SBS)” (available from <http://www.eupm.org/Cianci.asp?ID=65&amg=eng>).

Summary and conclusions

As indicated in an assessment published in 2005, considerable progress has been achieved in particular areas of administrative reform, but the process as a whole has not yet achieved the required momentum. Much of the legal framework is in place, but the implementation of laws and reforms has been relatively slow. The commitment to national development, State sovereignty and European integration is strong, but the ethnic, political and structural complexities characterizing the system of government and administration in the Republic of Bosnia and Herzegovina greatly complicate efforts to achieve these goals. It is for this reason that much of the reform process has been guided by the Office of the High Representative of Bosnia and Herzegovina; in a practical sense, the Government has benefited greatly from extensive international support in effecting the necessary changes, though it has not always been easy for multiple authorities with extensive autonomy to agree on what is best for their constituent peoples or the country as a whole, or to implement policies and decisions imposed from above. A new Ministry of Defence and a number of other State institutions have been created as part of the country's efforts to establish greater internal coherence, but there is some resistance to what is seen as forced centralization. Increased coordination and cooperation is needed between the State and Entity governments, and practical problems in the realm of public administration (such as low staffing levels, the lack of premises, and weak capacity in a number of areas) must be overcome before any real progress can be made.

Croatia

1. Political, institutional and administrative context

Croatia is a parliamentary representative democratic republic. Executive power is exercised by the President (the Head of State, directly elected for up to two five-year terms), the Prime Minister (the Head of Government, appointed by the President with the consent of the parliament), and the Cabinet. Legislative authority rests with the Government and the parliament; the latter, which comprises between 100 and 160 representatives from multiple parties and ethnic groups, became a unicameral body in March 2001 with the abolition of the Chamber of Counties. The judiciary is an independent branch of government.

1.1 State administration at the central and peripheral levels

The central administration comprises more than a dozen ministries, four State administrative offices, eight State administrative organizations, and numerous public agencies and institutions. Twelve working groups and four ad hoc committees also operate at this level. The system is extremely complex, and administrative functions are widely dispersed and lack coherence, which undermines overall administrative efficiency.

BOX 13. GOVERNMENT MINISTRIES AND CENTRAL STATE ADMINISTRATIVE OFFICES IN CROATIA

- Ministry of Environmental Protection, Physical Planning and Construction
- Ministry of Defence
- Ministry of Justice
- Ministry of Culture
- Ministry of the Sea, Tourism, Transport and Development
- Ministry of Economy, Labour and Entrepreneurship
- Ministry of Foreign Affairs and European Integration
- Ministry of the Family, Veterans' Affairs and Intergenerational Solidarity
- Ministry of Health and Social Welfare
- Ministry of Interior
- Ministry of Finance
- Ministry of Science, Education and Sports
- Ministry of Agriculture, Forestry and Water Management

**BOX 13. GOVERNMENT MINISTRIES AND CENTRAL STATE ADMINISTRATIVE OFFICES
IN CROATIA (continued)**

- Central State Administrative Office for Development Strategy and Coordination of EU Funds
- Central State Administrative Office for e-Croatia
- Central State Administrative Office for Public Administration
- Central State Administrative Office for State Property Management

Source: Croatian Parliament, "Croatian State and political institutions"
(comprehensive list available from <http://www.sabor.hr/default.asp?gl=200411100000006>).

Among the four State administrative offices listed in the box, the Central State Administrative Office for Public Administration is particularly important.¹ Its tasks are mostly inherited from the former Ministry of Justice, Administration and Local Self-Government. The Office carries out administrative and professional activities relating to the following:

- The system and structure of State administration and local self-government;
- The political and electoral system, and control over the work of representative and executive local self-government bodies;
- Minority rights;
- The organization and implementation of training of State administration and local self-government employees;
- The maintenance of a central record of civil servants and employees;
- Monitoring the implementation of the salary system in State administration and local and regional self-government bodies;
- Issuing prior approvals of by-laws on internal discipline within State administrative bodies;
- Control as to the legality of decrees issued by State administrative bodies regarding recruitment for civil service;
- The assignment of civil servants and employees to different jobs, as well as their transfer, disposition and termination within the government employment framework;
- The performance of professional and technical activities related to the work of civil service courts (disciplinary proceedings against civil servants) and of the relevant higher court;
- The settling of disputes involving the rights of counties, towns and municipalities and the government committee for determining the borders of local self-government units.

¹ The information in this subsection on the structure and functions of the State Administrative Office for Public Administration is taken almost verbatim from SIGMA, "Public management profiles of Western Balkan countries: Croatia (as of December 2003)", pp. 23-24 (available from <http://www.oecd.org/dataoecd/36/1/35040481.pdf>). Support for Improvement in Government and Management (SIGMA) is a joint project of OECD and the European Union.

The Central State Administrative Office for Public Administration is also responsible for the following:

- Implementing controls to ensure the legality of operations and procedures relating to the compilation and maintenance of State records on Croatian citizenship, electoral rights, and public registers (for births, marriages and deaths);
- Deciding on administrative matters relating to changes in personal names; and acting upon requests submitted by diplomatic and consular missions in Croatia for the issuance of documentation for citizens abroad;
- Carrying out activities for the International Commission on Civil Status to address relevant issues;
- Participating directly in the work of international institutions involved in activities relating to administrative law, State administration and local self-government; and monitoring the implementation of the Law on General Administrative Procedure and of the regulations relating to the functions and activities of the Office;
- Registering political parties, national minority councils, trust funds, foundations, and representative offices for foreign trust funds and foundations in Croatia;
- Monitoring the implementation of the Law on the Legal Status of Religious Communities and maintaining the corresponding registers;
- Carrying out administrative inspection activities as well as other activities relating to general administration.

The 11 sub-units of the Central State Administrative Office for Public Administration are as follows:

- Department for general, IT and accounting activities;
- Department for general administration;
- Department for civil status issues;
- Department for legal issues relating to the civil service system;
- Department for human resource planning and management in State administration;
- Department for the planning and organization of training;
- Training centre for civil servants;
- Department for the State administration system and the approximation of national legislation with the EU acquis;
- Department for the structure of local and regional self-government;
- Department for the supervision of local and regional self-government and for cooperation;
- Sector of administrative inspection.

Central government functions are carried out at the local level through two different channels: various field services are undertaken by central government departments (the context in which State administrative offices operate), but specific duties may also be delegated to municipal or county offices (organs of local self-government).

1.2 Local administration

The basic principles of local self-government were institutionalized with the adoption of the Constitution of the Republic of Croatia in December 1990. At the time the Constitution was approved, Croatia was formally part of the Socialist Federal Republic of Yugoslavia, which seriously limited possibilities for independent constitutional regulation. Internal conflict during the early 1990s further undermined efforts to establish a new national regulatory framework. The political situation stabilized during the second half of the decade, and constitutional amendments introduced between 1997 and 2001 brought about significant changes in the governmental and judicial framework.

In its present form, the Constitution includes clear provisions for the creation and perpetuation of a modern system of self-government. Article 4 emphasizes that “the Government shall be organized on the principle of separation of powers into the legislative, executive and judicial branches, but limited by the right to local and regional self-government guaranteed by [the] Constitution”.² The scope, structure, functions and responsibilities of local and regional government are defined in chapter VI (articles 132-137) of the Constitution. Article 134 states that “units of local self-government shall carry out the affairs of local jurisdiction by which the needs of citizens are directly fulfilled, and in particular the affairs related to the organization of localities and housing, area and urban planning, public utilities, child care, social welfare, primary health services, education and elementary schools, culture, physical education and sports, customer protection, protection and improvement of the environment, fire protection and civil defence”, and that “units of regional self-government shall carry out the affairs of regional significance, and in particular the affairs related to education, health service, area and urban planning, economic development, traffic and traffic infrastructure, and the development of [a] network of educational, health, social and cultural institutions”. Over the past decade there has emerged a body of constitutional law regulating regional and local self-government.

Regional self-government is exercised at the county level. Each of Croatia’s 20 counties has an assembly directly elected by citizens. The assembly elects a governor from among its members and appoints deputy governors and the members of a board vested with executive functions. The country’s 123 cities and 426 municipalities represent the units of local self-government.³ Each has its own popularly elected council, which elects a mayor from among its members and also appoints

² Cited from http://www.oefre.unibe.ch/law/icl/hr00000_.html.

³ See the Law on Local and Regional Self-Government, adopted in 2001. It should be noted that larger cities can undertake the functions of regional self-government if they are able to secure the financial resources necessary for service delivery.

deputy mayors and members of the city or municipal government, similar to the executive board at the regional level. Under certain conditions, the Government can dissolve a local council or regional assembly and appoint a temporary commissioner (with limited powers) until the next election.

Local government units are responsible for their own internal organization and are free to establish common organs and services and to create specialized administrative posts such as city manager. Municipalities, cities and counties are permitted to form associations in order to promote their interests and fulfil their obligations. Legal regulations define the conditions for collaboration between local and regional self-government authorities in Croatia and their counterparts in other countries. The Central State Administrative Office for Public Administration is charged with ensuring that local and regional legislation is consistent with central policies, laws and mandates.

Zagreb, which has the status of both a county and a municipality, is uniquely positioned in the Croatian administrative system. It is governed by a separate law,⁴ the provisions of which define the nature and scope of the city's local and regional powers. City authorities operate within the framework of decentralized State administration. Zagreb is divided into 17 districts, each with its own council. Districts have very limited authority and budgets and are not considered units of local self-government.

The Ministry of Finance and the State Audit Office exercise financial control within the Government. The budgetary resources of subnational authorities are regulated by the Law on the Financing of Local and Regional Self-Government Units. The Law establishes the distribution of revenues from common taxes — including taxes on income, profits, gambling proceeds and real estate — among central, regional and local authorities. Cities and municipalities may impose additional surtaxes and have the exclusive right to retain revenues from taxes on commercial advertisements in public places, beverage consumption in catering (bars and restaurants), the rental of holiday accommodations (country cottages and rest centres), and the use of public property.

1.3 Human resources

State administrative functions are carried out by public officials and employees. A bulletin on the administrative sector published by the Central Bureau of Statistics in April 2003 indicated that more than 114,000 civil servants, almost 48,000 of them women, were employed in various administrative capacities.

The Law on Civil Servants and Public Employees and the Labour Act provide the legal framework for government employment, and the Central State Administrative Office for Public Administration is primarily responsible for carrying out functions relating to human resource management and development at the policy and operational levels. The public sector recruitment process has not been for-

⁴ The Law on the City of Zagreb was adopted in 1992 and modified in 1995, 1997, 1999 and 2001.

malized or standardized, but all government organizations follow similar staffing procedures. All posts must be approved by the Ministry of Finance and the Central State Administrative Office for Public Administration, and vacancies are publicly advertised. Employment applications are reviewed by commissions formed for that purpose, testing is arranged if necessary, candidates are interviewed, and hiring decisions are made. Newly employed civil servants are subject to a probationary period lasting from 12 to 16 months, during which they are paid 85 per cent of their official starting salary. They must then pass a civil service examination before tenure can be awarded.

Ministers and other heads of State bodies are in charge of appointments and promotions within their respective organizations up to the level of head of department. Such decisions are subject to the approval of the Ministry of Finance and the Central State Administrative Office for Public Administration, which seek to ensure that all relevant conditions are met in terms of educational qualifications, work experience, and State examination scores. Senior civil servants are appointed directly by the Government on the recommendation of ministers and other heads of State entities. The bureaucratic apparatus is effectively neutral since there is no “spoils system” in Croatia, so public officials are generally not affected by changes in government.

1.4 The dynamics of public administration in Croatia

Internal administrative dynamics

The Government oversees and coordinates State administrative activities under the general supervision of the parliament. There are clear constitutional provisions for local and regional self-government, but policy decisions and administrative management remain highly centralized. The subsidiarity principle is not applied in any broad sense; local and regional self-government units are still largely responsible for carrying out central mandates and have little autonomy or decision-making authority, even with regard to simple administrative tasks such as issuing building permits or archiving public records. Most local and regional activities are overseen by the field representatives of national institutions.

Internal-external administrative dynamics

The relationship between administrative authorities and citizens

Good governance is an essential element of Croatia’s transition to democracy and a market economy. The Government has affirmed its commitment to enhancing efficiency and transparency at all levels of public administration and responding more effectively to citizens’ needs. Increasing the involvement of citizens in political and administrative processes is a priority; balanced information must be provided through the media and other means to allow citizens to make informed choices and participate more actively and effectively in building and maintaining a democratic society.

The integration of information and communication technologies (ICT) in public administration represents a major step forward in strengthening intragovernmental linkages and the relationship between the Government and the general public. The e-Croatia Programme is a large-scale initiative with multiple components aimed at facilitating government-to-government (G2G), government-to-citizen (G2C), and citizen-to-government (C2G) communication. Some notable progress has been achieved since the Programme was formally launched in December 2003: an internal e-government portal has been introduced to streamline administrative functions and activities; information on the work and activities of ministries and State administrative bodies is accessible online; and documents published in the *Official Gazette* are available electronically and may be downloaded free of charge.⁵

Access to public information

According to the Law on General Administrative Procedure, the work of the State administration is public, except where stipulated by law. Any party “able to prove the existence of a legitimate interest may be a party in an administrative procedure”. Government authorities are required to provide citizens and other private sector entities with public records and information upon request, though access to classified or confidential materials may be restricted. They are also obliged to inform the public about their activities through the media or other suitable means.

Public redress

The Law on General Administrative Procedure and the Law on Administrative Litigation identify the means by which citizens may challenge administrative decisions or seek redress against maladministration or unfair administrative practices.

The Law on the Ombudsman, adopted in 1992, establishes a central mechanism for ensuring that State administrative authorities and government agencies comply with constitutional and legal provisions protecting the rights of citizens. The Law defines the mandate and functions of the Ombudsman, who serves an eight-year term as a commissioner of the Croatian parliament, to which he or she reports annually. Article 12 of the Law gives the Ombudsman the power to examine, on his own initiative or at the urging of citizens, individual violations of constitutional or legal rights or any other irregularities in the exercise of State administrative authority. The observations and recommendations of the Ombudsman may be reported to the media, which are obliged to publicize such information. The institutional foundations for public redress were expanded in 2003 with the creation of the Ombudsman for Children and the Ombudsman for Gender Equality.

The public interest is also safeguarded by three regulatory bodies; the Agency for the Protection of Market Competition has built a solid reputation for maintaining sectoral equilibrium and addressing citizen concerns, while the Croatian Energy

⁵ Texts may be accessed at www.nn.hr. Detailed information on the development of the national e-government infrastructure is provided in “eGovernment in Croatia”, Europa eGovernment Factsheets (European Community, February 2007, version 2.0) (available from <http://ec.europa.eu/idabc/servlets/Doc?id=28014>).

Regulatory Council and the Telecommunications Council are relatively new institutions, so their role cannot be fully assessed at present.

The rights of minorities

The Constitutional Law on the Rights of National Minorities, adopted in 2002, institutionalizes the protection of minority rights in the Republic of Croatia. The Law incorporates extensive provisions for strengthening the role and preserving the civil liberties of national minorities through the adoption of international best practices.

Among other things, the Law guarantees members of national minorities a role in local self-government through their direct participation in elected assemblies or in local councils of national minorities. The area-based councils have the right to propose legislation, nominate candidates for public office, and take other measures aimed at improving the situation of national minorities; to be informed about all issues discussed by local assemblies that may be relevant to national minorities; and to offer comments and suggestions with regard to the treatment of national minorities in local broadcast and other media. Councils of national minorities are granted non-profit status and receive funding from national and/or local budgets.

At the central level, the Council for National Minorities has replaced the Council of Ethnic Minorities, established in 1998. This body is made up of 12 members appointed by the Government as well as those members of parliament elected as representatives of national minorities (currently eight deputies). The functions of the national Council are similar to those of the local councils.

The Government Office for National Minorities and the Parliamentary Committee for the Protection of Human Rights and the Rights of National Minorities provide direct State support for minorities in a number of critical areas.

Relations with the private sector

Aiming to enhance the country's economic competitiveness, the Croatian Government is actively promoting increased cooperation between the public and private sectors, particularly in key areas such as tourism and information technology. Steps are being taken to create an enabling environment for business development, with efforts focused on marketing, commercial planning, improving access to credit, and strengthening the presence of Croatian firms abroad. In 2001, the World Bank and the United States Agency for International Development launched a project to promote entrepreneurial development, with particular attention given to legislative reform. Efforts are under way to simplify laws and procedures to encourage small business growth. The World Bank has urged the Government to adopt provisions that would simplify licensing procedures for workers and increase reliance on flexible contracts and other creative employment options. Around the time the project was initiated, the Government halted the practice of supporting State enterprises through "informal" subsidies such as write-offs of payroll contributions and taxes,

debt-equity swaps, debt restructuring, guarantees on short-term loans, and the assumption of foreign debts, as these incentives were undermining efforts to create a dynamic private sector.

The banking sector, which recently emerged from a long series of crises that began in 1988, is expected to play a key role in national economic growth and development. The banking system has been almost totally privatized, and new norms and regulations have been adopted to control its activities. The Croatian National Bank, which became the country's central bank in December 1991, has spent more than a decade re-establishing order in the sector, bankrupting those institutions that were most at risk and without significant restructuring prospects.

2. Administrative innovation and reform

2.1 The historical evolution of public administration in Croatia

The development of the Croatian system of public administration is best examined within the broad context of national reforms initiated after the country achieved independence in the early 1990s. The transformation from a socialist system to a democracy and market economy has proceeded gradually with the introduction of new political and institutional structures, economic strategies, and approaches to governance. Administrative reforms have been progressively implemented to facilitate the transition process, support national development objectives (including EU integration), and ensure that the evolving needs of citizens are met.

The Croatian Constitution was adopted in December 1990 following multiparty elections, but it was not until the country officially proclaimed its independence in June 1991 that public administration was governed by parliamentary regulations.⁶ From the beginning, Croatian authorities were faced not only with the universal problems affecting all systems of government, but also with special challenges linked to the struggle for independence, the damage and destruction resulting from war and occupation, minority tensions, and the transition to a multiparty political system and a market economy dominated by private ownership and management. Laying the foundations for effective governance constituted an urgent priority, and progressive steps were taken to develop and strengthen the State administrative framework for the newly independent republic.

Decentralization was identified as a key objective, and in 1992 the Law on Local Self-Government and Administration was adopted. The following year, the first local elections were held under the new system. Such developments appeared to constitute initial steps towards greater local authority and autonomy; however, for a number of reasons — including the need to maintain order during a chaotic period of civil conflict and to deal with the other unique challenges facing the new

⁶ In Teodor Antic, "Central government and local self-government in Croatia: decentralization and democratization" (Zagreb: Ministry of Justice, Administration and Local Self-Government, n.d.).

republic — the system of local self-government was set up in such a way that all public affairs remained under the control of the central administration. The political traditions developed over decades of socialist rule proved difficult to relinquish; even after emergency conditions no longer prevailed, the emphasis on unity and centralization remained, and the interests and concerns deriving from local and regional diversity were played down, resulting in the rapid expansion and increased concentration of the central Government.

Soon after the end of the war and the reintegration of the occupied territories into the Croatian constitutional and legal system, demands for fundamental changes in the system of government increased in urgency, and it became clear that comprehensive reforms were required. As indicated earlier, the need for decentralization was acknowledged very early on, but it was not until the end of 1999 that concrete steps were taken in that direction. However, the central administration failed to provide units of local self-government with sufficient financial resources to carry out their expanded functions and responsibilities; few local authorities saw any increase in their share of revenues from the national budget.

The commitment to administrative decentralization and reform was reaffirmed following parliamentary elections and the formation of a new Government in 2000. The Programme of the Government of the Republic of Croatia for the period 2000-2004, prepared by the new administration, included provisions for internal restructuring and reorganization, with particular emphasis given to the following:

- Halting the expansion of the central administration;
- Transferring certain centralized administrative operations to autonomous entities outside the system of State administration (horizontal decentralization);
- Initiating a process of broad decentralization and strengthening the role of local and regional self-government units.

This reform strategy was designed to bring citizens closer to the decision-making process, to enhance citizen participation in public affairs, and to enable local authorities to identify and address the unique needs of area residents, the ultimate aim being to reduce the concentration of political power at the central level.

A number of legal instruments have been adopted in recent years to strengthen local administration. The 2001 framework Law on Local and Regional Self-Government replaces earlier legislation, including the 1992 Law on Local Self-Government and Administration.

Decentralization has remained a stated priority for many years, and while notable gains have been achieved in certain areas, little has been done to effect a genuine transition to more localized decision-making. The legislative framework is largely in place; what is required now is a sustained commitment to implement the necessary reforms on the ground.

2.2 Strategic development mechanisms, objectives and challenges

The Central State Administrative Office for Development Strategy and Coordination of EU Funds carries out professional and administrative functions in support of national development and regional integration. Over the past several years, the Office has been responsible for the following:

- Defining the Strategic Development Framework⁷ and following up on the fulfilment of the objectives established within that context;
- Coordinating the preparation of the Strategic Coherence Framework, a new EU instrument for pre-accession assistance;
- Working together with local and international advisers under the Community Assistance for Reconstruction, Development and Stabilization (CARDS) 2003 project entitled Support to National Development Planning to prepare strategic documents for programming EU assistance and to establish the legal foundations and develop institutional capacity for the use of EU funds;
- Laying the groundwork for the elaboration and implementation of Croatia in the 21st Century, a comprehensive strategy for long-term development adopted in June 2001.

Within the framework of this last initiative — Croatia in the 21st Century — a draft strategy for depoliticizing, restructuring and strengthening public administration was prepared by a team of experts in 2002. The main components of the proposed strategy include the following:

- Halting the expansion of the central administration by placing a freeze on the creation of new administrative bodies and the appointment/hiring of public officials and employees;
- Delegating a certain amount of authority to autonomous entities operating outside the system of State administration (horizontal decentralization);
- Undertaking a critical assessment of State efficiency and efficacy;
- Facilitating the process of vertical decentralization and strengthening local and regional governance by clearly identifying tasks and responsibilities, introducing the subsidiarity principle, and enhancing the financial capacities of subnational units of self-government;
- Introducing gradual changes in the territorial organization of local and regional government, with particular attention given to reducing the number of regional units and strengthening the self-financing capabilities of local units.

The reorganization of State administration, particularly through horizontal decentralization (the distribution of power among autonomous institutions of the same standing or level of authority), and the strengthening of local governance through vertical decentralization (the transfer of power to lower tiers of authority through deconcentration, delegation or devolution) represent two essential components of

⁷ The current Strategic Development Framework covers the period 2006-2013.

administrative modernization. Both short-term and long-term reforms are planned, ranging from minor institutional changes to systemic restructuring.

As noted previously, the Government has identified decentralization as a critical reform priority, adopting extensive legislation and establishing clear strategies and objectives for achieving a more equitable distribution of administrative authority. Isolated measures have been taken to advance the process, including the establishment of “minimum essential levels” for independent local service provision. However, there has been some concern over the lack of a detailed plan of action defining the precise structure and contents of a comprehensive decentralization programme and the methods, time frame and other criteria to be adopted for programme implementation. Another consideration is that the decentralization process requires special research, administrative and management skills that few civil servants possess at this point. Many of these issues are “central” concerns, but obstacles to progress exist at the local level as well. The reservations expressed by local authorities with regard to decentralization and other aspects of administrative reform largely derive from the following:

- The fear of taking on functions and tasks for which they are seriously unprepared; even with appropriate educational and other capacity-building measures, this situation would remain substantially unaltered;
- The recognition of geographic and demographic limitations; many localities are relatively small in terms of both territory and population;
- Previous experience in being assigned additional tasks without sufficient financial backing;
- The fear of assuming ultimate responsibility for the well-being of local citizens and being unable to rely on (or blame) the central administration for any problems that may arise.

The current Government, elected in 2003, is working to overcome these problems and speed up the reform process. In December 2004, State authorities established the Decentralization Commission, which is made up of government representatives and members of the Croatian County Association and the Union of Associations of Cities and Municipalities. Sectoral working groups have been formed to assess needs and issue recommendations that reflect the interests and priorities of the local authorities themselves.

2.3 The Programme of the Government of the Republic of Croatia for the period 2003-2007

The Programme of the Government of the Republic of Croatia for the 2003-2007 Mandate, prepared soon after the installation of Prime Minister Ivo Sanader as the Head of Government in December 2003, focuses on improving the lives of Croatian citizens while at the same time strengthening the country’s relative position within the subregional, regional and international contexts. The commitment to

regional integration is affirmed within the first few paragraphs of the Programme's introduction, in which it is emphasized that "the ideals and aspirations of Croatia and Croatian people are part of Europe and European culture".⁸ Croatia's contribution to development, stability and lasting peace in south-eastern Europe is invaluable, and the Government is determined to ensure that the country is fully incorporated into — and in fact helps to define — the new European political, economic and security landscape.

Croatia recognizes the need to assign priority to economic and technological development and internal socio-political stability and to maximize its contribution to peace and cooperation in the Balkans, in Europe and in the world in order to establish its own place within these milieux. The Programme of the current Government concentrates on the following:

- *Revitalizing the Croatian economy.* New dynamics are being introduced in the realm of economic development, with particular attention focused on enhancing domestic production.⁹ Specifically, the Government plans to reduce taxes in order to stimulate entrepreneurial development, domestic agricultural and industrial production, and service sector activity; to encourage employment growth through the implementation of new economic programmes; to increase levels of investment in science and technology; and to improve export competitiveness and expand exports. Other Programme provisions do not relate directly to the economy but are nonetheless linked to economic growth and development. Most important within this context is the Government's intention to support social development through increased spending on education, health and other essential public services and through the provision of assistance to groups with special needs, including pensioners and war veterans; to strengthen the institutional foundations supporting national development through the implementation of judicial, administrative, budgetary and other government reforms; and to speed up negotiations on Croatia's entry into the European Union and the North Atlantic Treaty Organization.
- *Reinforcing the country's commitment to democracy and the rule of law.* Formal recognition and firm guarantees of the right of all Croatian citizens to civil and religious freedoms and to equal opportunity and treatment under the law constitute the moral and political mainstays of the current Government's development strategy, which is aimed at strengthening the position of the individual in society and thereby strengthening society as a whole.
- *Reforming State institutions and the system of public administration to promote good governance.* The current Administration has identified the most important strategic priorities for government and administrative reform during the present phase of the development process. State authorities

⁸ See http://www.mvp.hr/prog_vlade2004_files/main.htm.

⁹ Stimulating domestic production and employment, particularly in strategically important sectors of the economy, is seen as a prerequisite for national development, social stability, and improving the overall standard of living and quality of life for Croatian citizens.

will initiate and oversee the reorganization and restructuring of ministries and other public sector institutions, the preparation of a new Government Act, and the development of centralized controls for monitoring budgetary spending and other administrative activities in order to enhance government accountability, efficiency and transparency. Establishing a clear distinction between the political apparatus and the system of public administration will further strengthen public sector accountability, as State functions can be better defined and more effectively regulated. Practical measures such as streamlining operations, revising administrative practices and procedures, improving human resource development, accelerating ICT integration, and developing mechanisms for increased citizen participation also represent key components of the reform process.

- *Revising and regulating the tax system and improving budgetary and financial control mechanisms.* Tax reforms should stimulate production, create new jobs, and increase the spending capacity of citizens. There are also plans to introduce more effective mechanisms for the collection and monitoring of State budget revenues and for the organization and supervision of State finances.
- *Accelerating the implementation of the national ICT strategy and e-Croatia 2007.* Measures will be adopted to promote science and technology development and capacity-building; special priority will be given to ICT integration within both the public and private sectors. Efforts to digitize public administration will be overseen by the Central State Office for e-Croatia, established in December 2003.
- *Promoting sociocultural development.* The Government has acknowledged that establishing a democracy and free-market system requires not only political and economic reforms but also the development of solid cultural foundations. Fundamental changes are needed to strengthen the very fabric of society so that individual political or financial interests pose no threat to overall social stability and security. The Government Programme includes provisions for establishing an enabling environment for the development and expression of individual creativity and initiative. Steps will be taken to gradually transform the national mindset so that developments in all spheres of activity — including economic and social affairs, politics, and the media — are guided by the principles of freedom, responsibility and dynamism. It is important to convince Croatian citizens that they have a personal and collective stake in their country's success.
- *Strengthening the position of Croatia within the regional and international contexts.* Croatia will continue to enhance its contribution to peace and development in the region and to respect its international obligations. Moving Croatia closer to EU accession will involve action on two fronts: the Government will proceed with internal economic, social and political reforms, address ethnic and social divisions, and reconcile traditional and

contemporary forces in order to achieve stability so that the country may operate from a position of strength within the region; in addition, Croatian authorities will continue to work both independently and in cooperation with European officials and experts to align the country's policies, legislation, norms, standards and practices with those of the EU.

2.4 Managing European integration

Croatia formally applied for full EU membership on 21 February 2003, signalling its "willingness and readiness to fulfil all political, economic, institutional and legal criteria"¹⁰ for accession. A framework for negotiations was adopted by the Council of Europe on 16 March 2005, and official accession negotiations were opened on 3 October 2005. The Stabilization and Association Agreement, which was ratified by the Croatian Parliament, all EU Member States and the European Parliament on 9 July 2001 and entered into force on 1 February 2005, establishes a contractual framework intended to guide Croatia towards EU integration.

The Ministry of Foreign Affairs and European Integration is broadly responsible for carrying out foreign policy activities and strengthening international relations but devotes a significant proportion of its time and energy to ensuring the coordination and harmonization of domestic institutions, policies and practices with those of the European Union. One important function of the Ministry within this context is to oversee the alignment of the Croatian legal system and legislation with the EU *acquis communautaire*. Since 2003, the Ministry has prepared the National Programme for the Integration of the Republic of Croatia into the European Union (NPIEU) on an annual basis.¹¹ This overlaps to some extent with another important responsibility of the Ministry, which is to coordinate and monitor the implementation of components of the Government Programme that are in any way connected with European integration. Operational tasks relating to Programme management and supervision are assigned on a sectoral basis to civil servants within the Ministry, who maintain regular contact with colleagues from State administrative sectors under their authority.

Preparing Croatia for EU membership is a massive and complex undertaking. Recognizing that little can be achieved without an appropriate institutional set-up, the Government has established special administrative units in all State bodies involved in the implementation of plans, policies and strategies for European integration. These units vary in nature, structure and focus. Other bodies and forums bring together actors with similar functions or mandates (such as implementing agencies, monitoring and coordination bodies, or public officials charged with political oversight of the European integration process) to discuss progress and problems, offer recommendations, and affirm priorities.

¹⁰ See http://www.mei.hr/download/2006/04/18/NPIEU_-_2006.pdf.

¹¹ Among other things, the NPIEU provides a detailed and comprehensive list of EU legislation with which Croatian draft laws are to be approximated.

Some of these groups consist only of Croatian nationals, while others, such as the EU-Croatia Joint Parliamentary Committee, include European representatives as well.

Under the terms of the Stabilization and Association Agreement, the Croatian Government is required to ensure the effective coordination of all foreign assistance. A permanent task force has been set up to monitor the overall situation, but individual components fall under the purview of different institutions and programmes. The Ministry of Finance and the Ministry of Foreign Affairs and European Integration are in charge of coordinating the implementation of foreign assistance programmes and projects; a database has been set up in the latter ministry to facilitate coordination and monitoring activities.¹²

Within the Ministry of Foreign Affairs and European Integration, the Directorate for Coordination of European Union Assistance and Cooperation Programmes collaborates with other State administrative bodies on foreign assistance programming and provides expert assistance and information on the EU programmes in which Croatia participates. The Directorate is responsible for the preparation and monitoring of implementation activities for CARDS programmes and projects and provides technical support to the project implementation units that have been set up in 23 State administrative bodies. CARDS, launched by the EU in 2000, provides long-term resource support for State institutional development and capacity-building in south-eastern Europe to facilitate Balkan participation in the stabilization and association process and the establishment of closer ties with the European Union. Between 2001 and 2004, a total of 228 million euro was channelled to Croatia through CARDS, primarily to support integrated border management, institutional capacity-building, democratic stabilization, and the preparation of plans for the integration of the region's transport, energy and environment infrastructure into the wider European network.

Within the Ministry of Finance, the Department for Financing EU Assistance Programmes and Projects oversees resource transfers, procurement, monitoring and auditing, and all other financial activities linked to the implementation of EU-supported initiatives in Croatia. The Ministry's Department for International Financial Institutions and European Integration performs tasks that fall under the heading of multilateral financial cooperation and fulfils obligations deriving from the country's membership in regional and international financial institutions. This Department also prepares and monitors the implementation of investment and technical assistance projects funded by international financial institutions.¹³

¹² Further information is available on the Ministry's web site (www.mei.hr).

¹³ As noted earlier, the Central Office for Development Strategy and Coordination of EU Funds is participating in a CARDS 2003 project entitled Support to National Development Planning. Within this framework, the Office is responsible for preparing strategic documents for EU assistance programming and for establishing the legal foundations and developing institutional capacity for the use of EU funds.

3. Priorities in reforming governance and public administration in Croatia

The Croatian system of public administration (State administration, local self-government and public services) requires comprehensive modernization.¹⁴ European norms and standards and international best practices in public sector management must be adopted and consistently applied if good governance is to be achieved. Although substantial changes are needed throughout the system, reforms in the following three areas would likely have the greatest overall impact:

- *Separating policy-making and other creative developmental functions from routine administrative functions.* Ministries would retain their professional responsibilities, including situation monitoring, expert analysis, policy development, the drafting of regulations, and regulatory impact assessment. Executive functions and policy implementation would be assumed by independent agencies, whose directors would enter into binding contracts and receive results-dependent remuneration.
- *Streamlining administrative operations and strengthening institutional capacity.* Reducing the number of ministries, eliminating redundancy and overlap at the structural and operational levels, simplifying administrative procedures, improving intragovernmental coordination (particularly through ICT development), implementing decentralization strategies, and building institutional capacity would ensure better and more efficient governance.
- *Enhancing expertise and professionalism within the public sector.* Providing administrative personnel with the education and training they need to acquire essential skills and develop a genuine public service orientation would improve overall administrative efficiency and the level and quality of interaction with the citizenry. Establishing and enforcing ethical standards (a code of conduct) within the public sector would help to depoliticize public administration and enhance government credibility.

Reforming public administration is one of the most difficult tasks Croatia will face in the coming years. Other country experiences indicate that the implementation of a comprehensive reform programme requires a long-term commitment that typically extends beyond a single political mandate. Planning and preparations are just as important as project implementation and require special attention. The Government must first articulate its vision of a modern system of public administration and create a comprehensive framework within which short- and long-term reform interventions may be incorporated. Preliminary measures include the establishment of norms and regulations; once administrative development policy has been defined, steps must be taken to establish a coherent legal framework comprising new and revised legislation on the State administrative system, the organization of ministries and other government bodies, the status of regulatory commissions and other independent entities, the civil service, administrative proceedings, civic rights and responsibilities, e-govern-

¹⁴ See Ivan Kopric, "Priority areas in reforming governance and public administration in Croatia" (Zagreb, 2004) (available from <http://www.unpan.org/innovmed/documents/PriorityAreasRefCroatiaIvanKoprik.pdf>).

ment, the management and disposition of public records, and other relevant matters. Once the necessary laws and regulations are in place, concrete reforms may be introduced. As substantive administrative modifications are undertaken, further legislative or regulatory adjustments or even special government or parliamentary decisions will likely be required to address unexpected developments or to institutionalize new principles and practices. Financing priorities must be established early in the reform process, and all potential sources of funding and targeted assistance should be exhaustively explored. The availability of sufficient resources will ultimately determine the extent to which the Government can meet its reform objectives. Perhaps the most important requirement for successful administrative modernization is the political will to “stay the course”. A significant amount of time and effort must be invested in what is essentially an ongoing process of change. Even short-term reforms may require extensive follow-up, and long-term priorities (such as the establishment of an entrepreneurial culture or an enforceable code of ethics within the system of public administration) necessitate an even stronger commitment and should be initiated as early as possible. Organizational support must be provided on two fronts: specialized State institutions and working groups, many of which are already in place, share responsibility for guiding and managing the reform process (preparations, coordination, implementation, monitoring and follow-up); and in order to facilitate ongoing internal capacity-building, the Government must ensure that a dynamic relationship is maintained between a newly established centre for public administration development and post-graduate public administration programmes such as that launched at the University of Rijeka in September 2004.

The former Yugoslav Republic of Macedonia

1. Political, economic and institutional context

1.1 Historical background

The idea of establishing a modern Macedonian State was first introduced in the late nineteenth century, when the area was still part of the Ottoman Empire. Following the two Balkan wars in 1912 and 1913 and the collapse of the Ottoman Empire, the region called Macedonia was divided between Greece, Bulgaria and Serbia; the territory of what is now the former Yugoslav Republic of Macedonia was referred to as “southern Serbia”. After the First World War, Serbia became part of the newly established Kingdom of Serbs, Croats and Slovenes, which was officially renamed the Kingdom of Yugoslavia in 1929. Shortly after the beginning of the Second World War the Kingdom was occupied by the Axis Powers, and the area of what is now the former Yugoslav Republic of Macedonia was divided between Bulgaria and Italian-occupied Albania. After the War ended, the Federal People’s Republic of Yugoslavia was established, and Macedonia became one of its six constitutive republics. The federation was renamed the Socialist Federal Republic of Yugoslavia in 1963, and the People’s Republic of Macedonia likewise became the Socialist Republic of Macedonia. The word “Socialist” was dropped in 1991, when the Macedonian republic peacefully seceded from the federation.¹

The country proclaimed its independence on 8 September 1991, when the results of a public referendum indicated that the vast majority of citizens favoured national sovereignty. In April 1993, the country was admitted to the United Nations under the provisional name “former Yugoslav Republic of Macedonia” owing to a dispute with Greece over the use of its constitutional name (the Republic of Macedonia).² The new republic enjoyed relative peace throughout the Yugoslav wars of the early 1990s, but between March and June 2001 government forces clashed with ethnic Albanians along the northern and western borders; the signing of the Ohrid Framework Agreement by the Government of the former Yugoslav Republic of Macedonia and ethnic Albanian representatives on 13 August 2001 ended the conflict and laid the foundations for improving the rights of ethnic minorities.

¹ Wikipedia, “Republic of Macedonia” (available from http://en.wikipedia.org/wiki/Republic_of_Macedonia).

² Information obtained from <http://meaindia.nic.in/foreignrelation/macedonia.pdf>. It should be noted that the country is referred to as the former Yugoslav Republic of Macedonia in the present chapter; however, the terms “Macedonia”, “Republic of Macedonia” and “Macedonians” are used when they appear as such in formal titles, documentation, or other established contexts.

1.2 Political context

The Constitution, adopted on 17 November 1991 and amended on 6 January 1992, identifies the former Yugoslav Republic of Macedonia as a “sovereign, independent, democratic and social State” whose citizens “exercise their authority through democratically elected representatives”.³

The Government is made up of a coalition of parties represented in the unicameral legislature (the Assembly). The country’s first free, multiparty parliamentary elections were held on 11 November 1990, and a new government was formed by the centre-right nationalist party VMRO-DPMNE (Internal Macedonian Revolutionary Organization — Democratic Party of Macedonian National Unity). A coalition government led by the centre-left Social Democratic Union of Macedonia (SDSM) assumed power in 1992 and served until December 1998, when the VMRO-DPMNE received the highest number of votes in legislative elections and surprised many by forming a government with the Democratic Party of Albanians (DPA). In April 2001, as clashes between government troops and ethnic Albanians intensified and the country faced the possibility of a full-blown political and military crisis, the four main parties⁴ formed a broad-based national unity government in an effort to ease tensions. A little more than a year later, in September 2002, the SDSM won 43 of 120 seats in parliamentary elections and formed a new government with the Democratic Union for Integration (DUI), the largest ethnic Albanian party. In the July 2006 elections the political pendulum swung back once again as a 14-party coalition led by the VMRO-DPMNE won almost 38 per cent of the total votes (45 seats), defeating the 9-party Together for Macedonia coalition led by the SDSM, which captured 27 per cent of the vote (32 seats). After a series of difficult negotiations, Prime Minister and VMRO-DPMNE party leader Nikola Gruevski announced in August 2006 that the new Government would be made up of representatives from the VMRO-DPMNE, DPA, New Social Democratic Party (NSDP), and a few smaller parties.

Containing the tensions between the various ethnic groups that make up the population of the former Yugoslav Republic of Macedonia⁵ represents one of the cornerstones of government policy, as internal antagonism poses a serious threat to social, economic and political development and stability and interferes with the initiation and implementation of institutional and administrative reforms.

Both the potential for violence and the commitment to peace are reflected in a review of the brief but intense conflict that brought the country to the brink of civil war during the first part of 2001 and in a brief assessment of the conditions and implications of its resolution. The former Yugoslav Republic of Macedonia

³ Constitution of the Republic of Macedonia, articles 1 and 2 (available from http://www.oefre.unibe.ch/law/icl/mk00000_.html).

⁴ The coalition included VMRO-DPMNE, SDSM, DPA, and the Party for Democratic Prosperity (PDP), the latter two representing ethnic Albanians.

⁵ According to the 2002 census, the country’s population is made up of Macedonians (64.2 per cent), Albanians (25.2 per cent), Turks (3.9 per cent), Romas (2.7 per cent), Serbs (2.2 per cent) and others (2.4 per cent).

absorbed hundreds of thousands of Albanian refugees during the war in Kosovo, and the influx upset the delicate ethnic balance in the country; citizens of Albanian origin welcomed the refugees, while many others were apprehensive or even hostile. Even though most of the refugees eventually returned home, ethnic tensions steadily increased, culminating in violent clashes between government forces and the ethnic Albanian National Liberation Army (NLA) in the spring of 2001. International intervention brought about a ceasefire in early July, and all parties expressed an interest in resolving the conflict. The Ohrid Framework Agreement, brokered by the European Union and the United States, was signed on 13 August; neither side was completely satisfied with the terms but nonetheless agreed to a compromise that enhanced the political and legal status of ethnic Albanians but allowed the Government to maintain the unitary character of the State. The NLA agreed to disband and disarm in exchange for assurances that ethnic Albanians, who number over half a million and make up more than a quarter of the population of the former Yugoslav Republic of Macedonia, would have the right to participate in the country's political and administrative decision-making processes; issues relating to language, public security, education, and recognition of the Muslim religion were identified as urgent priorities within this context.

The North Atlantic Treaty Organization (NATO) provided a 3,500-strong peace-keeping contingent to oversee the disarmament of the NLA and maintain order in the former Yugoslav Republic of Macedonia. The presence of these troops, who remained in place until March 2003, made it possible for the country to hold political elections in September 2002. In April 2003 the European Union assumed responsibility for security and defence in the Balkans, though NATO continues to play a strong supporting role in the area.⁶

The Ohrid Framework Agreement details the steps to be taken to avert future crises, with particular attention given to the implementation of structural and institutional reforms consistent with the country's pursuit of EU integration. Around half of the Agreement's ten main sections address the substantive changes required to strengthen the position of ethnic minorities;⁷ specific provisions relate to government decentralization,⁸ non-discrimination and equitable representation, special parliamentary procedures for decisions on issues of vital interest to ethnic minorities, educational reform and the diffusion of minority languages, and the expression of identity.

⁶ According to an article published on 27 July 2006, Albania, Croatia, and the former Yugoslav Republic of Macedonia have expressed an interest in becoming part of NATO, but only Croatia is likely to be considered for membership within the next couple of years, as the other two countries do not meet the criteria for joining the Organization (see the Council on Foreign Relations, "NATO looks to expand mission and membership"; available from <http://www.cfr.org/publication/11159/>).

⁷ In the Agreement, ethnic minorities are referred to as "communities not in the majority in the population of Macedonia"; substantive reforms are addressed mainly in sections 3-7. The text of the Agreement is available on the Council of Europe website (http://www.coe.int/t/e/legal_affairs/legal_co-operation/police_and_internal_security/OHRID%20Agreement%2013August2001.asp).

⁸ The Agreement calls for the revision of the Law on Local Self-Government to more clearly define the competencies of units of local self-government and to establish detailed criteria for strengthening the local resource base.

The Agreement includes three annexes specifying the constitutional amendments, legislative modifications and confidence-building measures required to achieve the stated objectives. National authorities are largely responsible for instituting the necessary changes in the Constitution and the legal framework (as elaborated in annexes A and B). In the first section of annex C, however, “the parties invite the international community to facilitate, monitor and assist in the implementation of the provisions of the Framework Agreement and its annexes, and request such efforts to be coordinated by the EU in cooperation with the Stabilization and Association Council”; the confidence-building measures comprising the remainder of the annex are all to be undertaken with international financial and technical support, typically within the framework of new and existing cooperation programmes. These particular measures are intended to ease the ethnic tensions that can undermine national stability, and the international community is ideally placed to provide not only the resources but also the objectivity required for the effective implementation of the Agreement’s provisions.

The international community actually plays a much broader role in facilitating national development, providing various types of support to enable national authorities to deal more effectively with the major challenges impeding progress. Priorities in recent years have included combating bureaucratic corruption, accelerating the privatization process, promoting entrepreneurship and the development of a strong market economy, restructuring the agricultural sector, and fighting poverty. These cooperative efforts, whether intended to achieve specific objectives such as those incorporated in the Ohrid Agreement or to fulfil more comprehensive development goals, are aimed at ensuring political stability and socio-economic growth and thereby minimizing the risk of a crisis.

1.3 Economic context

Economic liberalization has been a top development priority in the former Yugoslav Republic of Macedonia since the country won its independence in the early 1990s. Progress has been slow but generally positive, as the Government has diligently pursued the necessary reforms in spite of serious internal and external pressures. The country has a small economy, relatively few natural resources, high unemployment, and an obsolete industrial infrastructure, and the succession of political and military conflicts in the region has affected external market access and overall economic stability. However, debt restructuring, the relatively well-disciplined implementation of structural reforms, ongoing international assistance, and a strong national commitment to economic openness and market development have carried it through the more difficult periods.

The former Yugoslav Republic of Macedonia and more than two dozen other countries of Eastern Europe and the former Soviet Union are commonly referred to as “transition economies”. The term retains its relevance, as the difficult shift from socialist traditions and a centralized economy to democratic principles and a market

economy has not yet been completed. The former Yugoslav Republic of Macedonia embarked on its transformation in the early 1990s under extremely challenging circumstances; the entire region was experiencing enormous upheaval on virtually all fronts as newly independent countries sought to establish their place within a new and unfamiliar framework, and the fledgling republic took its first steps in a highly unstable economic environment characterized by hyperinflation and declining production.⁹

Important structural reforms initiated in the mid-1990s, including trade liberalization, the restructuring of financial markets and the social security system, and public sector privatization, contributed to increased economic stability.¹⁰ Between 1997 and 2000 macroeconomic trends were generally positive. The sectoral distribution of gross domestic product (GDP) shifted during this period, with agriculture and services losing some ground to industry, commerce, transportation and construction.

The political and military crisis in 2001 triggered an economic downturn. Production fell by 4 per cent, and inflation, which had started to climb the year before, reached 6 per cent following price increases for industrial products and consumer goods. The negative impact of the crisis extended into 2002 as well. GDP grew at a much lower rate than expected (less than 1 per cent versus projections of 3-4 per cent). Among the main economic sectors, the growth rate was highest for services, followed by agriculture, while the industrial sector registered negative growth. Unemployment, which had declined from 41 to 31 per cent between 1997 and 2001, increased in 2002, exacerbating poverty and income inequalities in a country already unsettled by recent conflict. Inflation remained under control thanks to tight monetary policies and the limited increase in consumption.

Over the past several years the national economy has registered steady growth; real GDP rose by 3.4 per cent in 2003, 4.1 per cent in 2004, 3.7 per cent in 2005, and an estimated 3.2 per cent in 2006. The sectoral composition of GDP has shifted dramatically during this period; estimates indicate that in 2005, services accounted for almost two thirds of GDP (61.5 per cent), followed by industry (28.8 per cent) and agriculture (9.7 per cent). The country has maintained macroeconomic stability with low inflation (0.5 per cent in 2005) but must work harder to attract foreign investment and stimulate employment growth; unemployment remains high, at just under 40 per cent, and around 30 per cent of the population lives below the poverty line.¹¹

With the armed conflict in 2001 the fiscal balance deteriorated sharply; the surplus registered in 2000 shifted to a 7.2 per cent deficit the following year as a result of large security expenditures. The situation improved slightly in 2002, though the deficit remained higher than expected, probably because of spending decisions

⁹ Production fell by 40 per cent between 1991 and 1995.

¹⁰ International organizations have played a key role in the development, implementation and monitoring of the economic stabilization programme and related activities; the most extensive support has been provided by the World Bank, the International Monetary Fund, the Organization for Economic Cooperation and Development, and the European Commission (to ensure compliance with EU accession requirements).

¹¹ Statistics are taken from http://www.theodora.com/wfbcurrent/macedonia/macedonia_economy.html.

linked to the electoral cycle.¹² By 2003 the country had largely recovered, and growth accelerated, “building on the stable domestic environment and improved regional outlook”.¹³ The fiscal balance improved dramatically, and the current account balance registered slight improvement as higher private transfers compensated for the rising trade deficit. The slight fiscal deficit was transformed into a surplus in 2004, which was unexpectedly sustained in 2005 because public investment was lower than projected. The current fiscal programme is geared towards maintaining a deficit of around 0.6 per cent of GDP over the medium term.

The trade balance and overall trade figures were affected by the weakening of the global economy during the early part of the present decade, and especially by the economic downturn in the European Union, the destination of almost half of the former Yugoslav Republic of Macedonia’s exports; in 2002, exports to the EU fell by 13 per cent. The country acceded to the World Trade Organization in October 2002 and gained full membership in April 2003, improving its prospects for increased global economic integration. The progressive application of international quality standards and control mechanisms in internal production will likely facilitate the entry of export goods into European and other world markets. Steps such as these strengthen the overall framework but cannot, by themselves, reverse negative trends. The former Yugoslav Republic of Macedonia’s large trade deficit continues to rise, in part because of external market limitations but largely owing to internal inadequacies; the country’s institutional weaknesses and market deficiencies discourage investment, resulting in low productivity growth and a deterioration in competitiveness, which has direct implications for export growth.

A brief economic review prepared by the European Commission in 2005 indicated that while the former Yugoslav Republic of Macedonia had taken important steps towards developing a functioning market economy, the country was still unprepared to deal effectively with international competitive pressures and market forces. Reforms would need to be vigorously pursued, with particular attention given to land and property registration, improving the business climate and creating a more attractive environment for domestic and foreign investment, decreasing the size of the informal economy, and improving the functioning of the labour and financial markets.¹⁴ The subsection below summarizes the Government’s efforts to strengthen the financial market and stimulate investment.

Privatization and capital market development: laying the foundations for private investment

The former Yugoslav Republic of Macedonia has made tremendous strides in establishing a functioning market economy. In pursuit of this goal, the Government has implemented tax reforms, undertaken a comprehensive privatization programme,

¹² Parliamentary elections were held in September 2002.

¹³ This and much of the other information relating to the fiscal situation is taken from the World Bank, “Macedonia: country brief” (available from <http://www.worldbank.org>).

¹⁴ Europa, “Relations between the EU and the former Yugoslav Republic of Macedonia” (available from http://ec.europa.eu/comm/enlargement/fyrom/eu_relations.htm).

adopted new company and commercial legislation to promote private enterprise and investment and protect stockholders,¹⁵ and modernized and strengthened the financial system. The primary objectives have been to create a favourable climate for domestic and foreign investment and to ensure the evolution of a strong, competitive private sector.

Public sector privatization was introduced in 1989 with the issuance of internal shares to all employees of “socially owned enterprises” in accordance with the provisions of the Law on Social Capital of the former Socialist Federal Republic of Yugoslavia. In 1993 the process gained considerable momentum with the adoption of the Law on Transformation of Enterprises with Social Capital, which incorporated some important strategic changes. The government programme called for the almost total divestment of public property by the end of 2002; while close to 1,700 (mostly small) public-capital enterprises had been privatized by that point, another couple of years passed before the process was essentially complete. When the Macedonian Privatization Agency closed its doors at the end of 2004, the Government still owned residual shares in a few companies, but those were to be sold in early 2005.

Under the government privatization scheme, public sector or “social” capital in enterprises was converted to ordinary shares or stocks; 30 per cent was offered to the employees under privileged purchasing terms, 15 per cent was automatically transferred to the State Pension Fund (which could then sell those shares), and 55 per cent of the appraised value of the enterprise was available for sale to domestic and foreign investors under equal conditions. Investment via privatization was generally effected through the purchase of shares on the Macedonian Stock Exchange or through public tenders.

The participation of foreign capital in public sector privatization has been encouraged, as foreign direct investment is considered crucial to the development of a strong market economy; outside investors tend to be interested in larger, export-oriented companies, which has positive implications for trade and employment, and they often bring in expertise and advanced technologies, enhancing overall productivity and efficiency. In line with the provisions of the State Constitution and a substantial body of relevant legislation, foreign investors enjoy the same rights as domestic investors and are even provided with special protection in certain instances, including the transfer and repatriation of investment capital and profits.

The financial system in the former Yugoslav Republic of Macedonia remains relatively weak by Western standards but compares favourably with the systems of other transition economies. Problems with corruption, disorganization, incompetence,

¹⁵ The progressive Trade Companies Law was adopted in May 2004, replacing 1996 legislation. The Law regulates business activity in the country, defining “the types of companies allowed to operate in Macedonia, as well as procedures and regulations for their establishment and operation. As all foreign investors are granted national treatment, they are entitled to establish and operate all types of private or joint-stock companies.” Domestic and foreign investors are also guaranteed equal treatment in the Law on Privatization of State-owned Capital, the Foreign Loan Relations Law, the Law on Investment Funds, and the Law on Foreign Exchange Operations (<http://www.state.gov/e/eb/ffd/2005/42070.htm>).

and non-competitiveness have undermined the development of the financial sector, but in recent years, better financial market regulation and increased systemic integrity have helped strengthen investor confidence and improve capital allocation. There are no barriers to the free flow of financial resources and portfolio investments. The banking sector has been poorly managed in many respects, though the Government's implementation of a strategy for bank rehabilitation, restructuring and privatization has produced some positive results over the past five years or so. The country's securities markets remain underdeveloped (limited in both turnover and capitalization) and have little impact on the economy. The establishment of the Macedonian Stock Exchange in 1995 allowed portfolio investments to be regulated. Very few companies are listed on the first market; most activity takes place on the second and third markets, where transparency and disclosure requirements are not as stringent. An electronic trading system (BEST) was introduced in April 2001, giving domestic and foreign investors continuous remote access to the Market and allowing better monitoring and control of capital market transactions. A World Bank assessment issued in March 2004 recommended that capital markets (especially the government securities market) be further developed, and noted that there was scope for strengthening the framework for securities regulation, in particular the enforcement capability of the Securities and Exchange Commission.¹⁶

1.4 Institutional framework

The central administration

The Constitution provides for a three-branch system of government in which executive power lies with the President of the Republic and a Cabinet headed by the Prime Minister, legislative authority rests with the Assembly (parliament), and judicial authority is exercised by the magistrature.

The executive branch

The President of the Republic is popularly elected for a five-year term and "exercises his/her rights and duties on the basis and within the framework of the Constitution and laws".¹⁷ The President serves as Head of State and Commander-in-Chief of the Armed Forces, promulgates laws, and presides over the National Security Council. He/She can ask the legislature to declare war or a state of emergency; in times of war, if the legislature is unable to convene, the President "may appoint or discharge the Government, as well as appoint or dismiss officials whose election is within the sphere of competence of the Assembly".¹⁸

The Government (the Council of Ministers, led by the Prime Minister) is nominated by the President of the Republic and appointed by the Assembly. It is re-

¹⁶ Information for this paragraph was obtained primarily from the World Investment News (<http://www.winne.com/macedonia/cr03.html>); U.S. Department of State (<http://www.state.gov/e/eb/ifa/2005/42070.htm>); and World Bank, "Federal Yugoslav Republic of Macedonia" (SecM2004-0126) ([http://wbln0018.worldbank.org/FPS/fsapcountrydb.nsf/\(attachmentwebFSA\)/Macedonia_FSA_web.pdf/\\$FILE/Macedonia_FSA_web.pdf](http://wbln0018.worldbank.org/FPS/fsapcountrydb.nsf/(attachmentwebFSA)/Macedonia_FSA_web.pdf/$FILE/Macedonia_FSA_web.pdf)).

¹⁷ Constitution of the Republic of Macedonia, article 79 (http://www.president.gov.mk/ustav_e.asp#top).

¹⁸ Ibid., article 127.

sponsible for proposing and implementing legislation, adopting decrees and other administrative acts, establishing norms for the internal organization of ministries and other components of the administrative apparatus, preparing the budget for submission to the Assembly, maintaining diplomatic relations with foreign Governments, and coordinating embassy operations abroad. There are currently more than a dozen ministries.¹⁹

BOX 14. GOVERNMENT MINISTRIES IN THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

- Ministry of Defence
- Ministry of Justice
- Ministry of Finance
- Ministry of Transport and Communications
- Ministry of Labour and Social Policy
- Ministry of Culture
- Ministry of Local Self-Government
- Ministry of Interior
- Ministry of Foreign Affairs
- Ministry of Economy
- Ministry of Agriculture, Forestry, and Water Supply
- Ministry of Education and Science
- Ministry of Health
- Ministry of Environment and Physical Planning

Most ministry activities are planned and implemented cooperatively. Each ministry must consult with other relevant ministries and administrative institutions before submitting its proposals to the Government. Temporary or permanent inter-ministerial commissions are established to facilitate internal coordination.²⁰ The General Secretariat and a large number of intra-ministerial bodies, independent bodies, and administrative organizations also support the activities of the Government and are considered part of the central administration. The General Secretariat is divided into nine sectors, each focusing on priority areas of internal government administration.²¹ Within each ministry there are two to six bodies providing citizens, businesses, and/or other public sector entities with targeted administrative services. There are also five independent bodies and three administrative organizations oper-

¹⁹ See <http://www.gov.mk>.

²⁰ This group presently includes three basic commissions, twelve commissions for the resolution of second-instance proceedings, five commissions established by special decisions of the Government, and four special government commissions; for a detailed list of the commissions and a description of their specific functions see http://www.vlada.mk/english/gov_commissions.htm.

²¹ The nine sectors carry out activities relating to the following: strategy, planning and supervision; policy analysis and coordination; organizational matters relating to the Government's work; European integration; the implementation of the Framework Agreement; personnel matters, human resources and other expert affairs; public relations; information technology; and general affairs. A number of sectors distribute their work among different departments; details are available at http://www.vlada.mk/english/gen_secretariat.htm.

ating under the authority of the central Government.²² Some of these support structures enjoy considerable autonomy and answer directly to the Prime Minister.

In addition to the working bodies referred to above, which are mainly involved in policy coordination and implementation, there are two expert councils that serve the Government in an advisory capacity. The Legal Council and the Economic Council provide policy advice on particularly sensitive issues and engage in broader strategic long-term policy reviews, acting on their own initiative or at the request of the Government or individual ministries.²³ Each council has ten members and a chairperson; two members are drawn from the Government and most of the rest hail from academia.

The legislative branch

The 120-member unicameral Assembly is the expression of popular sovereignty; 85 members are directly elected by citizens within their respective constituencies, and the remaining 35 are nationally elected based on the party-list system of proportional representation. The Assembly exercises legislative authority, approves the annual State budget, confirms the appointment of the Prime Minister and the Cabinet, monitors the activities of the Government, and may propose motions of no-confidence with sufficient justification.

The political elections held in September 2002 were overseen by representatives from the international community and helped to stabilize the country in the wake of the political and military crisis. Many parliamentary regulations changed with the implementation of the Ohrid Framework Agreement; some of the most important reforms included the introduction of the Albanian language into parliamentary sessions and the enforcement of new rules requiring a two-thirds majority for the approval of legislative decisions on matters of vital interest (relating, for example, to judicial concerns, education, culture, language use, and the handling of personal data). The most recent parliamentary elections were held in early July 2006; the winning coalition, led by VMRO-DPMNE, formed a new government the following month.

One of the Assembly's most important legislative functions is helping the Government bring the laws of the former Yugoslav Republic of Macedonia in line with the EU *acquis communautaire*. This alignment requires in-depth knowledge of European laws and international legal instruments, and the international community has provided the technical assistance necessary to expedite the process.

The judicial branch

The judiciary consists of the Supreme Court, the Constitutional Court, and local and appeals courts. The Supreme Court is the highest appellate court and is responsible for ensuring the fair and impartial administration of the law by all courts. The Constitutional Court is charged with protecting constitutional and legal rights and

²²The five independent bodies include the Agency for Emigration, the Agency for Information, the Agency for Youth and Sports, the Agency for Development and Investment, and the Commission for Religious Affairs; the three administrative organizations include the State Archives of the Republic of Macedonia, the State Statistical Office, and the State Office for Geodesy Affairs; see http://www.vlada.mk/english/ind_bodies.htm.

²³See <http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN014363.pdf>.

resolving conflicts of competence between the three branches of government.²⁴ The country's 27 basic courts are courts of first instance for all civil and criminal matters, and the three courts of appeals (in Skopje, Bitola and Stip) are second-instance courts with jurisdiction over appeals from the basic courts. The Administrative Court rules on the lawfulness of the acts of government and administrative authorities at the State and local levels. The Public Prosecutor's Office "is a single and autonomous State body carrying out legal measures against persons who have committed criminal and other offences determined by law".²⁵ The Judicial Council of the Republic of Macedonia is responsible for judicial administration, including the nomination and dismissal of judges, the monitoring and assessment of their work, and the institution of disciplinary procedures when warranted.

All higher court judges and officials are appointed by the Assembly, though the terms and conditions of office vary.²⁶ Judges enjoy immunity, as defined by the legislature. Essentially, a judge may only be discharged if he or she voluntarily resigns or fulfils the conditions for retirement, permanently loses the capacity to fulfil his/her judicial duties, engages in unethical or unprofessional behaviour, commits a serious breach of discipline, or is sentenced to a prison term of at least six months for a criminal offence.

The judiciary is generally regarded as one of the former Yugoslav Republic of Macedonia's weakest institutions. The autonomy and independence of the judicial system are guaranteed by the Constitution but exist only on paper; this branch of government is excessively influenced by party politics and by the imposition of executive and legislative decisions. Important strides have been made in improving the judiciary, but much remains to be done.²⁷ Top priority must be given to strengthening the integrity, efficiency and competence of the judicial system in order to promote national stability and facilitate European integration.

Local administration

Local self-government represents one of the ten fundamental principles of the constitutional order. Part V of the Constitution deals exclusively with local self-government; articles 114-117 establish the legal basis for territorial divisions determining the area administered by each municipality and identify the structure and functions of local administrations, with special provisions for the city of Skopje. Article 115 states that "in units of local self-government, citizens directly²⁸ and

²⁴ U.S. Department of State, profile of Macedonia (<http://www.state.gov/r/pa/ci/bgn/26759.htm>).

²⁵ Constitution of the Republic of Macedonia, article 106 (<http://faq.macedonia.org/politics/constitution.html>).

²⁶ The country's 25 Supreme Court judges are appointed for unlimited terms; the Constitutional Court has nine judges appointed for a period of nine years; and the 15 members of the Judicial Council (who are usually judges), as well as the independent Public Prosecutor, all serve six-year terms. Various changes were made in the judiciary when a number of constitutional amendments were introduced in December 2005.

²⁷ A more detailed assessment of the state of the judiciary is provided in the American Bar Association's *Judicial Reform Index for Macedonia* (available from http://www.abanet.org/rol/publications/regional_publications.shtml).

²⁸ Citizens can participate directly in local decision-making through meetings and through the more formalized civil initiative and referendum process; relevant procedures for the latter are detailed in the Law on Referendum and Civil Initiative, published in the *Official Gazette of the Republic of Macedonia*, No. 24/98 (available from <http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN019018.pdf>).

through representatives participate in decision-making on issues of local relevance, particularly in the fields of urban planning, communal activities, culture, sport, social security and child care, preschool education, primary education, basic health care, and other fields determined by law”.

The Law on Local Self-Government expands on the relevant provisions of the Constitution, regulating “the competencies of the municipality; direct participation of the citizens in decision-making; the organization and the work of the organs of the municipality; municipal administration; the acts of the organs; the property ownership of the municipality; supervision of the work of the municipal organs; dissolution of the council of the municipality; mechanisms of cooperation between the municipalities and the Government of the Republic of Macedonia; neighbourhood self-government; the protection of local self-government; determining of official languages in the municipalities; and other issues of importance to local self-government” (article 1). The Law, first adopted in November 1995, was amended in January 2002 to strengthen municipal authority and autonomy, to ensure the equitable representation of all ethnic communities in local government, and to establish a clearer and more productive relationship between local communities and the State.²⁹ This framework legislation is supported by a number of other laws relating to local self-government,³⁰ many of which have been amended over the past few years in compliance with the provisions of annex B of the Ohrid Framework Agreement, which called for particular legislative modifications within a specified period.

The 1996 Law on Territorial Division of the Republic of Macedonia and Demarcation of the Municipal Boundaries increased the number of municipalities from 34 to 123. The Law was amended in 2004, reducing the number of municipalities to 84.³¹ The city of Skopje incorporates ten municipalities and enjoys special status.³² A referendum held in November 2004 proposed a return to the previous territorial boundaries, but the initiative failed owing to poor voter turnout. It has been asserted that municipal consolidation and reorganization will facilitate the decentralization process.

Each municipality has a mayor, a council, and various governing and administrative bodies. The mayor and members of the council are popularly elected

²⁹ *Official Gazette of the Republic of Macedonia*, Nos. 52/95 and 5/2002. The text of article 1 is taken from the amended version.

³⁰ Including, inter alia, the Law on the City of Skopje, the Law on Local Government Finance, the Law on Local Elections, the Law on Territorial Division of the Republic of Macedonia and Demarcation of the Municipal Boundaries, and the Law on Stimulating the Development of Economically Underdeveloped Regions. The former Yugoslav Republic of Macedonia ratified the European Charter of Local Self-Government in 1996.

³¹ The 84 municipalities are as follows: Aerodrom*, Aracinovo, Berovo, Bitola, Bogdanci, Bogovinje, Bosilovo, Brvenica, Butel*, Cair*, Caska, Centar*, Centar Zupa, Ceginovo-Oblesovo, Cucer-Sandevo, Debar, Debarska, Delcevo, Demir Hisar, Demir Kapija, Dojran, Dolneni, Drugovo, Gazi Baba*, Gevgelija, Gjorce Petrov*, Gostivar, Gradsko, Ilinden, Jegunovce, Karbinci, Karpos*, Kavadarci, Kicevo, Kisela Voda*, Kocani, Konce, Kratovo, Kriva Palanka, Krivogastani, Krusevo, Kumanovo, Lipkovo, Lozovo, Makedonska Kamenica, Makedonski Brod, Mavrovo and Rostusa, Mogila, Negotino, Novaci, Novo Selo, Ohrid, Oslomej, Pehcevo, Petrovec, Plasnica, Prilep, Probistip, Radovis, Rankovce, Resen, Rosoman, Saraj*, Sopiste, Staro Nagoricane, Stip, Struga, Strumica, Studenici, Suto Orizari*, Sveti Nikole, Tearce, Tetovo, Valandovo, Vasilevo, Veles, Vevcani, Vinica, Vranestica, Vrapiste, Zajas, Zelenikovo, Zeleno, and Zrnovci. The ten municipalities marked with an asterisk (*) constitute Greater Skopje.

³² See the Law on the City of Skopje in the *Official Gazette of the Republic of Macedonia*, Nos. 49/96 and 55/04, as well as article 117 of the Constitution.

for a term of four years; the number of council members ranges from 13 to 25 depending on the size of the resident population. Section II of the Law on Local Self-Government details the functions and responsibilities of elected officials; the remaining sections concentrate on other aspects of the organization and operation of municipal organs and bodies. Recent amendments to the Law provide for the strengthening of inter-municipal cooperation; the establishment of a committee for inter-community relations within certain municipalities; and the equitable treatment of all communities in the organization and work of municipal organs, public sector hiring, and the determination of the official language(s) within each municipality.

Municipal authorities are responsible for carrying out centrally mandated activities but are also given a certain degree of autonomy with regard to local affairs; their budgets are financed by both local revenues and funding from the central Government. Municipalities are to act independently in planning and implementing infrastructure and other municipal development projects, regulating the use and maintenance of public property and facilities, establishing a system for the provision of basic public utilities and services, adopting the municipal budget and annual financial statement, and assessing and collecting local taxes in accordance with relevant legislation. Municipalities are to work with the relevant organs of State administration on general and detailed urban planning and in the establishment and provision of funds to build, equip and maintain “institutions in the areas of pre-school education, culture, sports, social and child welfare, basic health care, protection of animals and plants, protection and promotion of the environment”, and other areas of importance to local citizens.³³ Conflicts regarding the assignment of competencies and the distribution of power between State and local authorities are to be resolved by the Constitutional Court.

2. Governance and public administration challenges and reform strategies

2.1 The legal and institutional framework for public administration and administrative reform

There are two levels of public administration in the former Yugoslav Republic of Macedonia. Ministries and other State institutions, which can have their own field offices, constitute the central administration. Municipal authorities implement centrally mandated policies but also have a measure of autonomy in dealing with local matters.

The status and functioning of the central executive authority and administration are regulated by the Constitution (in particular articles 88-97) and by the Law on Organization and Work of the State Administrative Organs, the Law on

³³Independent competencies are listed in article 17 of the Law on Local Self-Government; competencies shared by municipal and State authorities are listed in article 18.

the Government of the Republic of Macedonia, the Law on Civil Servants, the Law on Administrative Disputes, and the Law on General Administrative Procedure.³⁴ Municipal administration is regulated primarily by the Law on Local Self-Government, the Law on Territorial Division of the Republic of Macedonia and Demarcation of the Municipal Boundaries, the Law on the City of Skopje, the Law on Local Government Finance, the Law on Local Elections, and the Law on Stimulating the Development of Economically Underdeveloped Regions. In 1996, the former Yugoslav Republic of Macedonia ratified the European Charter of Local Self-Government.

Public administration reform has long been recognized as a prerequisite for the establishment of a modern democratic State, for economic, political and social development, and for EU integration. In May 1999 the former Yugoslav Republic of Macedonia adopted a comprehensive public administration reform strategy. The Ministry of Justice was initially put in charge of the administrative reform process, and because decentralization was identified as a priority, the Ministry of Local Self-Government assumed certain responsibilities as well. The ministries were unable to pursue the broad reform agenda with sufficient determination, and at the end of 1999 a special unit for public administration reform was established outside the hierarchical structure but made accountable to the ministries of justice and finance. The unit was abolished in 2001, and responsibility shifted once again to the Ministry of Justice. In 2003, strategic leadership of the reform process was assigned to the newly created Department for Public Administration Reform in the Sector for Policy Analysis and Coordination of the General Secretariat; the Department “oversees, coordinates and updates the implementation of the Strategy for Public Administration Reform of the Republic of Macedonia”.³⁵ Administrative reforms are also a concern of the General Secretariat’s Sector for Strategy, Planning and Supervision, which identifies the Government’s strategic priorities and prepares its annual plan of work, and of the Sector for Implementation of the Framework Agreement. The Strategy for Public Administration Reform of the Republic of Macedonia is one of the most realistic and complete in the Balkans and has been reviewed and updated regularly, though it has never been fully effected owing to resource constraints, changes in the main players, and the deterioration of the political situation during certain periods. In recent years, the reform process has in many ways been shaped by the terms and provisions of the Stabilization and Association Agreement, signed with the EU in April 2001, and the Ohrid Framework Agreement, signed in August 2001.

Administrative reform encompasses a wide range of activities in different areas. Specialized laws have been adopted to guide particular aspects of the process, and

³⁴The most recent versions of the five laws listed in the paragraph appeared in the *Official Gazette of the Republic of Macedonia*, Nos. 58/00, 59/00, 17/03, 44/02, and 38/05, respectively.

³⁵See the section relating to the General Secretariat on the official government website (available from http://www.vlada.mk/english/gen_secretariat.htm).

primary responsibility for implementing reforms has been distributed among the ministerial departments and government agencies best qualified and equipped to achieve the targeted reform objectives; for example, the Ministry of Justice oversees much of the legislative reform process, the Civil Service Agency implements plans for human resource development and combating internal corruption, and the Ministry of Local Self-Government coordinates activities relating to decentralization and the strengthening of local capacities. Activities in these and other areas may be distributed among a wide range of administrative bodies.

2.2 Decentralization and reform at the local level

An OECD review refers to the former Yugoslav Republic of Macedonia as the most centralized country in Europe, noting that authority and resources are concentrated at the State level.³⁶ The Government has acknowledged the need to accelerate the decentralization process and has gradually stepped up efforts to establish the legal and institutional foundations for increased local autonomy. The Strategy for Public Administration Reform assigns top priority to strengthening local government.

Between 1995 and 1999 important steps were taken towards decentralization with the adoption of the Law on Local Self-Government, the ratification of the European Charter of Local Self-Government, the establishment of the Ministry of Local Self-Government, and the adoption of the Strategy for Local Self-Government Reform.³⁷ The development of such mechanisms represented a move in the right direction, but bureaucratic obstacles interfered with the operationalization of the necessary reforms. During the second half of the 1990s the United States Agency for International Development (USAID) was implementing various pilot projects to develop public participation and improve local management capacities, but these efforts were not matched by comparable policy work at the State level. In 1998 and 1999, with the newly elected Government's strong commitment to reform, the decentralization process gained momentum.

To move forward, the decentralization process required a strong political will to ensure the adoption of the necessary legislation and the timely implementation of reforms, the active participation of a wide range of stakeholders (including mayors, municipal councils, line ministries, the parliament, citizens, civil society and international donors), and concurrent reform efforts at the State and local levels. In the 1998 USAID strategy, a two-phase approach to decentralization was elaborated. During phase I, an analysis of the existing legal framework for local self-government was undertaken, providing the basis for a sustained dialogue on local government reform. The resulting report recommended that

³⁶ Organization for Economic Cooperation and Development, DAC Evaluation Resource Centre, "USAID/ Macedonia: strategic objective close out report — more effective response and accountable local government" (long abstract) (available from <http://www.oecd.org>).

³⁷ The central elements of the Strategy for Local Government Reform were the devolution of important service responsibilities to local governments and fiscal decentralization. Action to be taken with regard to the regulatory framework included the adoption or revision of laws on local self-government, local government finance, territorial division, and the city of Skopje.

steps be taken to clarify local jurisdictions, establish a coherent system of local finance, introduce competition in local public services, strengthen local management capacity, expand public information and participation, provide a role for local communities in determining the boundaries of the units of local self-government, and strengthen the National Association of Local Self-Government (ZELS) and the Association of Finance Officers (AFO). Based on these recommendations, phase II (which began in late 1999) focused on national policy reforms and the development of local capacity, with particular attention given to citizen participation, municipal management, and association development. Various projects were implemented within this framework to facilitate administrative, economic, social and environmental development. These efforts, like many other government reforms, were largely shaped by the need to harmonize relevant national norms and standards with those of the EU and thereby accelerate the process of regional and international integration and national stabilization and growth.

The decentralization process has deepened since 2002 with the election of a new administration committed to implementing the provisions of the Ohrid Framework Agreement,³⁸ the amendment of key legislation relating to local government, the signing of a formal memorandum of cooperation between the central Government and ZELS, and the signing of the Stabilization and Association Agreement with the EU. The Government of the former Yugoslav Republic of Macedonia has worked closely with international aid organizations and local authorities, particularly within the framework of the national action plan for decentralization adopted in 2003, to facilitate regional development, strengthen local governance and inter-municipal cooperation, and improve public service delivery. Much of the legislative framework is now in place. The most recent version of the Law on Local Self-Government “provides municipalities with greater flexibility in managing their own activities, establishing and funding local educational institutions, and administering local primary health care. Several supplements were added to the law in July 2003, when the Assembly granted municipalities the right to facilitate contact between citizens and members of the Assembly elected from their district.”³⁹ Attention is now being directed towards building local administrative capacities through infrastructure and human resource development, accelerating fiscal decentralization and strengthening local financial sustainability, ensuring the integration of all ethnic communities in local administration, and harmonizing national and local government structures and systems so that the transfer of competencies and the devolution of authority may proceed with little difficulty.⁴⁰

³⁸In January 2003, the Government adopted the Action Plan for Implementation of the Framework Agreement, including a plan for the Operational Programme on Decentralization. This and much of the other information provided in the paragraph was obtained from the “Scope of work for the assessment of the local government sector in Macedonia” (August 2003) (available from <http://evalweb.usaid.gov/resources/SOWLGa.pdf>).

³⁹“Nations in transit: Macedonia” (<http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN016582.pdf>).

⁴⁰*Ibid.* Information was also obtained from http://europeandcis.undp.org/files/uploads/Belegrade1205/Belgrade_Report_Final.doc.

2.3 Judicial reform

A strong justice sector is vital to good governance. The judiciary has suffered over the years from inefficient management and archaic administrative practices, party patronage, and corruption among justice officials. Courts have a huge case backlog, as judicial proceedings and processes move very slowly. Party allegiances and internal corruption have seriously undermined the country's efforts to establish democracy and the rule of law. Ensuring freedom from political interference and enforcing anti-corruption measures constitute priorities. At the administrative level, judicial procedures must be simplified and services streamlined to ensure the expeditious handling of the workload, management practices must be improved, and the infrastructure must be modernized (with full computerization given top priority).

Judicial Reform Index⁴¹ ratings for 2003 indicate that while much remains to be done, the former Yugoslav Republic of Macedonia has taken a number of positive steps towards strengthening its judiciary. According to the Index analysis, recent changes such as the adoption of the Law on the Court Budget, constitutional amendments pursuant to the Ohrid Agreement aimed at increasing non-majority representation, and revisions in Judicial Council membership are likely to contribute significantly to judicial reform. New provisions for strengthening the judicial framework and enhancing the efficiency of the court system are included in Law No. 75 of 2005 on civil procedure and Law No. 62 of 2006 on administrative disputes. Constitutional amendments introduced in December 2005 have facilitated the establishment of new mechanisms for expediting the judicial process.

2.4 Human resource management in the public sector

The transition from a socialist to a democratic system of government has been extremely difficult in many respects. Steps taken to reduce the size of the government bureaucracy have driven up the already high rates of unemployment (officially estimated at close to 40 per cent in recent years). Though civil service reform was neglected for a number of years as other priorities were deemed more urgent, it has remained an important administrative reform component. Civil service reform objectives focus on increasing internal transparency and accountability, strengthening infrastructural and human resource capacities, and improving the quality and efficiency of public service delivery. With the recent progress made in decentralization, particular attention is being given to expanding and improving the local civil service structure; efforts are under way to strengthen staff capacities, and special measures are being taken to ensure the application of unbiased recruitment procedures to avoid the ethnicization and politicization of governance at the municipal

⁴¹ The American Bar Association's Europe and Eurasia Division of the Rule of Law Initiative (CEELI) has prepared a Judicial Reform Index annually for each south-eastern European country since 2001. The index comprises around 30 determining factors that indicate the state of judicial reform in a country and establish a standard by which its performance can be assessed. A rating or value of positive, neutral or negative is provided for each factor, indicating how well specific conditions, legal provisions, and mechanisms present in a country's judicial system correlate to specific reform criteria at the time of the assessment (information obtained from <http://www.ebrd.com/pubs/legal/6716e.pdf> and http://www.abanet.org/ceeli/publications/jri/jri_macedonia%20_2003.pdf).

level. There are already clear legal provisions for equitable minority representation in the civil service; the full implementation of these provisions is taking some time, but the Government is committed to making the necessary changes.

The Law on Civil Servants, adopted in 2000 and most recently amended in 2005, is gradually being implemented; most of the relevant secondary legislation has been drafted and approved. The revised Law strengthens the fundamental principles of equal access to employment, providing for merit-based hiring and promotion and the equitable representation of citizens belonging to all communities. The Law includes very detailed provisions on the structure and functions of the civil service and on the rights and responsibilities of public employees, as well as practical guidelines relating to job classification, recruitment and promotion procedures, salaries and allowances, and staff assessment.

The Civil Servants Agency, established in 2000, is formally an autonomous body headed by a general secretary; however, it operates under direct parliamentary supervision, which has created some concern with regard to the potential for politicization within the ranks of higher management. The Agency is responsible for developing internal policies, drafting and approving regulations, maintaining a central register of civil servants, proposing job descriptions, organizing and administering professional and trainee examinations, and promoting efficiency within the civil service.

It should be noted that various State bodies, including the Ministry of Labour and Social Policy and the National Employment Office, are making a concerted effort to address the larger problem of unemployment by organizing and administering job training courses, providing employment assistance, and coordinating the provision of unemployment subsidies. Other government entities are contributing to job creation by promoting foreign investment and working to streamline administrative procedures for enterprise development and support. The development of e-government and “one-stop shops” for the provision of business-related services constitute a critical component of these efforts.

Montenegro

1. Political, economic and institutional context

1.1 Political and economic context

Montenegro is a small south-eastern European country situated along the east coast of the Adriatic Sea. Its immediate neighbours include Croatia, Bosnia and Herzegovina, Serbia, Kosovo and Albania. The country is home to a number of ethnic groups, though Montenegrins comprise around two thirds of the population. Most residents are Orthodox Christian, but there is also a sizeable Muslim population and some Roman Catholics.

The State Union of Serbia and Montenegro was proclaimed on 4 February 2003, formalizing a connection that represented the last vestige of what was once the six-member Socialist Federal Republic of Yugoslavia.¹ The Constitutional Charter of the State Union of Serbia and Montenegro granted both entities the right to secede, with the final status of the relationship to be decided within three years. A referendum was held on 21 May 2006, and on 3 June 2006 the Republic of Montenegro officially proclaimed its independence. Under the provisions of the Constitutional Charter, all joint institutions, bodies, memberships, functions and responsibilities were either abolished or transferred to the Republic of Serbia, the legal successor to the State Union; Serbia also inherited membership in the United Nations and other international institutions, leaving Montenegro to apply in its own right.²

The economy in Montenegro is somewhat diversified. The agriculture and service sectors are well established, and heavy industry and the sale of commodities are important. The current Administration is implementing a programme through which local industries are being restructured and modernized to encourage value-added production; a number of commercial industries, including food processing, metal processing and textile production, are showing promising potential. The Government is eager to attract foreign investment.

Montenegro has long been a popular tourist destination. Tourism has grown considerably in recent years as the regional situation has stabilized and now ranks among the Government's highest economic development priorities. There are plans to reshape the tourist industry to attract visitors all year round and eventually turn Montenegro into one of the most successful tourist destinations in Europe.

¹ Serbia and Montenegro were the only republics to remain in the federation, which was renamed the Federal Republic of Yugoslavia in 1992; in 2003 the two equal States officially became one unit referred to as Serbia and Montenegro.

² On 28 June 2006, Montenegro became the 192nd State Member of the United Nations. In January 2007, the country was given full membership in the International Monetary Fund and World Bank Group.

Montenegro has recently undertaken a number of important economic reforms, adopting the euro as its currency, introducing changes in the fiscal system, working with international organizations to develop more transparent financial regulations, and strengthening foreign investor confidence through privatization and economic diversification while simultaneously promoting domestic entrepreneurship, enterprise growth and job creation through the adoption of new company and labour legislation.

Economic environment

While the legal framework for economic reform is largely in place, the actual shift from a State-dominated economy to a dynamic market-oriented economy and the process of regional economic integration are occurring very slowly, as the conditions established for privatization and other aspects of economic liberalization are detailed and complex, and years of economic isolation and sanctions have taken their toll.

In the years immediately preceding the formalization of the union between Serbia and Montenegro, various laws and regulations were adopted to consolidate fiscal, budgetary, banking, investment and other economic policies; many of these legal instruments remain in force. Relevant legislation focuses on issues such as privatization, foreign investment, the establishment and operation of foreign companies in Montenegro, and the status of economic associations. Particularly important within the context of economic reform is a law aimed at increasing private sector participation in public service delivery in order to promote overall economic growth; detailed provisions cover leasing and management contracts, concessions, and build-operate-transfer (BOT) arrangements.³ The Law on Public Administration, adopted in 2003, provides for the setting up of agencies as administrative bodies. Agencies perform professional functions and related administrative tasks in accordance with market principles, supplying services while also facilitating development and growth.

Establishing a thriving free-market system is a top development priority; reform activities within this context are focused on strengthening the role of private enterprise (in part by making credit facilities available for micro, small and medium-sized enterprises), restructuring industry and company training systems, conducting economic research, advocating changes in economic policy, and promoting economic reconstruction and regeneration.

1.2. Institutional framework

Until a new set of guiding principles is adopted, the 1992 Constitution of the Republic of Montenegro remains in force;⁴ articles 77-106 outline the organization of the State. The Assembly is the country's legislative body; deputies (1 for every 6,000 voters) are popularly elected and serve four-year terms. The President of

³ See the Law on Private Sector Participation in Public Service Provision, published in the *Official Gazette of the Republic of Montenegro*, No. 30/02.

⁴ The Council for Constitutional Affairs prepared an "expert version" of a new draft constitution in September 2006, and meetings were held over the succeeding five or six months to further shape the document. The draft constitution was submitted to the parliament for debate on 26 March 2007 and is expected to be adopted sometime during the summer.

the Republic is directly elected by secret ballot for up to two five-year terms. The Government comprises the Prime Minister, one or more deputy prime ministers, and a designated group of ministers; to form a new Government, the President selects a candidate for Prime Minister, who must present his or her programme and a list of proposed ministers to the Assembly for approval. The ministries and State administrative authorities are responsible for overseeing public affairs, with certain tasks entrusted to units of local self-government. Judicial authority rests with the various courts of law; the Constitutional Court, the Supreme Court, and the Office of the Public Prosecutor represent the highest authorities within this framework.

BOX 15. GOVERNMENT MINISTRIES IN MONTENEGRO

- Ministry of Economy
- Ministry of Finance
- Ministry of Foreign Affairs
- Ministry of Culture and Media
- Ministry of Agriculture, Forestry and Water Management
- Ministry of Maritime Affairs and Transportation
- Ministry of Justice
- Ministry of Education and Science
- Ministry of Labour and Social Welfare
- Ministry of Tourism
- Ministry of Interior Affairs
- Ministry for International Economic Relations and European Integration
- Ministry for National Minorities and Ethnic Groups
- Ministry of Environmental Protection and Physical Planning
- Ministry of Health

Source: Official website of the Government of the Republic of Montenegro
(<http://www.gom.cg.yu/eng/ministarstva.php>)

Montenegro has a relatively large number of ministries and other official administrative bodies, and various entities not established on the basis of constitutional or legislative provisions are also allocated funds from the State budget. It has been suggested that the Government consolidate certain functions in order to reduce the number of administrative units, rationalize public resources, and enhance administrative efficiency. Action must also be taken to establish more effective mechanisms for communication, coordination and cooperation within the central administration, between State and local authorities, and at the intergovernmental level, strengthening vertical and horizontal linkages where appropriate.

2. Governance and public administration challenges and reform strategies⁵

The process of administrative development and reform is based on a new conceptual model in which the traditional bureaucratic definition of public administration as an expression of executive, legislative and judicial authority is replaced — or more precisely, enriched — by a genuine orientation towards public service.

Over the past several years, normative development has constituted the focus of public administration reform. A modern legal and institutional framework has been established that is well-coordinated and generally harmonized with EU standards and regulations. These basic foundations were largely in place by the middle of 2004; while some adjustments are inevitable with the official separation of Serbia and Montenegro, the latter is essentially ready to proceed with the implementation of concrete administrative reforms. A necessary first step is the development of mechanisms for translating legislative provisions into practice; one of the most important priorities during the next phase of the reform process is the provision of staff training to ensure that new regulations and procedures are properly implemented.

The Government adopted a comprehensive administrative reform strategy in 2003. The strategy, prepared with support from the European Agency for Reconstruction, is being implemented within the framework of the project for Public Administration Reform in Montenegro (PARiM) under the supervision of the Ministry of Justice. Reforms will be undertaken at all levels and within all branches of government, with targeted projects and programmes focusing on specific areas of need. International organizations are working closely with different State agencies, providing financial and technical support for various reform initiatives.

2.1 The legal framework for public administration and administrative reform in Montenegro

Montenegro, by virtue of its recent change in status, has been granted a unique opportunity to redefine itself. The Constitution is currently being rewritten, but until any new provisions enter into effect, established norms will be applied where practicable. There are, of course, some obvious contradictions that must be taken into account. Articles 1 and 2 of the 1992 Constitution identify the Republic of Montenegro as a democratic, social and ecological State, sovereign in those matters that do not fall under the competence of the Federal Republic of Yugoslavia; such outdated provisions highlight the fact that the text of the Constitution has not even been harmonized with the Constitutional Charter of the State Union of Serbia and Montenegro, much less with a new set of guiding principles consistent with the country's current status.

The Constitution has few provisions relating specifically to public administration. Article 99 affirms that “the affairs of the State administration shall be conducted

⁵ Because of the unique circumstances characterizing public administration in Montenegro, a decision was made to integrate challenges and priorities within a single section. For this reason, the present chapter is made up of two (rather than the customary three) main sections.

by ministries and the State administration authorities”⁶ and notes that certain tasks normally carried out by the central administration may be delegated to units of local self-government or may be entrusted, by decree, to local authorities or to designated institutions or legal persons. The Constitution gives much more attention to the executive authority of the Government, with article 94 defining specific competencies at this level.⁷

The constitutional and legal framework does not represent an impediment to successful administrative reform. The new Law on Public Administration, adopted in June 2003,⁸ introduces a modern approach to administration that is perhaps best characterized by its clear orientation towards public service. The Law essentially redefines the administrative role of the central Government, identifying new organizational principles and functions and revising existing competencies, highlighting the importance of transparency and accountability, and promoting cooperation with other government entities, local authorities, citizens, and civil society. Public administration, traditionally centred around the establishment of norms and procedures, public sector coordination and supervision, and the approval and implementation of legislation, now encompasses a wider range of functions and responsibilities, including the following:

- Ensuring that internal and external public policy is consistent with democratic principles and international best practices, which requires ongoing situation analysis, strategy development, the adoption and application of relevant legal instruments, programme identification and implementation, and project management;
- Developing policies and strategies to stimulate economic, social, cultural and ecological development and overseeing the implementation of targeted activities;
- Improving public service delivery through diversification and rationalization; the Government will streamline direct service provision but will also delegate various administrative tasks and functions to “external” providers through concessionary and other contractual arrangements;
- Modernizing administration through the integration of information and communication technologies (ICT), the adoption of specialized methodologies for data collection and processing, the development of analytical and informational tools, and other means.

Together with the Law on Public Administration, relevant legislation newly adopted or revised with the formalization of the union between Serbia and Montenegro in 2003 included the Law on Inspection Control, the Law on the Protector of Human Rights and Freedoms, the Law on Local Self-Government, the Law on

⁶ Constitution of the Republic of Montenegro (<http://www.medioclub.cg.yu/Ustav/>).

⁷ Relevant functions and responsibilities are detailed on the official website of the Government of the Republic of Montenegro, though the information is somewhat dated; see <http://www.vlada.cg.yu/eng/minprav/vijesti.php?akcija=vijesti&id=60>.

⁸ Published in the *Official Gazette of the Republic of Montenegro*, No. 38/03.

the Election of Mayors, the Law on Financing Local Self-Government, the Law on Electronic Signature, the Law on General Administrative Procedure, and the Law on Administrative Disputes.⁹ Administrative legislation adopted in the two years prior to 2003 included the Law on Public Procurement, the Law on Private Sector Participation in Public Service Provision, and the Law on Courts (on the basis of which an administrative court system was established in 2005).¹⁰

A number of legal instruments have been more recently adopted or revised, including legislation relating to public agencies, public finance, the civil service, government salaries, and the capital and principal cities.¹¹ Within the context of reforming the legal framework for public administration, attention should be focused on deregulation, decentralization, rationalization, uniformity, and transparency, in line with European trends. Because many new laws and by-laws must be adopted in the light of the country's changed status and circumstances, the possibility of over-regulation exists, so codification is recommended for particular administrative fields.

2.2 Decentralization and reform at the local level

Reforms aimed at strengthening local self-government were introduced in 1998 and initially centred around foundation-building (research, situation analysis, strategy development, legislative activity, programming, and project identification). Decentralization constitutes a critical component of the PARiM project, which was launched in 2003 but covers the period 2002-2009.¹² Within this framework, a strategy for local-self-government reform identifies relevant priorities and requirements. Efforts are primarily directed towards the adoption of democratic standards and international best practices, in line with the provisions of the European Charter of Local Self-Government. The main objective is to ensure that municipal and other local authorities have sufficient autonomy and resources to meet the specific needs of area residents.

The Law on Local Self-Government, the most recent version of which was adopted in July 2006,¹³ regulates the organization and operation of local public administration and clarifies the distribution of power and responsibilities at this level. Articles 2 and 3 of the Law state that local self-government is to be “exercised in municipalities, the administrative capital, and the historical capital... following

⁹ These laws, in the order listed, were published in the *Official Gazette of the Republic of Montenegro*, Nos. 39/03, 41/03, 42/03, 42/03, 55/03, 60/03 and 60/03. The Law on Local Self-Government was revised in 2004 and 2006 and published in the *Official Gazette*, Nos. 28/04 and 13/06.

¹⁰ These earlier laws were published in the *Official Gazette of the Republic of Montenegro*, Nos. 40/01, 30/02, and 5/02, respectively.

¹¹ Important legal instruments adopted on 3 July 2006 include the Decision and Declaration of Independence of the Republic of Montenegro and laws on local self-government, the election of councillors and members of parliament, free access to information, minority rights and freedoms, electoral registers, the media, public broadcasting services, and a code of conduct for journalists.

¹² Republic of Montenegro, “Public administration reform strategy in Montenegro, 2002-2009” (<http://www.vlada.cg.yu/biblioteka/1082636602.pdf>).

¹³ Republic of Montenegro, Law on Local Self-Government, published in the *Official Gazette of the Republic of Montenegro*, No. 13/06 (available from http://www.osce.org/documents/mnt/2006/07/19760_en.pdf).

the principles of democracy, decentralization, depoliticization, autonomy, legality, professionalism, efficiency of bodies of the local self-government, and mutual cooperation between the State and the municipality”. The remaining provisions define the functions and responsibilities of local self-government authorities (municipal assemblies and mayors) and local administrative bodies (secretariats, directorates and other such offices), the relationship between municipal authorities and others (including State and local entities, external service providers, civil society, and citizens), municipal financing arrangements, and the status of the administrative and historical capitals of Montenegro. The Law essentially introduces modern principles of public management, modifying existing norms where necessary and establishing new institutions and functions at the local level.

Many areas of priority are addressed within the framework of individual laws or other institutional arrangements. The Law on Financing Local Self-Government, the Law on Territorial Organization, the Law on Local Elections, the Law on the Historical Capital (Cetinje), and the Law on the Administrative Capital (Podgorica) are all geared towards institutionalizing local-self government and ensuring that municipalities have the decision-making authority and revenue-generating capacity necessary to satisfy local needs on a sustainable basis. A number of sectoral and other specialized laws are being revised so that all relevant provisions are compatible with the new legislation regulating local government.

Chapter 8 of the *Economic Reform Agenda for Montenegro* identifies legislation, reform activities, implementation mechanisms, and other strategic elements of the country’s plans for establishing “a democratic and decentralized professional local self-government system that practices good local governance with and for citizens and builds opportunities for local economic development and a healthy business environment”.¹⁴ Between 2003 and 2005 a number of administrative reforms were initiated at the local level, with decentralization and depoliticization identified as clear priorities; however, levels of commitment varied widely from one municipality to another. The process slowed somewhat pending the decision on the final status of Montenegro but is likely to pick up once the new institutional framework is more firmly in place.

2.3 Human resource management in the public sector

The Law on Civil Servants and State Employees¹⁵ regulates most aspects of public sector employment. Candidates applying for vacancies or considered for appointment must be healthy citizens at least 18 years of age with appropriate educational qualifications and no criminal record. Recruitment procedures vary according to the nature and level of the position in question; public officials and executive staff within ministries and other major public institutions are appointed by the Government (usually for a specified period) on the recommendation of a minister or

¹⁴ Government of Montenegro, *Economic Reform Agenda for Montenegro* (15 March 2003), p. 62 (http://www.seerecon.org/serbiamontenegro/documents/progress_report_montenegro/economic_reform_agenda_montenegro.pdf).

¹⁵ Published in the *Official Gazette of the Republic of Montenegro*, No. 27/04.

the head of an administrative body, while regular civil service staff are recruited through public vacancy announcements and are employed or appointed by the head of the administrative body advertising the post, generally for an indefinite period.

Civil service regulations require that all candidates responding to a public vacancy announcement be given fair and equitable consideration, but such provisions are often disregarded. It has been suggested that an independent organization be set up to provide oversight for all processes and procedures relating to government employment. Such an organization should work to ensure objectivity and transparency, to protect applicants from discrimination based on gender, age or national identity, to limit discretionary decision-making by the heads of public sector entities, to eliminate nepotism and other forms of patronage, and to address other abuses of power. It should also be involved in human resource management, ensuring the consistent implementation of official policies and provisions governing recruitment, remuneration, performance evaluation, career advancement, mobility, and professional training.

The Law on Civil Servants and State Employees and various other legal instruments provide for a differentiated salary system, with individual components of staff remuneration calculated on the basis of established mathematical formulas. There are two immediate reform priorities in this area. First, a thorough investigation must be undertaken to determine whether individual positions are accurately classified and whether job descriptions reflect actual job content; the necessary adjustments may then be made to ensure that levels of remuneration are equitable. Second, steps must be taken to raise public sector salaries. While average government pay has increased somewhat in the past few years, overall levels of remuneration remain comparatively low, with many civil servants receiving an amount roughly equivalent to their monthly rent. Because unemployment is high, public sector vacancies are easy to fill, but retaining qualified staff has been a major problem, as those with specialized skills or advanced degrees often leave to work in the private sector or for international organizations, where salaries are three to four times higher.

A performance appraisal system is in place within the public sector, and there are some indications (though no conclusive evidence) that employee assessment has an impact on promotion. Staff accountability is regulated within the existing legal framework, but implementation of this principle has been circumscribed by the fact that most staff members are given little opportunity to make independent decisions or exercise initiative, and staff evaluation is often carried out by the organizational leadership rather than by direct supervisors.

Career advancement is regulated by the Decree on the Organization and Functioning of Public Administration.¹⁶ A civil servant may progress to a higher rank or salary tier; however, advancement is possible only when a higher post becomes vacant. In practice, a government employee might remain in the same position until retirement.

¹⁶ Published in the *Official Gazette of the Republic of Montenegro*, No. 54/04.

There are few official provisions relating to employee mobility. The Law on Civil Servants and State Employees covers only the following eventualities: vacancies in State bodies may be filled by staff from other State bodies, without public announcement, on the basis of agreements between the heads of the bodies and with the consent of the civil servants in question; a civil servant appointed for a specified period may, after completing his or her term of office, be appointed by a competent organ to work in the same or in another State body, without public announcement; and, if a government body is dissolved or scaled down, the State organ assuming its functions and responsibilities is also obliged to absorb its staff. Mobility in the civil service is essentially limited to special circumstances such as these.

The Law on Civil Servants and State Employees stipulates that staff members must participate in all relevant training and development activities provided within their respective organizations and are entitled to paid leave during these sessions. Some State bodies have adopted additional by-laws aimed at strengthening human resource capacities. At present there are no specialized institutions or courses providing formalized preparatory or developmental training for work in public administration. There is a need to establish a system of theoretical and practical instruction for newly employed staff and ongoing professional capacity-building for career civil servants to ensure the formation of a highly competent cadre of administrators and support staff who fully understand and are able to apply international standards and regulations.

Within the framework of the PARiM project, the Young Professionals Programme was initiated to provide promising graduates recruited into the civil service with on-the-job training in various EU government bodies and institutions. Qualified candidates were identified, but owing to a lack of funds only 15 of the 150 applicants were selected to participate in the Programme. These young civil servants were offered an opportunity to develop their knowledge and skills in eminent institutions in France, Germany, the Netherlands, and the United Kingdom.

There are a number of critical issues that must be addressed within the human resource context. One is gender policy in public administration. Action must be taken to increase the proportion of women at the executive level of administration and within the legislature and the judiciary. Some form of institutional protection is required to achieve real equity and a more balanced representation of both sexes throughout the administrative ranks.

Another concern has been the lack of a clear division between political and professional functions within the public sector. The system of career advancement limits prospects for professional autonomy; administrative management and policy- and decision-making remain political functions exercised by appointed public officials, including the ministers themselves. The Law on Civil Servants and State Employees has been amended in recent years to address this issue, introducing new concepts of administrative management and accountability that are more in line with current European and international standards.

2.4 The challenge of electronic government

Comprehensive ICT integration is a key factor in development, and over the past few years a number of important steps have been taken to expedite this process at multiple levels. In June 2004 the Government adopted the Strategy for the Development of an Information Society, which was formulated largely on the basis of EU recommendations, policies and guidelines. The accompanying action plan, covering the period 2004-2007, encompasses activities for which realistic budgetary provisions have been made; the plan is divided into clear segments to facilitate the process of securing targeted support from international sources.

The recently formed Council for the Development of an Information Society¹⁷ is chaired by the Prime Minister and has a broad-based membership comprising university officials, academicians involved in ICT studies, local and international experts, and representatives from civil society and the business sector. This Council exemplifies the Government's ongoing efforts to build a public-private partnership to promote national development.

A comprehensive framework for ICT integration is gradually emerging:

- A strategy is being devised for the development of electronic communications;
- Legislative efforts are focused on the establishment of technical parameters, the protection of intellectual property and privacy, security matters, public and private sector requirements, and other evolving priorities. The Law on Electronic Signature, adopted in 2003, allows electronic correspondence within and between administrative bodies at both the State and local levels, and the Law on General Administrative Procedure specifically addresses the use of e-mail and other Internet options for information exchange and document submission;
- Institutional mechanisms include a planned ministry for the establishment of an information society and support units for e-government and e-commerce;
- State and local government information systems are being set up, and a number of other targeted projects are under planning or implementation;
- Prospective ICT-based administrative services have been identified within both the State and local contexts, and steps are being taken to establish the necessary physical infrastructure and to provide the required staff training.

Specific e-government development priorities through 2008 include the following:

- Implementing relevant legislative regulations;
- Digitizing internal administrative processes and linking all State and local government bodies within a single and secure broadband Internet network;
- Linking educational and health institutions to the Internet;
- Establishing public access points in all locales with more than 500 residents;

¹⁷ Much of the information relating to the various strategies, institutions and ICT development priorities is drawn from a speech delivered by the Prime Minister in February 2006, the text of which is available at www.vlada.cg.yu/eng/vijesti.php?akcija=vijesti&id=10830.

- Setting up information systems for most administrative procedures at the national and local levels;
- Setting up information systems to serve the needs of specific sectors, including tourism and culture;
- Establishing strategic partnerships to better serve citizens and businesses.

Serbia

1. Political, economic and institutional context

From 2003 to 2006, Serbia was part of the State Union of Serbia and Montenegro, into which the Federal Republic of Yugoslavia had been transformed. On 21 May 2006, Montenegro held a referendum to determine whether or not to end its union with Serbia. The next day, State-certified results showed 55.5 per cent of voters in favour of independence, which was just above the 55 per cent required by the referendum. On 3 June, Montenegro announced its formal separation from Serbia, and on 5 June the latter's National Assembly declared Serbia the successor to the State Union.¹ In line with constitutional and legislative provisions, all joint institutions, bodies, memberships, functions and responsibilities were either abolished or transferred to the Republic of Serbia. Primary government institutions including the joint parliament, presidency, ministerial council, and high court were dissolved, as were the offices, services and directorates providing support for those institutions.

Serbia held a two-day referendum on 28 and 29 October 2006, ratifying a new constitution to replace the one adopted during the Milosevic era.² Elections for a new government were held on 21 January 2007, with almost two thirds of the country's eligible voters going to the polls. A total of 11 of the 20 eligible parties or coalitions earned at least one parliamentary mandate; the Radical Party received the most support, but pro-reform parties made a strong showing as well. The parties were given until the end of May 2007 to form a new government.

The Republic of Serbia encompasses Central Serbia as well as two autonomous provinces — Vojvodina to the north and Kosovo and Metohija to the south. The territory of Kosovo and Metohija is currently under international administration, in accordance with United Nations Security Council resolution 1244 (1999). Serbia is divided into a total of 29 administrative districts, which are further divided into municipalities, the basic units of local autonomy.³

Serbia is a parliamentary representative democratic republic. The President, directly elected by secret ballot for up to two five-year terms, serves as Head of State and Commander of the Armed Forces, represents the country in the international arena, proposes candidates for Prime Minister, proclaims laws, and calls for parliamen-

¹ See <http://www.yusurvey.co.yu/> and http://ec.europa.eu/enlargement/serbia/political_profile_en.html.

² The new Constitution was officially adopted on 8 November 2006 and entered into force two days later.

³ Central Serbia comprises 17 districts and 120 municipalities, and Vojvodina includes 7 districts and 46 municipalities. The province of Kosovo and Metohija encompasses 5 districts and around 30 municipalities; some changes were made in both district and municipal designations in 2000.

tary action under special circumstances. The 1990 Constitution gave the President considerable power, but after the fall of the Milosevic regime in October 2000, the President played only a nominal role in national politics and governance. In June 2004, Boris Tadic was elected President with 53 per cent of the vote.⁴

Executive authority is exercised primarily by the Government, which consists of the Prime Minister, one or more vice-presidents, and ministers with or without portfolio. The Prime Minister and his Cabinet choices must be approved by the National Assembly. According to article 123 of the new Constitution,⁵ the competencies of the Government include the following:

- Establishing and pursuing policy;
- Executing laws and other general acts of the National Assembly;
- Adopting regulations and other general acts for the purpose of law enforcement;
- Proposing to the National Assembly laws and other general acts and giving its opinion on those laws and general acts proposed by others;
- Directing and modifying the work of administrative bodies and supervising their work;
- Administering other affairs as stipulated by the Constitution and laws of the Republic.

The Government is accountable to the National Assembly, which is the country's supreme representative body exercising constitutional and legislative authority.⁶ Article 99 of the Constitution indicates that the competencies of the Assembly are as follows:

- Adopting and amending the Constitution;
- Deciding on changes concerning borders of the Republic of Serbia;
- Calling for public referendums;
- Ratifying international contracts and agreements as stipulated by law;
- Deciding on issues relating to war and peace and declaring states of war and emergency;
- Enacting laws and other general acts within the competence of the Republic;
- Granting prior approval for statutes of the autonomous provinces;
- Adopting defence strategies;
- Adopting development plans;
- Adopting national budgets and financial statements upon the proposal of the Government;
- Granting amnesty for criminal offences.

The National Assembly is also responsible for electing, appointing and dismissing certain executive and judicial authorities and other high-level public officials.

⁴ Between 2002 and 2004 Serbia was without a President, as no candidate was able to garner sufficient support at the polls.

⁵ The present Constitution was approved by referendum in late October 2006 and entered into force less than two weeks later; the English version is available at http://www.mfa.gov.yu/Facts/UstavRS_pdf.pdf.

⁶ See article 98 of the Constitution of the Republic of Serbia (ibid.).

The Republic of Serbia has an independent judiciary, and judicial authority rests with courts of general and special jurisdiction. The Supreme Court of Cassation, located in Belgrade, is the country's highest court. The High Judicial Council is an independent, autonomous body providing for and guaranteeing the "independence of courts and judges", and the Public Prosecutor's Office is an independent State body responsible for prosecuting "the perpetrators of criminal offences and other criminal actions" and taking other measures to ensure that all constitutional and legal provisions are applied.⁷

Public administration reform: a brief history

Until 1990 Serbia was relatively strong in most respects, but by the end of the twentieth century, war and sanctions had devastated the economy and isolated the country from the international community. Over the past several years the Government has sought to reintegrate Serbia into the global community, liberalize and revitalize the economy, and rebuild the infrastructure and key institutions. These reform priorities provide an indication of the enormity of the task facing the national leadership in the post-Milosevic era. The Government is currently in the process of redefining the role of the State, shifting the focus of public administration from law enforcement to public service, and functional reforms are being implemented to ensure greater administrative efficiency, transparency, and accessibility.

A brief historical overview of public administration in Serbia provides some insight into how reform objectives have evolved in response to emerging needs and priorities. Four distinct periods have been identified within the present context. Until 1990, administration was largely decentralized but operated within the framework of a one-party system. From 1990 to October 2000, under Milosevic, a multiparty system prevailed, but administration was very centralized and incorporated certain authoritarian elements. Between October 2000 and March 2004 a coalition of democratic parties endeavoured to undertake fundamental reforms in order to restore stability and establish strong foundations for future growth; towards the end of this period Serbia formalized its union with Montenegro. Over the past few years administrative reform efforts have gained momentum and clarity, and the recent separation of Serbia and Montenegro is likely to provide the impetus for a new round of major reforms.

At the beginning of 2001, emerging from a period of conflict and committed to overhauling the entire system to achieve ambitious development goals, the Serbian Government initiated reforms simultaneously in multiple spheres, including public administration, the economy, international relations, the judiciary, the military, and education. Serbia was entering an important period of transition, focusing on the pursuit of democratic ideals and global integration. Introducing concurrent reforms in all key areas allowed the Government to take advantage of the combined momentum and to better coordinate and balance reform activities; however, there were insufficient human and material resources to meet all the requirements of

⁷ Quoted from articles 153 and 156 of the Constitution of the Republic of Serbia (ibid.).

such a broad, sweeping programme. Too much was being attempted in too short a period; it was argued that adopting and implementing hundreds of new laws within a limited time frame would be virtually impossible. Reforms could only be successfully implemented if the State administrative apparatus were efficiently run and had sufficient strength and capacity to ensure adherence to the rule of law. In other words, State institutional and administrative reform represented a logical, and crucial, first step within the overall reform framework.

A Norwegian team hired in 2001 to prepare a diagnostic study of public administration in Serbia found that the centralized bureaucratic system relied on outdated organizational and governing mechanisms and was characterized by personnel weaknesses and overall inefficiency. Over the next three years, legislative revision, organizational changes, improvements in the civil service, and the introduction of e-government emerged as the top administrative reform priorities. It is important to mention that the formalization of the union between Serbia and Montenegro never represented anything more than a temporary solution. Federal competencies and personnel were transferred to State-level administrative bodies, and Serbia and Montenegro continued to pursue their own reforms; a third reform agenda for the administration of the Union was established but largely ignored as the relevance of the “common State” progressively declined.⁸

An action plan was drawn up for the implementation of administrative reforms, but during the first half of the present decade government attention was directed primarily towards restoring order and stability and dealing with the Kosovo situation, and towards formalizing the union between Serbia and Montenegro. Prime Minister Vojislav Kostunica observed in March 2004 that even with two bodies⁹ focusing exclusively on administrative modernization, relatively little headway had been made in effecting a real transformation. He stressed the need to draft a long-term public administration reform strategy consistent with the requirements for European integration and identified rationalization, decentralization, depolarization and professionalism as the primary objectives. International organizations have worked with the Serbian Government in recent years to devise such a strategy as the country has progressively shifted from a post-conflict to a development-oriented agenda.

At a broader level, national reforms have been delayed by various setbacks, mainly within the political arena. The Governments of Prime Ministers Zoran Djindjic (2001-2003) and Zoran Zivkovic (2003-2004) were able to secure strong domestic and international support for institutional reforms, but the assassination of Djindjic in March 2003 challenged the coherence of the reform coalition and undermined reform efforts. His successor maintained similar reform policies but remained in office only a relatively short time. The current

⁸ Milena Mihajlovic, “Public administration reform and European integration processes: on the same or parallel tracks? (Case study of the Republic of Serbia)”.

⁹ Namely, the Civil Service Council, a strategic advisory body, and the Agency for Public Administration Development, charged with coordinating and overseeing the implementation of administrative reforms.

Prime Minister, Vojislav Kostunica, heads what has been referred to as a “frail” coalition government¹⁰ In the absence of strong, stable political leadership, Serbia has been unable to build the momentum needed to push the reform programme solidly forward, in spite of a generally positive commitment to change. It is hoped that the country’s altered status and the adoption of the new Constitution will provide a unique opportunity for national consolidation, for building policy and strategic capacities, and for strengthening the political will to accelerate reforms.

As noted, Serbia has enjoyed strong international support for institutional reform. Most of the major organizations providing development assistance and a number of foreign Governments have committed funds and expertise to various initiatives aimed at building institutional capacity. The success of the country’s reform programme will continue to depend heavily on widespread international support. As mentioned previously, the reform programme in general, and the reform of public administration in particular, has been strongly influenced by the prospect of EU integration. Within this context, urgent attention has been given to harmonizing Serbian laws with the European *acquis communautaire*.

2. Governance and public administration challenges and reform strategies in Serbia¹¹

2.1 The legal framework for public administration and administrative reform

Laws on public institutions and governance define the essential structure and functions of public administration. The legal framework has been extensively revised over the past several years as Serbia has progressively redefined its status. Particularly important within this context is legislation relating to ministries and other central bodies, local self-government, public finance, and the civil service.

The Law on State Administration,¹² adopted in 1992 and amended in 1993, remains in force. This framework legislation, which established the centralized bureaucracy in Serbia, is seriously outdated and is interfering with the proper functioning and modernization of public administration.

The Law on Ministries was adopted in 2002, providing for the establishment of 19 ministries and 7 specialized agencies in Serbia.¹³ The Constitutional Charter of the State Union of Serbia and Montenegro was enacted early the following year, and the Law on Ministries was amended shortly thereafter to account for the transfer of certain functions and competencies from the Union to the two member States. The

¹⁰ As noted previously, elections were held in January 2007, and the successful parties were given until the end of May to form a new government.

¹¹ Because of the unique circumstances characterizing Serbian administration, a decision was made to integrate challenges and priorities within a single section. For this reason, the present chapter is made up of two (rather than the customary three) main sections.

¹² Published in the *Official Gazette of the Republic of Serbia*, Nos. 20/92, 6/93 and 98/93.

¹³ Published in the *Official Gazette of the Republic of Serbia*, Nos. 27/02 and 35/03.

Law was further revised by the Serbian parliament in 2004, reducing the number of ministries from 19 to 17.¹⁴

The Law on Ministries established the Ministry of Public Administration and Local Self-Government, creating a body specifically charged with coordinating and overseeing the implementation of decentralization and other administrative reform policies and initiatives. Until 2002, the Ministry of Justice directed activities in these areas, but it was generally agreed that a dedicated body was needed to serve as the focal point for the wide-ranging government reforms that would be undertaken as Serbia redefined its relationship with Montenegro and sought to align its administrative principles and practices with those of the EU. The 1999 Law on Local Self-Government was amended in 2002,¹⁵ formally increasing the number of municipal competencies from 13 to 35; these revisions, along with others incorporated in 2004, were introduced largely to bring the Law in line with the European Charter of Local Self-Government, strengthening the process of decentralization as defined within the Serbian constitutional framework. This framework legislation is supported by the 2002 Law on Local Elections,¹⁶ which establishes provisions for the direct election of mayors, and by the 2006 Law on Local Government Finance,¹⁷ which is intended to enhance the predictability, transparency and equitability of the country's intergovernmental finance system. One particularly noteworthy decentralization effort revolves around the Law Establishing Specific Competencies of the Autonomous Province (also referred to as the Omnibus Law), which provides for the transfer of wide-ranging functions and responsibilities in areas such as culture, health, education, social protection, privatization and agriculture to the authorities in Vojvodina. The province has been entrusted with "two hundred administrative duties... hitherto performed by the administrative bodies and the Government of the Republic of Serbia. Under this Law, founder rights over several hundred institutions and public enterprises were transferred to the Province".¹⁸ The expansion of authority has necessitated the establishment of a new provincial administrative structure and new administrative entities.

Political instability and the attendant high turnover rates among top public officials constitute one reason for administrative inefficiency, but an equally important factor has been the poor state of the civil service and its outdated policy and regulatory

¹⁴ Most ministries retained their titles and functions when the Law was revised in 2004, but there were some important changes: the Ministry of Transport and Telecommunications and the Ministry of Urban Planning and Construction merged to form the Ministry of Capital Investment; the Ministry of Social Affairs and the Ministry of Natural Resources and Environmental Protection were abolished, and their functions were absorbed by other ministries (the Ministry of Labour and Employment became the Ministry of Labour, Employment and Social Policy, and the Ministry of Science, Technology and Development was transformed into the Ministry of Science and Environmental Protection); and the Ministry for the Diaspora was newly created. Other adjustments were made in the names of the ministries dealing with agriculture and water management, economy, and culture. These and other amendments were published in the *Official Gazette of the Republic of Serbia*, Nos. 19/04, 84/04 and 79/05.

¹⁵ Published in the *Official Gazette of the Republic of Serbia*, Nos. 49/99, 9/02, 33/04 and 135/04.

¹⁶ Published in the *Official Gazette of the Republic of Serbia*, Nos. 33/02, 37/02 and 42/02.

¹⁷ Published in the *Official Gazette of the Republic of Serbia*, No. 62/06.

¹⁸ Autonomous Province of Vojvodina, *Provincial Administration Reform and Development Strategy* (September 2006), p. 6 (available from http://www.puma.vojvodina.sr.gov.yu/dokumenti/ostalo/strategy_en.pdf). The Law was published in the *Official Gazette of the Republic of Serbia*, No. 6/02.

framework. There are indications, however, that fundamental changes are under way. Two critical new laws were adopted in September 2005 and entered into force in July 2006: the Law on Civil Servants provides for merit-based recruitment and promotion; and the Pay Law for Civil Servants and Staff Employees restructures the system of remuneration for individuals working in the public sector. Updated provisions relating to specific areas of human resource development and management are incorporated in these and other relevant legal instruments.

Public budgeting and finance are key areas of administrative reform. The Law on the Budget System was adopted in 2002 and has been revised a number of times, most recently in 2005.¹⁹ With the establishment of the State Treasury in 2002, the Government has strengthened its capacity to manage and control financial flows and ensure a more rational allocation of public funds.

Other laws relevant to administrative reform in Serbia include the following:²⁰

- The Law on Working Relations in Public Administration deals with the restructuring of the central administration and the more efficient distribution of skills and competencies in the public sector;
- The Law on Public Procurement is intended to increase transparency and accountability in public expenditure, prevent corruption, and promote savings. The Law is based on the principles of open competition and equal opportunity;
- The Law on Tax Procedure and Tax Administration includes provisions for improving procedural efficiency, largely through the increased use of information and communication technologies (ICT).

Recommendations on legislation and the legal framework for public administration

Serbia has entered a new era, a time during which far-reaching goals and objectives must be established. Within the realm of public administration, attention should initially be focused on revising and updating fundamental legislation, in particular the Law on State Administration. The adoption of new norms and principles will facilitate the creation of a modern system of public administration characterized by citizen-oriented public service. The new conceptual framework will guide the development and implementation of public policies and will ensure that the fundamental rights and freedoms of citizens are protected. New laws should be enacted to strengthen the institutional foundations and improve the quality and integrity of public administration; in particular, efforts should be made to depoliticize administration and to establish clear distinctions between political and professional posts and functions.

It is essential that administrative processes and procedures be improved. With the successive changes in the country's status in recent years, institutional de-

¹⁹ Published in the *Official Gazette of the Republic of Serbia*, Nos. 9/02, 87/02, 61/05 and 66/05.

²⁰ The three laws listed, here designated (a), (b) and (c) respectively for citation purposes, were published in the following issues of the *Official Gazette of the Republic of Serbia*: (a) Nos. 48/91, 66/91, 44/98, 49/99, 34/01 and 39/02; (b) Nos. 40/01, 39/02, 43/03 and 55/04; and (c) Nos. 80/02, 84/02, 23/03 and 70/03.

velopment has lacked stability and focus. Steps must be taken, initially through appropriate legislation, to address gaps and redundancies at many levels, to allocate and utilize resources more effectively, and to address the actual needs of citizens in different contexts. Two areas of particular importance are the simplification and streamlining of administrative procedures and the protection of citizens' rights and freedoms. The Administrative Court was established in the Serbian capital in 2002 to handle appeals against administrative bodies for acts provoking any dispute. More administrative tribunals have been set up in recent years to accommodate the growing workload, once handled directly by the minister most closely associated with each case. Reforms in this area should focus on expanding the administrative court system and streamlining case submission and management. The Law on the Protector of Citizens was adopted in 2005,²¹ but the process of appointing a national ombudsman and implementing the provisions of the Law has been characterized by excessive delays. Steps must be taken to ensure that this institution is firmly in place as Serbia strives to achieve its administrative reform goals. The Protector constitutes a key figure in safeguarding civil rights endangered by State actions and, more broadly, in promoting transparent and responsible government.

The Law on Free Access to Information of Public Importance, adopted in 2004, is crucial for ensuring administrative transparency. It is asserted in an article published in September 2005 that while compliance rates are slowly rising, around 60 per cent of local institutions and one third of national institutions are still not fulfilling their obligations under this Law. Problems relate not only to the refusal by some bodies to release public information, but also to the absence of mechanisms for dealing with the processing and follow-up of requests and with cases of non-compliance among public sector bodies. Specialized staff training is needed in this area.²²

2.2 Central administration

As established in the Constitution, public administration essentially falls under the competence of the ministries. Their scope of activity encompasses the preparation of legal drafts; the implementation and enforcement of laws and other official decisions approved at the executive and legislative levels; administrative decision-making, management and oversight; and other constitutionally and legally defined activities.

Ministries act independently in fulfilling their responsibilities. Specialized administrative bodies may be established to perform certain activities, and various tasks and functions may be delegated to public enterprises and other entities, with the ministries playing a supervisory role.

²¹ Published in the *Official Gazette of the Republic of Serbia*, No. 79/05.

²² Freedominfo.org, "Transparency Serbia survey shows institutions are not implementing FOI law" (9 September 2005) (available at <http://www.freedominfo.org/countries/serbia.htm>). The Law on Free Access to Information of Public Importance was published in the *Official Gazette of the Republic of Serbia*, No. 120/04.

BOX 16. GOVERNMENT MINISTRIES IN SERBIA

- Ministry of Interior
- Ministry of Finance
- Ministry of Justice
- Ministry of Public Administration and Local Self-Government
- Ministry of Agriculture, Forestry and Water Management
- Ministry of Economy
- Ministry of Energy and Mining
- Ministry of Capital Investment
- Ministry of Trade, Tourism and Services
- Ministry of International Economic Relations
- Ministry of Labour, Employment and Social Policy
- Ministry of Science and Environmental Protection
- Ministry of Education and Sport
- Ministry of Culture
- Ministry of Health
- Ministry of Religion
- Ministry of Diaspora

As noted previously, the Law on Ministries initially provided for the establishment of 19 ministries and various specialized agencies. Ministerial reorganization brought this figure down to 17, but the overall number of ministries in Serbia remains relatively high in comparison with Western Europe, where the range is generally between 10 and 15. The actual discrepancy is even greater, given that Serbia — until recently part of a union with Montenegro — has had neither a Ministry of Foreign Affairs nor a Ministry of Defence of its own. The Serbian total is high mainly owing to the large number of sectoral ministries dealing with the economy. Having several ministries with a similar scope and overlapping responsibilities can lead to confusion and undermine efficiency, particularly in a system lacking well-developed coordination mechanisms. The problem is exacerbated by the fact that numerous specialized agencies established by the Government have taken over some of the most sensitive State functions. These agencies are not regulated by the Law on Ministries, and their status varies depending on whether they were established by a particular law or by government decree. This absence of uniformity contributes to the confusion.

2.3 The institutional framework for administrative reform

The functions and competencies of government bodies in the same or related sectors must be clearly delineated, not only to promote administrative efficiency but

also to ensure that the reform process is not undermined by the involvement of an excessive number of “reformers” with overlapping areas of authority. In recent years, ministries and specialized agencies have been required to establish internal reform teams directly responsible for implementing administrative changes within their respective organizations. With the dissolution of the union between Serbia and Montenegro and the fundamental political and administrative adjustments that will be required, institutional restructuring is almost certain to occur. While some ministries and agencies will retain their basic functions, others may be eliminated, merged, or expanded; some new central bodies may be established, and mandates may have to be modified or redefined.

The Ministry of Public Administration and Local Self-Government was set up primarily to ensure operational efficiency at the State and municipal levels and to manage, coordinate and oversee the process of administrative reform, with particular attention given to decentralization. The organization and functioning of ministries and specialized agencies, human resource management, in-service training and professional development for civil servants, local government affairs, and electoral issues are among the Ministry’s primary areas of competence. The Ministry has a secretariat as well as separate departments dealing with public administration, local government, human resource development and project management, international integration and the harmonization of domestic legislation with EU legislation, and informatics and analysis.

The Ministry of Public Administration and Local Self-Government has identified the following as administrative reform priorities:

- The preparation of a comprehensive reform strategy for public administration as well as sub-strategies for specific areas of concern;
- The revision of legal frameworks, with particular emphasis on the harmonization of Serbian laws, norms and standards with those of the European Union;
- The education and training of civil servants;
- Structural, organizational and managerial improvements;
- The establishment of accurate records and registers;
- Comprehensive ICT integration.

The first of these goals was achieved with the adoption of the Government Strategy for Public Administration Reform in October 2004.²³ Over the next year, the administrative reform and European integration processes — “two parts of one large process of the transformation of the Serbian State”²⁴ — were set in motion. On the ground, the Serbian Government has been working with the European Agency for Reconstruction to create a strong legal and institutional framework for public administration.

²³The Strategy was based on six main principles: decentralization, depoliticization, professionalization, rationalization, modernization, and open government.

²⁴Milena Mihajlovic, *op. cit.*

Two specialized government agencies have worked together with the Ministry of Public Administration and Local Self-Government during the past several years to ensure the effective coordination and implementation of ongoing reforms. A summary of their functions and activities is provided below.

The Agency for Public Administration Development

The Agency for Public Administration Development was established by government decree in February 2001 to provide expert and operational support for the administrative reform process. In charge of the actual execution of reforms, the Agency has brought international experts together with local actors to lay the foundations for a more modern, efficient and democratic system of public administration in Serbia. Reform priorities have included administrative reorganization, human resource capacity-building, the improvement of public services, ICT integration, and the preparation of relevant legal drafts.

Productive partnerships have been formed with international development organizations. The Agency for Public Administration Development has worked with the Norwegian Agency for Development Cooperation, Swedish International Development Cooperation Agency, Department for International Development (United Kingdom), United Nations Development Programme, Royal Danish Ministry for Foreign Affairs, and numerous others to identify areas of need, generate solutions, and implement targeted reforms. The Agency is directly involved in many of the activities supported by outside donors but also acts as a facilitator, ensuring that government agencies at all levels receive the practical, technical and financial support they need to achieve their reform objectives.

Capacity-building projects carried out within this framework have varied widely. The Agency itself has focused primarily on the fundamentals, conducting preliminary studies, collecting and analysing data, and preparing proposals and recommendations for administrative reforms at both the central and local levels. Targeted activities have centred around the following:

- The preparation of draft legislation and guidelines for administrative reform, including preliminary versions of the strategies and laws for modernizing public administration and educating civil servants;
- The restructuring and reorganization of selected ministries and other central bodies;
- ICT integration, with particular emphasis on strengthening e-government;
- The modernization of the civil service, most notably in the areas of recruitment and personnel development. The aim is to raise overall efficiency and professionalism; individual projects have focused on preparing teams of experts and setting up support systems to strengthen human resource management, training “agents of change” from a variety of government entities to advance the reform process, training and educating thousands of civil servants, and organizing study tours within the region and the EU;

- The facilitation and advancement of the reform process. Relevant activities have included the organization of an international conference on the development of a strategy for modernizing public administration in Serbia; the preparation and dissemination of promotional materials highlighting critical administrative reform issues; and the publication of *Reformer*, a specialized periodical providing interviews with experts in diverse administrative fields as well as information on new and revised legislation, conferences, the status of projects and programmes, regional experiences in the field, and other topics of interest.

The Council for Public Administration Reform

Strategic guidance is provided by the Council for Public Administration Reform, which is headed by the Prime Minister and includes among its members the Deputy Prime Minister, the ministers of finance, justice, interior, and public administration and local self-government, and the Secretary for Legislation. This consultative body was created primarily to ensure political consensus and sustained government support for the administrative reform process. The Council's goals and priorities are consistent with those of the Ministry of Public Administration and Local Self-Government, the Agency for Public Administration Development, and other relevant entities.

Specialized support for administrative reforms

A number of ministerial departments and dedicated State entities provide targeted support in key areas of administrative reform; among the most important are the Civil Service Council, the Agency for Information Technology and Internet, and the Serbian European Integration Office.

The existence of the institutions mentioned above suggests that serious attention is being given to administrative reform. Overall objectives appear to be reasonably well aligned, though responsibilities are not always clearly defined, resulting in gaps, redundancies and overlapping authority in some areas. Political and bureaucratic legacies continue to undermine progress, though improvements are gradually being introduced in what has proved to be a remarkably resilient administrative apparatus. Innovation and initiative are most evident in institutional contexts such as the Agency for Public Administration Development and the Civil Service Council, which are well staffed and operate outside the ordinary ministerial structure.

2.4 Decentralization

At the local level, reform priorities include decentralization and administrative modernization. Specific goals centre around the devolution of authority and the transfer of competencies, local institution building and human resource development, enhancing efficiency and transparency, and strengthening relations with area residents.

The 1990 Constitution, adopted during the Milosevic era, strengthened the political and administrative authority of the central Government. Kosovo and Vojvodina were stripped of their autonomous status and attendant rights and responsibilities, and local government throughout the Republic came under centralized political and financial control. Between 2001 and 2006, Serbia sought to achieve post-conflict stability; though few changes were made in the Constitution, successive administrations introduced important reforms, with particular attention given to decentralization. New and revised legislation, including the Law on Local Self-Government and the Law on Local Elections, extended the competencies of municipal and provincial authorities, provided them with additional revenues, and strengthened the local leadership. The Law Establishing Specific Competencies of the Autonomous Province provided for the transfer of wide-ranging functions and responsibilities to the authorities in Vojvodina. As noted previously, Kosovo has been under international administration, in line with the provisions of Security Council resolution 1244 (1999), so Serbia has had no authority over this province for a number of years. The new Constitution, ratified in late October 2006, refers to Kosovo as an integral part of Serbia with fundamental autonomy, grants Vojvodina economic autonomy, gives municipal authorities ownership of municipal properties, and broadly embraces European principles and values including open democracy and self-government at all levels.

The centralization of most administrative functions during the 1990s effectively reduced local government capacities; steps are now being taken to address human resource development needs and other administrative deficiencies at this level. The training and education of civil servants, particularly within municipal government, is a top reform priority.

2.5 Human resource development and management in the public sector

Modernizing public administration and achieving greater efficiency and transparency require an effective legal framework and a well-organized civil service staffed with appropriately trained, highly motivated professionals capable of carrying out complex reforms and meeting rapidly evolving needs within the public sector.

The institutional set-up for public administration, though requiring reform in targeted areas, is relatively well established and effective, and overall administrative capacity is quite high in many areas; however, the critical human element of administration has required urgent attention.

As noted previously, key legislation has recently been adopted to strengthen the civil service. The new Law on Civil Servants, which together with associated by-laws entered into force in July 2006, establishes a system of merit-based recruitment and promotion. The Pay Law for Civil Servants and Staff Employees, enacted the same month, restructures the payment system for individuals working in the public sector. A number of other relevant legal instruments have been approved or

updated in the past few years or are scheduled for review. According to the “Serbia 2006 progress report”, published by the Commission of the European Communities in November 2006, the legal framework for the civil service “is now in line with general European standards”.²⁵

Steps have been taken over the past several years to create human resource departments in all major government bodies; ICT systems have been set up and staff tutorial sessions have been provided in dozens of State institutions. A central human resource management service was established in December 2005 to provide overall coordination and supervision. This service has assumed a growing number of responsibilities from the Ministry of Public Administration and Local Self-Government. Recently it has implemented a civil servant training programme, with impressive results.

Staff development must be further expanded. Capacities and levels of competence vary widely from one institution to another. Particular attention must be focused on strengthening local capabilities. One of the top reform goals is to “professionalize” public administration, which requires that civil servants are sufficiently qualified and equipped with new tools and approaches that will allow them to fulfil their roles within an evolving culture of effective service delivery. Prior to 2000, public administration was highly bureaucratized and centralized, and civil servants performed traditional functions within a circumscribed framework. Fewer than half had university or higher degrees, and only a limited number spoke other languages. Most were unfamiliar with new technologies and other aspects of modern administration. Over the past several years, merit-based recruitment and promotion, staff education, and in-service training have become crucial as Serbia has endeavoured to establish the strong administrative foundations needed to achieve domestic growth and stability and international legitimacy. A number of targeted human resource development projects and programmes have been carried out by government agencies with financial and technical support from international donors and aid agencies. Reform teams (“agents of change”) have been put in place, and considerable effort has been invested in the training of trainers to meet the overwhelming educational demands within the civil service. The next logical step would be to establish a permanent institution for administrative training and education, perhaps based on the Slovenian model, financed through the regular State budget. Until such a goal is achieved, the quality and coverage of training will depend to a large extent on the nature of the projects financed by foreign partners; at the very least, steps must be taken to better coordinate international assistance and to encourage donors to expand the scope and capacity of joint projects.

Recruitment policies and practices are critical to good governance and effective administration. The Law on Civil Servants emphasizes the importance of educa-

²⁵ Commission of the European Communities, “Commission staff working document: Serbia 2006 progress report” (COM[2006] 649 final) (Brussels: 8 November 2006; SEC[2006] 1389), p. 9; much of the information in the present subsection derives from this source (see http://ec.europa.eu/enlargement/pdf/key_documents/2006/Nov/sr_sec_1389_en.pdf).

tional and professional qualifications in staff selection. As noted above, there are no specialized preparatory programmes for public service, so identifying the best possible candidates for vacant posts remains a challenge. One way to address this issue would be to establish stronger collaborative ties with domestic and foreign universities. Human resource departments and agencies could solicit recommendations from university officials and individual faculties. More proactively, the Government might provide scholarships that would allow promising candidates to study at some of the world's best universities in exchange for an obligatory period of government service upon their return, and individual ministries and agencies could work directly with university faculties (in finance, law, and political science, for example) to develop post-graduate courses and programmes that would prepare professionals for specific areas of public service, including policy-making and judicial and budgetary support. Such programmes and initiatives are particularly important for staff development at the local level, where baseline capacities are considerably lower; the availability of highly qualified personnel is key to successful decentralization.

Organizational and operational matters, as well as less concrete priorities such as principles and standards, have been addressed in recent legislative amendments; some provisions have been implemented, while others remain pending. The proper sequencing of reforms is essential, as civil servants must have time to familiarize themselves with new procedures and practices and develop a sense of ownership. The new laws seek to professionalize and depoliticize the civil service by requiring objectivity and transparency in hiring, promotion, performance assessment, remunerative arrangements, and other practical matters. The same goals are apparent at the policy-making level, where decisions have been made to draw a clearer distinction between political and professional functions, to rationalize and optimize human and material resources, and to effect a transformation from a culture of command control to one of efficient, people-centred public service delivery.

The Serbian Government has made some notable progress in strengthening the civil service, particularly in the areas of institutional development and human resource capacity-building. However, a number of challenges remain. Serbia, like many other countries with a legacy of government centralization, has entrenched bureaucrats who are reluctant to share authority or to entrust policy implementation to junior associates; there are numerous examples of ministers and other high-level officials who personally issue and implement large numbers of executive decisions rather than focusing on policy-making, so that the success of the institutions they lead hinges almost entirely on their individual skills, capacities, and levels of energy and insight. Effective management requires the delegation of authority and responsibilities among qualified staff. Ironically, another problem has been keeping public officials in place long enough to make a difference. Until recently, frequent changes in the State leadership meant that political appointees held office for only a relatively short time and had little opportunity to establish strong insti-

tutional foundations or a sense of continuity. This is likely to change, however, as the political situation has improved considerably during the past couple of years, and the formalization of Serbia's independent status will contribute to even greater stability. Naturally, it will take time to align government structures with the new role of the State, and setbacks are inevitable.

In spite of the legacy of government centralization (which is often associated with a large public sector) and the transfer of around 3,000 staff members from federal to State bodies in 2003, the Serbian civil service is not excessively large. Efforts may therefore be focused on resource optimization, with particular attention given to revising job classifications and descriptions (which ties in with the restructuring and reorganization of State bodies), establishing mechanisms for mobility to ensure effective staff placement and distribution, and providing ongoing training and professional development opportunities. Vacancy rates are relatively high, largely because most young graduates and professionals prefer to work in the private sector, where they are better compensated and rewarded for their efforts. The Government must develop ways to attract and retain qualified staff. New legislation has better defined the salary structure, but public sector pay remains far below private sector remuneration for comparable occupations. Civil service salaries should be made competitive with those prevailing in the open market, and incentives might be offered to attract individuals with the desired skills, qualifications and experience. Creating a better working environment and developing career advancement mechanisms to stimulate initiative would likely motivate staff and enhance professionalism.

A final point relates to ensuring fairness and respect for the rule of law within a more people-centred administrative framework. Over the past several years, steps have been taken to improve the status of government employees and to protect the rights of both civil servants and the general public. The Law on the Protector of Citizens establishes a State-level ombudsman's office to safeguard civil rights endangered by administrative actions and, more broadly, to promote transparent and responsible government. Serbia has been slow to appoint a Protector, and must take further steps to develop a formal code of conduct for civil servants and public officials; both mechanisms should help address grievances ranging from rudeness to corruption and improve overall communication and transparency.

2.6 The challenge of electronic government

Information and communication technologies (ICT) were rarely used in internal administration or public service delivery prior to 2000. In October 2001, the Serbian Government signed a cooperation agreement with IBM and began to install licensed hardware and software in State institutions, launching the digitization and informatization of public administration. ICT integration constitutes a top reform priority, and progressive steps have been taken over the past several years to ensure that appropriate legislative and institutional support is provided to facilitate this process.

State entities such as the Ministry of Public Administration and Local Self-Government, the Agency for Public Administration Development, the Council for Public Administration Reform, and the Agency for Information Technology and Internet provide both strategic and practical guidance, overseeing and coordinating the public sector ICT integration and e-government development process within the broader framework of public administration reform. The Agency for Information Technology and Internet was created to prepare a comprehensive strategy for the development of an information society and to provide specialized services linked to the establishment and functioning of an integrated information system for State administration and local government. The Agency also furnishes technical support and has recently been involved in the e-networking of the judiciary and the development of a geographic information system for urban planning and management (cadastral improvements).

A comprehensive legal framework is being developed for ICT integration. Some legislation establishes the basic principles and foundations of digital government; the Law on the Information System of the Republic of Serbia, for instance, provides for the creation of computerized administrative subsystems linked within an integrated network (intranet). Other legal instruments deal directly or indirectly with ICT applications in particular areas, including tax administration, budgeting and finance, human resource management, registration and records, and judicial proceedings. There are provisions for the establishment of integrated information systems within key public service sectors including health, education, energy and telecommunications. Various legal mechanisms regulate the handling of public information; some address practical concerns, including the electronic collection, storage, retrieval and exchange of data and privacy and security issues, while others, such as the Law on Free Access to Information of Public Importance, have a broad policy orientation but are directly linked, if only by implication, to information and communication technologies.

The Serbian Government is fully aware of the development benefits of ICT integration. Growing numbers of citizens have ready access to public information and services, and greater administrative openness and transparency represent an affirmation of the country's commitment to democratic principles, which has implications for both national stability and European integration. At a practical level, digitized administration is linked to improved organization and management, resource rationalization, structural and procedural simplification, and increased efficiency. ICT-based administration is particularly beneficial for economic development, as eliminating bureaucratic red tape, simplifying registration²⁶ and licensing procedures, and providing online information and interactive support encourages domestic and foreign investment and enterprise growth.

Within a relatively short period of time, the Serbian Government has made significant progress in many areas of ICT integration. Much of the basic physical infra-

²⁶ The Law on the Registration of Business Entities, adopted in 2005, provides for the establishment of a Web-based system of electronic registration for new and existing businesses in Serbia.

structure is in place, and training is being provided to strengthen staff capacities. Almost all ministries and public agencies have websites providing information on their organizational structure and functions, activities, and services; user feedback is generally encouraged. In 2006, a team from Brown University in the United States evaluated almost 2,000 national government websites based on factors relating to information availability, service delivery and public access, and Serbia (together with Montenegro) was ranked 25th out of 198 countries.²⁷

²⁷ Darrell M. West, "Global e-government, 2006" (Providence, Rhode Island: Brown University/Center for Public Policy, August 2006), pp. 9-10 (available from <http://www.insidepolitics.org/egovt06int.pdf>).

Turkey

1. Political, economic and institutional context

1.1 Historical overview

Mustafa Kemal, more commonly known as Atatürk (father of the Turks) spearheaded the establishment of the Republic of Turkey in 1923 after the collapse of the 600-year-old Ottoman Empire and a three-year war of independence. The leaders of the new republic focused on consolidating their power and on modernizing and Westernizing an area that had once been the hub of the Empire (Anatolia and a small part of Thrace). Sweeping social, political, linguistic and economic reforms carried out by Atatürk from 1924 to 1934 laid the ideological foundations for modern Turkey. In the post-Atatürk era, after the military coup of 1960, this ideology came to be known as “Kemalism”, and the reforms that had been undertaken were identified as having constituted a “revolution” and became the subject of lively debate in Turkish political discourse. Kemalism comprises a form of secularism, intense nationalism, and statism.

The foundations of a modern State were actually established much earlier. From the eighteenth century onward, in the wake of military defeat and repeated setbacks, the Ottoman Empire adopted a strategy of “defensive modernization” in a bid to maintain its regional hegemony. Limited technological innovations were introduced, and when these modest efforts failed, more comprehensive reforms were undertaken; strengthening the military and the bureaucracy were among the main priorities. A modernizing elite emerged and implemented a policy of deliberate modernization that was problematic in some respects but ultimately paved the way for the establishment of a relatively advanced system of government during the early years of Turkey’s independence.

Though 99 per cent of the population embraces Islam, Turkey has officially been a secular State since 1924. Turkish citizens of Kurdish origin constitute a distinct ethnic and linguistic group and make up an estimated 15-20 per cent of the country’s 70 million residents.

1.2 Political and economic context

During the period 1923-1946, when a benevolent one-party system prevailed in Turkey, a number of factors — including the dedicated elitist approach to centralized government administration, strong political and economic nationalism mixed

with a measure of xenophobia, and eventually the secularist imprint — combined to create a bureaucratic ruling tradition.

Throughout this period, government and public affairs were thoroughly dominated by the central administration. An internally consistent and all-encompassing reform programme incorporating comprehensive structural changes was adopted by the central bureaucracy and implemented countrywide. Turkey's regional policy focused primarily on population deconcentration and dispersion. It is within this framework that the capital was moved from Istanbul to Ankara.

From the mid-1940s onward, various internal and external developments provoked gradual changes that contributed to the withering away of the bureaucratic ruling tradition and proved instrumental in bringing about important constitutional and institutional reforms. Developments or factors that have had the most significant impact over the past six decades include the following:

- In the aftermath of the Second World War a multiparty system replaced the established single-party regime, marking the introduction of competitive politics. Representative institutions were created and, in spite of sporadic crises, gradually attained a degree of maturity and functionality. In recent years the shortcomings of representative democracy have been extensively debated, leading to an explosive increase in informal participatory mechanisms and urgent demands for administrative reforms and improved State-citizen relations;
- The mechanization of farming, increased agricultural productivity, high population growth, and the relative opening up of Turkish society all contributed to rapid urbanization. This led to the establishment of an extensive local government system with representative organs and directly elected officials.
- The circumstances surrounding the gradual decline in State-led and State-sponsored economic development and in the implementation of semi-autarkic and etatist policies,¹ together with the gradual liberalization of the Turkish economy, the adoption of neoliberal, export-oriented policies (particularly from the 1980s onward), and the formation of a customs union with the European Union (EU) in 1995, contributed to the emergence of a sizeable and influential entrepreneurial class that supported reform and advocated principles of good governance;
- Social, political, and economic differentiation, the pluralization of society and its institutions, and multidimensional contact with the outside world contributed to the development of civil society and the establishment of a wide range of non-governmental organizations (NGOs) that began to assume a share of the State's functions and responsibilities. The institutions of civil society increasingly challenged traditional norms underlying the system of governance, and subservience to the almost "sacred" and

¹ The public sector has played a dominant role in economic development since the 1930s. The etatist system still prevails to a large extent, though the Government's share of the economy has declined by half over the past several decades and currently stands at around 40 per cent.

paternalistic State declined as public support for the notion of a State working in the service of the citizen gained ground;

- Turkey has a strong and dynamic media sector that has contributed immeasurably to the widespread dissemination of information and ideas, greatly facilitating the process of change in society. The country's residents have access to programming from more than 1,500 national, regional and local radio stations and from dozens of national and hundreds of regional television networks, with the majority of broadcasters employing the latest technologies. Extensive print media reflect a wide range of interests, views and political platforms;
- There is a general consensus that the factor most responsible for inducing change in Turkey in recent years is its candidacy for EU membership. The Council of Europe approved the Accession Partnership (or "road map") in March 2001,² and the Turkish National Programme for the Adoption of the Acquis was approved the same month to ensure the alignment of the country's legislation, standards, policies and institutions with those of the European Union in preparation for future integration. These developments, together with the adoption of the Framework Regulation relating to European financial assistance to Turkey in February 2001, represent the driving force behind the implementation of constitutional and institutional changes aimed at achieving good governance.

1.3 Regional development in Turkey

Since the Republic was first established, Turkey's regional strategy has been shaped by both internal socio-economic developments and the experience of the European States. It was not until the 1960s, however, that the country adopted an official policy aimed at reducing regional disparities and set up the State Planning Organization, which is directly responsible for regional development. Strengthening regional capacities is a critical reform component and a cornerstone of national development.

Background and summary

After achieving independence, Turkey sought to strengthen its struggling economy and launched an aggressive modernization programme. Initially, the State assumed full responsibility for the industrialization process. The Government made every effort to ensure that public investments were distributed equitably among the different regions, with particular attention given to the more depressed areas in the east, but these efforts were only partially successful. Eastern and south-eastern Anatolia were especially vulnerable, as their economic links with Arab countries and what is now the Islamic Republic of Iran had been lost when Turkey's borders were re-defined in accordance with the provisions of the 1923 Treaty of Lausanne, causing these areas to lag behind the rest of the country. The dramatic loss of human and

² This document was revised on 26 March 2003.

social capital resulting from the population exchange between Greece and Turkey within the same framework also created serious problems in these regions.

The serious repercussions of the Second World War necessitated a shift in Turkey's socio-economic and spatial development strategies. The Government could no longer bear the entire burden of investment for development owing to the loss of earlier markets and the accompanying diminution of State resources, so the share of private capital in such investment grew substantially; private sector investments were concentrated mainly in Istanbul and the Marmara area. In the 1950s, agricultural mechanization led to increased rural-urban migration. All of these factors contributed to a shift in emphasis from regions to urban nodes and from regional inequalities to inequalities between social groups.

The formalization of development planning

Five-year plans were first introduced in the 1930s "as part of the etatist industrialization drive".³ For the first couple of decades these plans addressed basic needs, providing guidance and a list of necessary projects for infrastructure, mining and manufacturing development. Centralized social and economic planning was discontinued by the Democratic Party in the 1950s but was constitutionally reinstated in 1961. The State Planning Organization was established that same year to prepare annual and long-term development plans (based on broad strategies and targets formulated by the Supreme Planning Council), to follow up on their implementation, and to advise on economic policy. Development plans typically include detailed investment objectives, macroeconomic targets, social goals, and policy recommendations for individual subsectors. Turkey was one of the first countries to formally integrate regional planning within its national development policy framework; period trends are explored in greater detail below. The country's success in meeting its development objectives over the years has been mixed.

Regional planning and development: 1960-1972

As mentioned, centralized economic and social planning and development was institutionalized in the early 1960s. Within this framework, a critical priority was to reduce regional disparities. From the beginning, regional policy focused primarily on growth centres, and regional plans and development projects generally focused on public investment and support for small enterprises in these areas.

The first and second five-year plans (1963-1967 and 1968-1972) effectively institutionalized the practice of incorporating the regional perspective in national development planning, demonstrating the necessity of integrating area priorities within the broader framework of State development.

Regional plans and strategies reflected the overall economic trends of the 1960s, which were shaped by import substitution policies. Various industries were developed during this period, but because of the capital intensity of most investment

³ See <http://www.country-data.com/cgi-bin/query/r-13963.html>.

projects, unemployment rose. Migration to urban centres increased, a new rural-urban duality emerged, and the gap between the eastern and western parts of the country widened further.

To address the growing disparities within Turkey, the Council of Ministers designated around 50 urban centres “priority regions for development” in 1968, with particular attention given to Eastern and Southeastern Anatolia. Over the years, tax breaks, credits and other investment incentives have been directed mainly towards these regions.

Regional planning and development: 1973-1983

Turkey’s Third Five-Year Development Plan (1973-1977) reflected a major shift in policy focus. After years of relatively strong growth, the economy began to weaken in the mid-1970s owing primarily to substantial increases in oil import costs, and by the end of the decade the country faced a serious financial and political crisis. Regional policy ceased to be a top priority; direct State support for regional development declined considerably as it became increasingly apparent that the pursuit of short-term strategies for addressing regional inequalities would result in the inefficient distribution of limited resources and negatively affect capital accumulation and national economic development.

As direct government support for the development of disadvantaged areas diminished, generous incentives were offered to attract private sector investment in these regions. Local development projects gradually became more important than special development plans imposed from the top.

Following the military coup in 1980,⁴ all aspects of the Turkish polity underwent a radical transformation. The Fourth Five-Year Development Plan (1979-1983) was modified to favour the private sector, labour-intensive and export-oriented projects, and investments that would bring rapid returns. During the first half of the 1980s, the movement to reduce the size of the State sector gained momentum, though it was generally agreed that the central Government should continue to play an active role in infrastructure development.

Turkey took progressive steps to liberalize the economy and encourage trade and investment, eliminating foreign exchange controls and import quotas and revising tariffs. These reforms led to increased competition between enterprises — and between regions.

Some of the less-developed areas (Eskisehir, Denizli, Corum, Kayseri, Gaziantep and Kahramanmaras) were able to expand their export capacity and experienced a rapid increase in manufacturing activity, evolving into industrial nodes. This development was important in that it revealed the strong growth potential of certain areas outside the major manufacturing centres in Turkey. There was a general shift towards flexible specialization, which was essential for maintaining competitiveness within the global marketplace.

⁴ The Turkish military intervened to restore order as tensions over high unemployment and inflation and unrest among Kurdish and Islamic groups threatened national stability. By 1983, civilian rule had resumed.

Regional planning and development: 1985-1989

In Turkey's Fifth Five-Year Development Plan (1985–1989), regional policy was once again given priority. However, the regional strategy had changed dramatically in line with the trend towards increased local and private sector participation in regional economic development. From this point on, incentives for developing local potential in priority development regions and supporting local entrepreneurship assumed an important place in Turkey's regional policy.

With its burden of support considerably lightened, the central Government was able to focus on formulating and implementing targeted programmes to accelerate development in disadvantaged regions and in areas with sectoral growth potential, ensuring the optimal use of limited State resources. The Southeastern Anatolia Project (GAP), which represents one of the first and most comprehensive of these regional initiatives, is examined in some detail below.

The Southeastern Anatolia Project: a model for regional development

The Southeastern Anatolia Project is an integrated, multisectoral regional development effort intended to contribute to sustainable national development. Targeted objectives include enhancing economic productivity and employment opportunities in order to reduce poverty and improve living standards in the region and, within the broader national context, to promote economic growth and social stability. The Project area encompasses nine administrative provinces⁵ in the Tigris and Euphrates river basins located in Upper Mesopotamia; Southeastern Anatolia, situated in the eastern portion of southern Turkey, accounts for around 10 per cent of the country's total land area and population.⁶

The Project was drawn up in the 1970s to harness the waters of the Tigris and Euphrates for irrigation and hydropower production, but by the 1980s it had evolved into a comprehensive, multisectoral socio-economic development programme for the region. In the 1990s, the Project focus shifted from the achievement of physical targets to the pursuit of human-centred sustainable development. The GAP programme encompasses activities in a wide range of sectors and disciplines, including irrigation, hydraulic energy, agriculture, rural and urban infrastructure, forestry, education and health. The water resource development component provides for the construction of 22 dams and 19 hydraulic power plants and the irrigation of 1.7 million hectares of land. Many GAP initiatives are well under way; by March 2003 around 61 per cent of the US\$ 32 billion Project budget had been spent.

The basic principles and priorities guiding the Project include fairness and equity in development, participation, poverty alleviation, employment generation, spatial planning, infrastructure development, and environmental protection; the primary objective of sustainable human development is to create an environment in which future generations can also benefit and continue to develop.

⁵ Adiyaman, Batman, Diyarbakir, Gaziantep, Kilis, Mardin, Siirt, Sanliurfa and Sirnak.

⁶ Turkey, Southeastern Anatolia Regional Development Administration, "What is GAP?" (available from <http://www.gap.gov.tr/English/Frames/fr1.html>).

The Project was initiated at a time when the central administration was seeking to share its responsibilities and authority with new partners and strengthen regional governance. Municipal authorities emerged as a dominant force within this framework. Because local administrations are technically part of the State apparatus but maintain strong physical and psychological ties to their communities, they are perhaps best situated to guide and oversee the process of local development. An added advantage is that these bodies are democratically elected and therefore enjoy political legitimacy. If they are to act as the principal agents of change, however, local authorities must be further empowered and strengthened.

From the early 1980s to the mid-1990s, regional policy focused on strengthening local economic development, local government and local capacity. Incentives were provided to support local capacity-building and encourage the development of small and medium-sized enterprises in particular regions. Regional growth potential was a prime consideration in public investment decisions. As indicated earlier, within the GAP context, strategies for integrated regional development were rapidly taking the place of traditional approaches to regional planning.

To facilitate future European integration, it was decided that the criteria used to determine regional policy in the EU should guide regional policy development in Turkey as well; the ramifications of this decision are explored in some detail below.

Regional planning and development: 1995-2000

Over the past decade, Turkey has sought to align its regional policy with that of the EU, introducing structural reforms aimed at reducing regional disparities. During much of the 1990s, the country experienced serious economic problems and a decline in per capita income, which undermined efforts to address regional imbalances. In the Seventh Five-Year Development Plan (1996–2000), balanced regional development was identified as a top priority, and emphasis was placed on the importance of approaching sustainable development as a coherent, comprehensive, participatory process in which economic, social, political and cultural factors were taken into consideration. This prompted the introduction of several new regional development initiatives.⁷

Two major initiatives within this framework include the Eastern Black Sea Regional Development Plan (DOKAP), covering seven provinces, and the East Anatolia Project (DAP), covering sixteen provinces. East Anatolia is the least developed region in Turkey. It has the largest land area (158,972 square kilometres) but the smallest population (6.1 million in 2000). The main components of DAP include the following:

- Devising policies aimed at accelerating regional socio-economic development;
- Identifying the types of public investment that would contribute most to rural and urban development;

⁷ These include the Zonguldak-Bartın-Karabük, East Anatolia, Eastern Black Sea, and Yesilirmak River Basin projects. Studies were also carried out for the East Marmara regional plan and the West Mediterranean Regional Development Project during this period.

- Enhancing incentives for private sector investment;
- Designating investment areas and preparing investment projects in order to attract entrepreneurs from both inside and outside the region;
- Activating intraregional dynamics and supporting regional entrepreneurship;
- Strengthening human resource capacities and facilitating the creation of development partnerships between central and local authorities, private institutions and NGOs.

While plans and strategies for most of these new projects call for extensive emphasis on local participation and the use of local resources, project activities are still centrally imposed and controlled within the traditional “public investment programme” framework. There is increasing recognition, however, that public resources are very limited and that productive activities in the less developed regions can only be carried out with the help of private sector and local stakeholders. Such practical considerations have actually brought about a revision of the GAP strategy, leading to the integration of a multitude of local agents and NGOs into the project. The emphasis on local participation and human-centred sustainable development differentiates these projects from earlier initiatives.

Regional planning and development: 2001-2005

In the Eighth Five-Year Development Plan (2001–2005), regional policy focused on participation and decentralization, cultural development, and regional convergence within the broader framework of sustainable development. Regional strategies were linked to national development priorities, which included strengthening the social structure, developing a stable economy, completing structural reforms, and effecting the basic transformations required to build and sustain a knowledge-based society.

1.4 Institutional framework

The central administration

The central Government comprises the State leadership, the parliamentary National Assembly, the Council of Ministers, and national departments and agencies.

Turkey’s leadership and legislature are responsible for establishing laws and policies to promote national development, growth, security and stability. Line ministries and various national departments and agencies seek to ensure the effective implementation of these laws and policies at all levels. The central authorities oversee the execution of projects and programmes and provide essential public services in all areas of the country. While many ministries offer direct assistance, most public services are provided through ministry field offices and semi-autonomous central government bodies. The following entities exercise some of the most important functions, particularly within urban areas:

- The Ministry of Interior and the General Directorate of Security handle police and security affairs;
- The Ministry of National Education (for primary and secondary schooling) and the Council of Higher Education (for universities) are responsible for educational planning, curriculum development, staffing and other relevant matters;
- The Ministry of Health oversees the provision of various health services and the maintenance of the health infrastructure;
- The Ministry of Culture and Tourism is in charge of attracting visitors to the country and maintaining cultural and historical sites;
- Among other things, the Ministry of Public Works and Settlement oversees the building and maintenance of major intercity highways and expressways;
- The General Directorate of State Hydraulic Works (DSI) is responsible for major urban water supply and treatment projects;
- The General Directorate of Post, Telegraph and Telephone oversees the provision of all postal and telecommunications services; Türk Telekom, which was privatized in 2005, is the fixed-line operator providing virtually all of the country's public voice services;
- With a few exceptions, electricity production and distribution are handled by the Turkish Electricity Generation and Transmission Corporation (TEAS) and the Turkish Electricity Distribution Company (TEDAS).

Along with the ministries listed below, there are numerous public institutions involved in specific areas of activity including military affairs, economy and trade, industry, education and science, Turkey-EU relations, press and information, statistics, planning, and religion.⁸

BOX 17. GOVERNMENT MINISTRIES IN TURKEY

- Ministry of Agriculture and Rural Affairs
- Ministry of Culture and Tourism
- Ministry of Energy and Natural Resources
- Ministry of Foreign Affairs
- Ministry of Environment
- Ministry of Finance
- Ministry of Forestry
- Ministry of Health
- Ministry of Industry and Trade
- Ministry of Labour and Social Security
- Ministry of National Defence
- Ministry of Justice

⁸ See <http://www.turkishembassy.org/index.php?> (Links)

BOX 17. GOVERNMENT MINISTRIES IN TURKEY (continued)

- Ministry of Interior
- Ministry of National Education
- Ministry of Public Works and Settlement
- Ministry of Transport

Local administration

Local government operates at the provincial, district, municipal and village levels and reflects a mix of central and local authority.⁹ The 1982 Constitution defines the structure and functions of local authorities, which are public corporate bodies established to meet the common local needs of citizens in the areas under their jurisdiction. Municipalities and provincial authorities are generally considered the two main pillars of local administration in Turkey.

The country's seven regions¹⁰ are divided into 81 administrative provinces. Provincial governors are appointed by the Council of Ministers and function as agents of the central Government. The governor heads both the provincial administrative council (comprising the directors of the provincial offices of national government bodies dealing with education, health, finance and agriculture)¹¹ and the elected provincial assembly (which advises and works closely with the aforementioned council on budgetary and other local administrative matters). Essentially, the governor is responsible for ensuring that all runs smoothly within the provincial administrative framework and, as head of the provincial security forces, is in charge of maintaining public order and security. In addition to the provincial offices of the central Government, each of these areas has a Special Provincial Administration¹² that coordinates and oversees the provision of local services across municipal boundaries (and of some specialized services within the municipalities). At the provincial level, the government is responsible for implementing national programmes for health and social assistance, public works, culture, education, agriculture, animal husbandry, and economic and commercial development.

The provinces comprise a total of 847 districts. The district administration consists of a district chief, representatives of the central Government, and a district administrative board. Nominated by the Minister of Interior and appointed by the President, each district chief is answerable to the governor, "serving essentially as his or her agent in supervising and inspecting the activities of government officials in the district".¹³

⁹ Much of the information provided in this subsection was obtained from <http://countrystudies.us/turkey/75.htm>.

¹⁰ Eastern Anatolia, Central Anatolia, Southeastern Anatolia, Black Sea, Mediterranean, Aegean and Marmara.

¹¹ Provincial units or branches of ministries may be established or closed down at the discretion of each ministry.

¹² Special Provincial Administrations were first established during the late Ottoman period in accordance with the provisions of the Temporary Law on the General Administration of Provinces of 1913. These bodies were assigned diverse functions, primarily within the fields of health, education, public works and social security. Special Provincial Administrations are now governed by the provisions of the recently adopted Law No. 5302 of February 2005.

¹³ <http://countrystudies.us/turkey/75.htm>.

The basic urban administrative units in Turkey are the 3,215 municipalities. Municipal governments operate in each provincial and district capital and in all communities with at least 5,000 residents. Municipal administration is carried out by the popularly elected mayor and municipal assembly, and by a municipal council made up of the mayor, the heads of municipal departments, and members of the municipal assembly.

There are three types of municipalities in Turkey — metropolitan, urban/metropolitan district, and non-metropolitan — with widely varying powers, responsibilities and resources. Metropolitan municipalities have been set up in the country's 16 largest cities,¹⁴ which together account for nearly 48 per cent of the total urban population. There are 77 other urban centres (districts within metropolitan areas) that are also included in the category of metropolitan government. Only around 80 municipalities have more than 100,000 residents, but together they account for over two thirds of all urban dwellers in Turkey. The system of municipal government has essentially been characterized by a large number of small and medium-sized urban centres and a relatively small number of larger settlements that disproportionately influence social, economic and political life in Turkey. Law No. 5393 of July 2005 has established a higher population threshold (5,000 rather than 2,000) for an area to be designated a municipality and calls for amalgamations to address excessive “fragmentation”.

During the 1970s, Turkish municipalities began forming associations and unions among themselves to address problems that extended beyond the boundaries of single municipalities and/or were beyond their individual capacities to solve. Proposed legislation makes it compulsory for municipalities to join single- or multi-purpose unions if doing so offers clear advantages such as economies of scale and greater efficiency and cost-effectiveness in the provision of services. The rising demand among civil society organizations for a say in decisions affecting urban institutions and facilities prompted debate on the concept of local government and its possible extension beyond efficient service provision.¹⁵ This led to the adoption of new legislation stipulating that professional organizations, NGOs, unions, and individual experts would be permitted to participate in the deliberations of municipal councils and assemblies, though they would not have voting rights. A separate informal body (city council) was to be formed to allow more extensive participation, and the recommendations of that body would be considered at the first annual meeting of the official assembly.

The village (an area with no more than 5,000 residents)¹⁶ represents the smallest unit of local government in Turkey. In every village, an informal assembly of adult

¹⁴ Istanbul, Ankara, Izmir, Adana, Adapazarı, Bursa, Gaziantep, Konya, Kayseri, Eskisehir, Erzurum, Mersin, Kocaeli, Diyarbakir, Samsun and Antalya. These specially designated municipalities (urban areas with populations exceeding 750,000) are subject to Law No. 5216 of July 2004.

¹⁵ Organization for Economic Cooperation and Development, “Managing across levels of government” Turkey” (1997) (available from <http://www.oecd.org/dataoecd/9/35/1902273.pdf>).

¹⁶ Until very recently, the village population threshold was 2,000; presumably, this figure has increased to 5,000 with the adoption of Law No. 5393 of July 2005, which defines a municipality as any area with a minimum of 5,000 residents.

citizens elects a headman and a council of elders, and all share the responsibility of overseeing the provision of both local and centrally mandated public services. Each of the more than 35,000 villages in Turkey also has a subdistrict director nominated by the provincial governor and appointed by the Minister of Interior; this individual is responsible for law enforcement and is assisted by officials in charge of providing various types of local public services. In accordance with the provisions of Law No. 5393 of July 2005, villages fall directly under the authority of provincial administrations.

2. Governance and public administration challenges and reform strategies in Turkey

2.1 The legal framework for public administration in Turkey

The draft legislation for public administration reform emphasizes basic principles of good governance and attaches special importance to decentralization and devolution; these latter objectives may not be easy to achieve in a country with strong centralist traditions. Below is an outline of the legal structure governing public administration and a review of recent developments and trends within this context; particular attention is given to the issue of decentralization.

As indicated previously, provinces and municipalities represent the most important units of local government. Articles 126 and 127 of the Constitution outline the structure, responsibilities and functions of the provincial administration (provincial and district units established to take and implement decisions on behalf of the centre) and of local authorities (democratic governmental bodies established outside the central administration to carry out local public services at the provincial, municipal and village levels); the former operate based on the principles of devolution and deconcentration, and the latter according to the principle of decentralization.

The popularly elected provincial general assembly is the decision-making body for each Special Provincial Administration. The latter is subject to the de facto control of the provincial governor, who heads the assembly and is responsible for endorsing or vetoing its decisions and approving the provincial budget. The budget must be submitted to the Ministry of Interior for ratification within 30 days of its approval at the provincial level. New legislative proposals eliminate this “administrative tutelage”, requiring only that the budget be submitted to the governor for information purposes.

District municipalities and non-metropolitan municipalities have the same status under the law, regardless of their size, and their principal administrative bodies are essentially the same; however, metropolitan municipalities have a different structure designed to meet the unique requirements of those areas.

Decentralization and reform at the local level

The 1930 Municipalities Act and other, related instruments provide the legal and regulatory framework for municipal activities. The Municipalities Act gives municipal administrations broad authority to take all necessary measures to ensure the health, well-being and welfare of local citizens, and defines the specific powers and responsibilities of municipal authorities in the areas of public regulation and service provision. The Act establishes a wide power base for municipalities; as public corporate entities, they have a reasonable amount of leeway in deciding how best to satisfy the needs of citizens. However, local government has always been a secondary partner, operating within what remains a highly centralized administrative framework. The structure, functions and operation of local administrations can be changed at any time by parliamentary or ministerial decree, and in many areas their powers overlap with those of the central authorities.

At the municipal level, mayors stand for election either independently or as candidates of political parties; once elected, however, they are obliged to resign from any administrative posts held within their parties. Each urban district and non-metropolitan municipality has a municipal council (a decision-making body elected by public ballot) and a municipal executive committee (an executive and decision-making body headed by the mayor and consisting of both elected and appointed members). Each metropolitan municipality has a metropolitan council (the main decision-making body of the area, composed of the metropolitan mayor, district mayors and one fifth of the district municipal councillors) and a metropolitan executive committee (an executive and decision-making body made up of the “secretary-general of the metropolitan government and the heads of the departments of urban planning and development, public works, finance, legal affairs, personnel and administration”).¹⁷

As mentioned, there are more than 35,000 villages in Turkey. Each is governed by a popularly elected elder known as the *muhtar* and a council whose members are also elected by village residents. The *muhtar*, as the area’s chief executive, not only represents his village and oversees the provision of local services, but also acts as the central government representative for the locality.

A corresponding structure exists in urban neighbourhoods; each elects its own *muhtar*, though this individual lacks the executive power of his rural equivalent and operates within a very limited framework. His main responsibilities are maintaining local records and ensuring that the proper local and central administrative authorities are made aware of any problems in the area. There have been recent efforts to further develop the neighbourhood administrative system. Various organizations are drawing up proposals aimed at enhancing citizen participation in local decision-making and otherwise strengthening and empowering neighbourhoods in order to reduce the burden on local governments.

¹⁷ Organization for Economic Cooperation and Development, “Managing across levels of government” Turkey” (1997) (available from <http://www.oecd.org/dataoecd/9/35/1902273.pdf>).

Over the past couple of decades there has been a trend — at least at the policy level — towards the gradual empowerment of municipalities. A municipal restructuring programme instituted in the mid-1980s, for example, allowed municipal authorities to collect property taxes and to introduce a tax for solid waste removal. The process is far from complete, however, as the central Government retains substantial control over key administrative and budgetary decisions at the subnational level. For instance, although municipalities can borrow funds from both internal and external sources, any internal borrowing that exceeds a certain percentage of their budget and all external borrowing are subject to central government approval. Similar limitations are incorporated in the new legislation.

The Municipalities Act of 1930 established the functional framework for governance at the municipal level, with reference made to a wide range of specific responsibilities. In the years since the Act was first promulgated, major socio-economic and technological developments have brought about substantial changes in local public requirements and expectations and in the structure of urban settlements, prompting a progressive re-evaluation and expansion of the scope of municipal activity to meet the rapidly evolving needs of urban society. The most fundamental changes occurred in the 1950s, when municipal functions were greatly expanded to address the challenges associated with rapid urbanization. A law passed in the mid-1950s added urban planning and development to the list of municipal responsibilities. In the 1960s, the scope of municipal authority over the regulation of urban economic activities was expanded. In the 1970s, certain obligations relating to environmental protection were added.

From the mid-1970s onward municipalities grew increasingly reluctant to allow the central Government to dictate what their powers and responsibilities should be. They began to lobby for greater autonomy and for the right to expand into new areas of public service. Their efforts met with some success; it was during this period that municipalities launched their first major public housing projects. Draft reform legislation considerably expands the scope of local government activity by adding new functions and responsibilities in areas such as health, crisis management, social assistance, environmental management and local economic development.

At present, municipalities are primarily responsible for services connected with public transport, roads and drainage, the construction of public housing, fire protection, water supply and sanitation, solid waste collection and disposal, parks and other recreational facilities, clinics and welfare facilities, veterinary health, wholesale markets, slaughterhouses and cold storage. Their regulatory functions centre around pricing, consumer protection, land-use planning and development, environmental health and pollution, and the protection and conservation of areas of natural, cultural and historical importance.

Village authorities have very limited resources and a small power base in comparison with municipalities; interestingly, the same is true for provincial administra-

tions.¹⁸ Apart from minor amendments, the original Administration of Provinces Act of 1913 is still in force today. However, sweeping changes have come about indirectly. A large proportion of the powers and responsibilities of the Special Provincial Administrations have been transferred to various ministries or local authorities, and because new legislation overrides earlier legislation in the event of contradiction, the scope of their remaining powers and responsibilities has shrunk significantly in practice. New draft legislation essentially reverses this trend with the transfer of most central ministerial functions in areas such as health, environment, tourism, culture and social assistance to the Special Provincial Administrations, making them the most important units of local government.

Strengthening the local resource base

In the past, local authorities faced chronic revenue shortages. Municipal budget deficits were largely financed by the non-payment of social security taxes on local employee incomes and through moratoriums on municipal debts.

Since the early 1980s, various steps have been taken to improve the resource base of local administrations. Particularly important were measures implemented in 1984 that emerged from a series of tax laws and related government decisions adopted a few years earlier. Specifically, municipal shares of national tax revenues¹⁹ were increased, new sources of local revenue (such as real estate taxes) were introduced, and municipal taxation and fee systems were rationalized. Moreover, substantial extrabudgetary funds were provided to support local initiatives.

Special Provincial Administrations are allocated a total of 1 per cent of national tax revenues. They also collect port, rice and quarry taxes and fees, but these and other “local” resources constitute only around 1.5 per cent of their overall revenue. Provincial authorities receive appropriations from the central budget for the construction of local school buildings, rural roads, village sewerage systems and other infrastructure projects. Most provincial funds are spent on agricultural and reforestation programmes, irrigation, and schools.

A new law on local government financing is under preparation, but early indications are that it will not include provisions for radically new funding mechanisms or sources. Local governments are certainly not given comprehensive local taxation rights.

An overview of central-local dynamics

Public administration in Turkey is shared by central and local authorities. Article 126 of the Constitution states that, “in terms of central administrative structure,

¹⁸To use the “borrowing” example related earlier with regard to municipalities, loans may be obtained by provincial administrations but are subject to a number of conditions. Funds may only be secured to finance projects in the fields of construction, health and educational services. If a loan amounts to no more than one third of ordinary revenue, the provincial assembly may ratify the relevant proposal put forward by the governor. A loan that exceeds this amount but does not total more than the authority’s ordinary annual revenue requires approval from the Council of Ministers and the Office of the President. A loan of a greater amount requires the promulgation of special parliamentary legislation.

¹⁹The Law on Municipal Revenue (Law No. 2380) fixes the shares for tax revenue allocations to subnational entities; after various amendments, the rate for municipalities currently stands at 1.7 per cent of total general budget tax revenues.

Turkey is divided into provinces on the basis of geographical situation and economic conditions, and public service requirements; provinces are further divided into lower levels of administrative districts”; it is also noted that provincial administration “is based on the principle of devolution of wider powers”. Article 127 states that “local administrative bodies are public corporate entities established to meet the common local needs of the inhabitants of provinces, municipal districts and villages, whose decision-making organs are elected”, and that “the formation, duties and powers of the local administration shall be regulated by law in accordance with the principles of local administration”. Article 123 addresses the need for unity and coherence, emphasizing that “the administration forms a whole with regard to its structure and functions”.

Turkey is progressively divided into provinces, districts, municipalities and villages. Though there has been greater support for self-government and an increased delegation of authority to provincial and municipal entities over the past couple of decades, public administration remains highly centralized in Turkey.

There is a general consensus on the need to dismantle the centralist structure, but progress in this area has been slow. Reforms aimed at strengthening the authority and autonomy of local governments are supported by all political parties. Those parties that have been in power have introduced a number of draft laws on local government reform that have been placed on the parliamentary agenda but have not been approved. The Justice and Development Party (Adalet ve Kalkınma Partisi, or AKP), which is presently the dominant political force in Turkey, has affirmed its commitment to incorporating comprehensive administrative reforms within its government programme and to ensuring the adoption of the draft law on local administration reform being prepared by the Ministry of Interior.

The relevant draft laws call for the application of principles of good governance — transparency, accountability, participation and responsiveness — at both the central and local levels to facilitate the establishment of a truly democratic system of public administration in Turkey. Some of the most important provisions incorporated within these instruments include the following:

- Fiscal information, including data on public expenditures, revenues, debts and loans, is to be published periodically;
- Public records and information (with the exception of confidential or classified material) is to be provided to citizens upon request;
- Civil society is entitled to send delegations to local councils and commissions to participate in the preparation and implementation of administrative acts. These delegations may take part in the deliberations and debates but do not have voting rights;
- The establishment of the institution of ombudsman (first at the central level and subsequently at provincial and local levels) offers citizens a mechanism for voicing complaints or concerns about maladministration;

- Special measures are introduced to ensure compliance with the EU *acquis communautaire* for fiscal control and auditing;
- The neighbourhood system becomes a component of the municipal administration and is empowered to participate in municipal affairs; neighbourhood representatives may express their views on municipal acts and decisions and submit proposals relating to neighbourhood issues.

It should be noted that representatives from civil society, universities, professional organizations and relevant public authorities participated in the formulation of these draft laws, but it is widely felt that attempts to obtain and incorporate the input of various stakeholders were ineffective.

2.2 Public service delivery

Turkey's centralized administrative structure and bureaucratic culture have interfered with effective public service provision. Until recently, most services were provided through traditional channels — either directly by central administrative authorities or through subcontracting arrangements. The system of public service delivery was characterized by the following shortcomings:

- A lack of transparency and accountability in the bidding process;
- Excessive government bureaucracy, sustained by delays in privatization;
- A general unwillingness to allow private foreign companies to participate in public service delivery;
- The failure to allow willing stakeholders to contribute to the different phases of public service provision (including needs identification and programme planning and implementation);
- Perhaps most critically, the poor quality of basic services.

New mechanisms for public service delivery

Acknowledging the various deficiencies in the provision of administrative services, government authorities modified traditional approaches to better address the evolving needs of citizens and developed a range of new mechanisms to improve the quality and efficiency of public service delivery. The new system comprises the following:

- *Services provided directly by administrative authorities.* Some functions and responsibilities are carried out by the central administration, while others (such as public health services, school construction and street-cleaning) are left to local authorities.
- *Contractual arrangements.* Private companies and non-profit organizations may submit bids to secure government contracts for the delivery of some services.
- *Partial privatization.* In some instances, the State furnishes the facilities and the private sector provides the services.

- *Leasing.* Government authorities can transfer responsibility for the management of some public services to private companies or non-profit organizations after having made the initial investment themselves. For instance, infrastructure facilities in some tourist areas are established by the central administration and then leased to the private sector.
- *Subsidiary arrangements.* Subsidies (financial or in-kind contributions) are provided to private companies, individuals or non-profit organizations to allow them to offer better-quality public services at a lower price.
- *Volunteers.* Individuals or groups may provide or contribute to the provision of various services without receiving any payment; the benefits of this option are most apparent in the fields of health and education.
- *Self-help.* In some cases citizens, or more frequently groups such as neighbourhoods, are encouraged to help provide some of the services offered in their respective localities.
- *Regulatory and tax incentives.* New regulations and tax incentives encourage private companies, individuals and non-profit organizations to undertake services normally provided by public authorities.

2.3 Human resource management in the public sector

In Turkey, the term “human resources” has only recently been introduced in public administration, signalling greater awareness of the potential for optimizing the development, utilization and management of this critical administrative asset. Civil service reforms have been initiated, but progress in this area has been slow, as traditional attitudes and practices are well entrenched.

Legal framework

Turkey’s 2.5 million public employees represent 14 per cent of the total working population.²⁰ The civil service is primarily governed by the Law on State Functionaries (Law No. 657 of 1965), and a significant amount of other legislation applies to different classes or groups of public servants in particular circumstances. Civil service law deals with such issues as job classification, professional status, remuneration, promotion, and the rights and obligations of personnel in different categories. Regulations are often conflicting or contradictory, and the basic law is more than 40 years old and requires comprehensive revision and updating. Draft legislation has been drawn up to streamline and modernize the civil service, but much of it is still pending. There have been some notable gains made in recent years, however; for example, certain branches of the civil service now have the legal right to establish trade unions and engage in collective bargaining.

²⁰ Much of the information on the conditions of civil service is taken from SIGMA, “Turkey: public service and the administrative framework; assessment, June 2005” (OECD and EU) (available from <http://www.oecd.org/dataoecd/55/45/35851033.pdf>).

Recruitment within the career civil service

Lacking an objective, competitive system of public employment, Turkey has faced persistent problems in the recruitment of qualified administrative staff. Politicians have often sought to ease unemployment pressures and resolve economic crises through increased government hiring, but such efforts have proved detrimental; the creation of superfluous public service posts has undermined administrative efficiency and significantly increased State financial pressures, stimulating inflation and weakening the economy.

There has been growing concern over the lack of fairness and objectivity in the civil service recruitment process, and citizens have placed increasing pressure on the Government to implement appropriate reforms. In the wake of successive economic crises, international organizations have also encouraged State authorities to modify the public recruitment system. The need to achieve harmonization with EU standards has perhaps been the major driving force behind reforms in this area, however. A brief historical overview of the civil service career system and a summary of recent developments in public sector recruitment are provided below.

The career system has a long tradition in Turkey. In the nineteenth century, the Ottoman authorities set up an efficient and impartial civil service in the ministries of interior, foreign affairs and finance as a component of their defensive modernization efforts. The system was eventually expanded to encompass virtually all government administrative and regulatory bodies.

The career system remains in place but is gradually being modified to enhance professionalism and improve public administration and service delivery. The recruitment process, which is described in some detail below, now begins with a general examination, after which candidates are either hired or subjected to further evaluation; those who are selected become career civil servants upon the successful completion of a probation and training period. The career civil service, which was established to facilitate the creation of a competent cadre of public servants, has been criticized for being a “closed” system; this is still true in the strictest sense, though the new mechanisms for public service delivery described in a previous subsection have effectively opened the door to external participation in certain areas.

The State Personnel Directorate processes applications for government employment and defines the principles governing the legal and financial status of public officers. Both central and local authorities typically employ three main types of personnel: civil servants, permanent and temporary workers, and contract staff. The criteria used to distinguish between the first two categories are often not clearly defined in some respects. Rights and responsibilities vary between the three categories but remain fixed for those in the same category, regardless of whether they are employed by local or central administrative entities. New draft

legislation supports an increase in contract-based hiring, challenging the “un-touchable” job security of public employees. Not surprisingly, this aspect of administrative reform has drawn heavy criticism from public employees’ unions.²¹

Merit-based recruitment and promotion procedures were introduced in 1999, and in 2002 new legislation provided for the establishment of a single recruitment centre and set procedures for the entire central administration.²² General competitive examinations, introduced in 2000, are now held twice a year; examination A is given to experts (university graduates) and examination B to lower-level candidates (secondary school graduates). Those in the latter category are recruited based on their test scores, while expert candidates must undergo additional evaluation, including specialized examinations and panel interviews, administered by individual administrative units. It is at this stage that the process becomes most vulnerable to subjectivity, partiality and inequality. It is generally agreed that the recruitment situation has improved significantly over the past few years, though patronage remains a problem; at the central level, the interview to which higher-level candidates are subjected is given the most weight in hiring decisions, and patronage influences the selection of all types of personnel at the local level, especially during election periods.

Personnel management

Personnel management has long been considered an organizational component and has therefore been governed exclusively by a set of standard legal provisions within the formalized framework of public administration. The main criticism of the public sector personnel management system is that it functions within a very rigid legal structure that allows no flexibility or adaptation to changing needs and new developments in administration and does not incorporate results-based criteria that would promote quality service delivery. For example, there are no provisions for external recruitment or hiring part-time experts or staff,²³ and promotion, career advancement and salary structures are not linked to qualifications or performance evaluation.

Performance management is a relatively new concept within the Turkish public sector, and examples of its application are rare. Personnel budgeting and control activities are still based on “by the book” calculations. Wage increases and promotions are automatic, occurring at regular intervals in accordance with legally established schedules; no consideration is given to employee performance or to the relative contributions of various staff members to efficient public service delivery. Changes have been proposed, however; new draft legislation incorporates provisions for benchmarking and performance evaluation based on centrally established standards.

²¹ New laws allow certain public employees (around 70 per cent) to unionize, but striking is strictly prohibited.

²² This includes the central State, provincial and municipal institutions.

²³ As noted previously, the Turkish civil service is characterized by a closed career system, in which initial entry is based on academic credentials and there are subsequent opportunities for mobility and promotion from within; possibilities for lateral entry are limited. This may be contrasted with position-based systems, which focus on selecting the candidate best suited for each position “whether by external recruitment or via internal promotion or mobility” ([http://www.worldbank.org/html/extdr/thematic/htm_Topic in Development: Public Sector Governance> Knowledge Management: Thematic Groups: Administrative and Civil Service Reform>Highlights: Glossary of Key Civil Service Terms](http://www.worldbank.org/html/extdr/thematic/htm_Topic%20in%20Development%20Public%20Sector%20Governance%20Knowledge%20Management%20Thematic%20Groups%20Administrative%20and%20Civil%20Service%20Reform%20Highlights%20Glossary%20of%20Key%20Civil%20Service%20Terms)).

Training represents a critical component of human resource management, particularly within the framework of establishing performance-based promotion criteria. The State Personnel Presidency, an administrative unit with advisory and executive responsibilities, develops policy for the training of public sector employees. New employees must participate in basic and preparatory training and serve an internship before being designated permanent staff members. For confirmed or tenured civil servants, differentiated training is provided at the institutional level to increase efficiency, update knowledge, and facilitate the adjustment to administrative changes. Each institution has an independent training board that establishes priorities and prepares a yearly training calendar. Many different types of training are provided to develop skills and capacities and to prepare civil servants for promotion and higher management positions;²⁴ since the adoption of merit-based recruitment and promotion procedures in 1999, training has been a prerequisite for advancement within the civil service at both the central and local levels. The Public Administration Institute for Turkey and the Middle East, established in 1963, offers a master's degree in public administration and conducts academic research. Clearly, the training infrastructure is extensive; however, there are some concerns about the overall quality, relevance and organization of the training itself. At present, there is no standardized system of training for central government employees. Ongoing professional development within a modern, well-defined framework is essential for effective public administration and service delivery.

Challenges within the human resource context

As indicated above, various civil service reforms have been proposed and initiated, and some initial progress has been made; however, much remains to be done. Serious deficiencies are still apparent in the areas of civil service legislation, recruitment, promotion, training, and performance assessment. Government salaries and wages have failed to keep pace with inflation and the rapidly rising cost of living, traditional job security is being threatened, and few incentives are provided to increase employee motivation or enhance efficiency and productivity. At the subnational level, the greatest obstacles to administrative development include the necessity of securing central government approval for all local hiring decisions and the fact that civil servants within the central and local government have the same rights and responsibilities. This excessive dependence on the central administration means that local government structures lack the flexibility to adapt to local conditions and are therefore unable to respond effectively to citizens' needs.

Human resource management in the broad context of public administration reform

Civil service reform constitutes a fundamental component of the Government's efforts to improve public administration. Optimizing human resource management has the most direct impact on administrative efficiency and the quality of public service delivery and is essential to the success of all other aspects of administrative reform.

²⁴ SIGMA, "Turkey: public service and the administrative framework; assessment, June 2005" (OECD and EU) (<http://www.oecd.org/dataoecd/55/45/35851033.pdf>), pp. 13-16.

A summary of the draft legislation currently being considered within the commissions of the Turkish Grand National Assembly in support of people-centred administrative development is provided below.

Strengthening the internal integrity and capacity of the civil service establishes the necessary foundations for administrative reorganization and restructuring and ultimately for good governance. The draft law on public administration introduces modern principles and provisions consistent with international best practices in human resource management. It establishes a new conceptual framework, replacing the term “personnel” with “human resources” in most contexts. Human resource planning, in-service training, and performance evaluation become compulsory. The draft legislation also redefines the status of part-time workers and assigns some of the top enlisted bureaucrats quasi-political status, with their term of office linked to the term of office of the Government under which they serve.

Turkish authorities have initiated efforts to reorganize the public management system and restructure intragovernmental fiscal and political power-sharing mechanisms. In the 1980s, influenced by Western trends, Turkey attached high priority to redefining the role of the State, reducing the size of the public sector, and increasing the efficiency of public administration and service delivery. In the absence of strong political leadership, these plans were not translated into action. The system of public administration remained weak and ineffective; there were no comprehensive administrative reforms to complement the extensive economic liberalization undertaken during this period. It was not until the beginning of the new millennium that concrete steps were taken to address the situation. Recognizing the impact poor administration was having on the country’s economic performance and overall development, the ruling Justice and Development Party incorporated extensive provisions for public sector reform in its Urgent Action Plan in 2002 and in official government development plans and programmes. Within this framework, draft laws on public administration and local government have been formulated and submitted to the parliament for approval. The proposed legislation establishes new horizons for public governance in Turkey.

The draft laws restructure the relationship between the central Government, provincial administrations and municipal authorities and incorporate provisions designed to promote good governance. Reform priorities include increasing transparency and accountability, strengthening administrative capacity and productivity, and facilitating participatory and results-oriented decision-making. A key objective is to better define the duties, responsibilities and areas of authority of the central administration and local administrations so that quality public services can be provided in a fair, timely and efficient manner.

2.4 The challenge of electronic government

ICT integration is proceeding rather slowly in Turkey. Administrative digitization and e-government development are acknowledged reform priorities, but real progress has been limited owing to the following:

The absence of a strong basic infrastructure. According to the *United Nations Global E-Government Readiness Report 2004*, Turkey ranks 57th out of 178 countries in terms of e-readiness; fewer than 73 per 1,000 residents use the Internet, and only around 45 per 1,000 have access to a personal computer.

The lack of a well-defined vision and mission statement. Because there is no unified set of national objectives and priorities to serve as a reference point for systemwide ICT integration, e-government planning, development and implementation are guided by the exigencies of individual organizations, leading to fragmentation.

The lack of coordination among government agencies. Though all Turkish ministries have their own websites, there are no links between them; their integrative and interactive potential remains largely undeveloped.

The unavailability of public information on the Internet. Relatively little information of public interest is accessible through official government websites.

The lack of cooperation between the Government and the private sector. The extensive ICT expertise available in the private sector has not been fully utilized in e-government project development and implementation.

Resistance to administrative reform among civil servants. Bureaucrats are typically resistant to change; many feel that their authority is undermined by the informatization of public administration.

The lack of formal education in computer and Internet use. School curricula are outdated and do not provide a sufficient base for the acquisition of e-literacy.

The absence of a comprehensive legal framework for e-government. New challenges are emerging in connection with rapid ICT advances, and legislation is needed to address such issues as intellectual property rights, the protection of privacy and personal information, and ICT-related criminal activity.

In e-government development, as in many other contexts, Turkey is pursuing the dual objectives of improving public administration and service provision and achieving compliance with European standards to facilitate future integration. ICT proliferation at all levels is essential if Turkey hopes to realize its goal of establishing an information society.

Fragmented efforts to promote ICT development were undertaken during the second half of the 1990s. The e-Turkey Initiative for e-Europe was implemented during the period 2001-2002 to ensure the alignment of the Turkish and European e-government systems. Shortly after assuming power in 2002, the new AKP-led

Government put together the Urgent Action Plan, identifying public administration reform as one of four priority areas. The e-Transformation Turkey Project, developed within this framework, was launched in March 2003, and the Information Society Department was established within the State Planning Office to facilitate the process of ICT integration, to coordinate the implementation of the e-government programme, and to ensure harmonization with EU norms and standards. The Project is guided by two action plans,²⁵ a 42-member advisory council, and eight working groups made up of representatives from public and private sector agencies, NGOs and universities. In 2005, US\$ 386 million was earmarked for a number of central government initiatives, with priority given to the development of an e-government gateway, a centralized census management system (MERNIS), an identity-sharing system (KPS), a tax office automation system (VEDOP), a project on social security e-filing for employers (e-Bildirge), an electronic public procurement platform, a customs modernization project (GIMOP), and a police computer network and information system (PolNet). More recent additions to the list of Project activities include a national judicial network project (UYAP) and several initiatives focused on improving computer and Internet access and training in schools.

As noted previously, all ministries have their own websites; some provide only information, whereas others (such as the ministries of interior and finance) have interactive portals and offer online services.

Municipal and other local authorities have also begun to computerize certain aspects of public service delivery, including tax collection and the provision of licences. E-transformation projects have been successfully implemented in the metropolitan municipalities of Ankara and Istanbul and in the Yalova municipality. The Prime Ministry and the Ministry of Interior have launched a local networking project to provide local authorities with shared access to administrative data and information.

3. Priorities in reforming governance and public administration in Turkey

A strong centralist tradition and long-standing structural and organizational weaknesses have undermined the effectiveness of public administration in Turkey. Until recently, the system was seen as lax and inefficient, and the quality of services provided to citizens and investors was generally poor. Over the past decade, in response to both internal and external pressures, the Government has initiated a series of dynamic reforms within the public sector, focusing principally on enhancing administrative capacity, efficiency, accountability and performance.

Turkey has a long history of administrative development, but contemporary public sector reform, which dates back to the introduction of five-year development plans in the early 1960s, has focused primarily on administrative modernization and strengthening local government. As mentioned previously, the need to redefine

²⁵ The short-term action plan (2003-2004) identifies the following eight areas of priority for ICT development: strategy, e-education and human resources, e-health, e-commerce, standardization, infrastructure and information security, legislation, and e-government.

the role of the State was formally acknowledged in the 1980s, during the period of extensive economic liberalization in Turkey. However, a comprehensive administrative reform programme was not launched until very recently.

Shortly after assuming power in 2002, the current Government prepared an ambitious reform package covering a broad range of issues and sectors. Comprehensive draft laws on public administration and local government represent the cornerstone of reform, introducing new parameters for public policy and providing the framework and mechanisms for achieving better governance. The draft legislation includes provisions for establishing a participatory, transparent, accountable and efficient system of public management; for redefining the functions of the State to better address citizens' needs; for achieving a more equitable distribution of power between central and local authorities; and for strengthening the relationship between all stakeholders in the public and private sectors. Demonstrating its serious commitment to reform, the new Government recently reduced the number of State and line ministries from 38 to 23 and the number of entities attached to the Prime Ministry from 52 to 32.

3.1 Administrative reform at the local level

Though there has been greater support for self-government and the delegation of authority to provincial and municipal administrations over the past couple of decades, public administration remains highly centralized in Turkey.

In urban areas, the responsibilities and power domains of central and municipal authorities often overlap. The central Government has delegated some of its authority to municipalities but has also taken over various functions that should be carried out by local administrations. Municipalities represent the most important units of local government but typically have limited power and resources. Local administrative expenditures as a share of total government expenditures have actually decreased over the years.

In accordance with the provisions of the European Charter of Local Self-Government,²⁶ local administrations that operate under excessive central supervision with insufficient local resources will undergo restructuring. The Turkish draft law on public administration establishes a framework for local administration and service provision, stipulating that local services not officially assigned to other institutions will be carried out by local authorities. Within this context, the plan is to transfer some public functions relating to health, culture, tourism, rural infrastructure development, agriculture, youth welfare, sports, and social services to local administrations.

With the implementation of these and other reforms, local government authorities will be transformed into modern administrative units with increased autonomy and the capacity to generate their own resources to meet local needs. They will oper-

²⁶The Charter was opened for signature by the member States of the Council of Europe on 15 October 1985 and entered into force on 9 September 1988.

ate more independently in many respects but will essentially remain under the administrative trusteeship of the State to ensure “the functioning of local services in conformity with the principle of the integral unity of the administration”.²⁷ Local projects will be developed and implemented in accordance with predefined standards, and national and regional plans and policies to be executed at the local level will be defined by the central administration.

3.2 Creating an enabling environment for private investment

Internal pressure for change has intensified in Turkey over the past couple of decades owing to economic crises, natural disasters, regional disparities, and political challenges. Strengthening the economy has been a top national development priority, and the Government has undertaken fundamental economic and political reforms in order to create an enabling environment for domestic and foreign investment. Streamlining public administration and improving public services are also critical within this context, but comprehensive administrative reform has only recently been designated an urgent priority.

The creation of a favourable economic environment is also important within the context of Turkey’s candidacy for EU membership.²⁸ A number of European countries have serious reservations about Turkish integration, in part because of the country’s poor economy; therefore, it is essential that every effort be made to promote free market development, establish mechanisms for ensuring fair competition and consumer protection, decrease economic risk factors, contain chronic inflation, and eliminate politically motivated and populist subsidies.

A review of economic developments in Turkey during the past quarter century indicates that the private sector has played an increasingly important role in the economy, while investment in State-owned industries and other public sector enterprises has declined. Privatization has been a critical component of economic liberalization. The Turkish privatization programme was initiated in 1983, gained momentum with the adoption of the privatization law in November 1994, and was fortified by the August 1999 amendment of article 47 of the Constitution to allow the privatization of public services when in the public interest. Privatization has been pursued in a number of critical sectors, including communications, public utilities (gas and electric power distribution), and public transportation. Build-operate-transfer (BOT) arrangements, which essentially allow Governments to tap private resources for public infrastructure building, have been extremely important within this context.²⁹ Introduced in Turkey

²⁷ The Constitution of the Republic of Turkey (7 November 1982), article 127, para 5.

²⁸ Turkey’s European ambitions date back to the 1963 Ankara Agreements. The country formally applied for EU membership in April 1987; its candidacy was officially recognized in December 1999, and preliminary negotiations for EU membership were initiated in October 2005.

²⁹ A concession is granted to a private sponsor, who builds and operates the facilities for a fixed period of time and then transfers them to the entity that provided the concession; the arrangements ensure that any lending institutions are fully repaid and that sponsors receive a sufficient return on their investment. See http://www.dundee.ac.uk/cepmpl/car/html/car3_article1.htm.

in 1984, the BOT scheme has provided an alternative means of financing big infrastructure projects. Local authorities have exploited this option when they have been unable to secure local or central government financing for services and facilities such as transportation systems and commercial centres. The BOT system has even been utilized for the construction of housing and office blocks, hotels, and entertainment complexes.

The economic environment in Turkey has improved significantly over the past several years. Economic liberalization policies were pursued during the last two decades of the twentieth century with mixed results; however, notable gains have been made in recent years owing largely to the implementation of an IMF-guided economic stabilization programme and increased political stability. In 2003, inflation fell to single-digit rates for the first time in 30 years, which had a positive impact on interest rates. Legislation adopted in February 2004 introduced new incentives (including tax exemptions) for foreign and domestic investment in less privileged provinces. Greater monetary stability allowed Turkey to reevaluate its currency, leading to the introduction of the Turkish new lira at the beginning of 2005.³⁰

While significant gains have been made, Turkey is still facing some difficulties in creating and maintaining a stable and supportive environment for private investment, largely owing to administrative inadequacies. Comprehensive reforms are now under way, but negative perceptions of the bureaucratic apparatus continue to prevail in business circles. There have also been some challenges associated with the judicial system and legislative framework. A concerted effort has been made to harmonize relevant laws and regulations with the EU *acquis communautaire*; however, Turkey still faces problems relating to international dispute settlement and the establishment of a stable, comprehensive legal framework for investment.³¹ The sluggishness and inefficiency of the legal system and the lack of specialized courts constitute a major impediment to creating an investment-friendly environment.

Various steps have been taken to address deficiencies in the legal system. Within the framework of a new project on judicial modernization and penal reform, the Justice Academy has been established to provide pre-service and in-service training to judges and prosecutors. With a recent amendment to the Constitution, an international arbitration system has been introduced to minimize political intervention in judicial matters and to protect intellectual property rights. Strengthening trade has been a top priority. Turkey and the EU formed a customs union in the mid-1990s, and the next six years saw the progressive elimination of various trade barriers including the overprotection of domestic industries. A report published by the European Commission indicated that by 2001 the Turkish customs

³⁰The Turkish new lira, or YTL, was introduced into circulation on 1 January 2005, reflecting the removal of six zeroes from the old unit (TL 1 million = YTL 1).

³¹Specifically, the application of existing laws is often inconsistent and unpredictable, and frequent changes in legislation make it impossible to establish a stable enforcement framework. Insufficient administrative capacity and the lack of a political culture whereby decisions and commitments made by previous authorities are honoured exacerbate the problem. See <http://www.tusiad.us/Content/uploaded/TURKEY-INVESTMENT-ENVIRONMENT.PDF>.

code was almost fully aligned with the EU *acquis communautaire*, and the corresponding 2004 and 2005 reports noted that Turkey had continued to strengthen its administrative capacity within this framework, modernizing customs checks and computerizing customs offices, but that substantial efforts were still required to achieve full harmonization.³² In 2003, the Turkish Government enacted a new public procurement law to facilitate increased domestic and foreign private sector participation in State tenders.

Unfair competition affects both businesses and consumers. The Turkish Competition Authority was established in 1997 to enforce regulations and decisions intended to ensure fair competition in line with EU requirements. In the recently amended penal code, provisions relating to unfair competition have been expanded and relevant penalties strengthened. Act No. 4077 of 1995, amended by Act No. 4822 of 2003, was adopted to protect consumers from the negative consequences of unfair competition between companies and to contribute to the creation of a fair and competitive economic environment.

3.3 Progress achieved in modernizing public administration: an overview

Over the past couple of decades, the traditional approach to governance has been profoundly challenged by major internal and external developments, including the democratization process, the evolution of the Turkey-EU relationship, political stabilization, and periodic economic shocks and natural disasters. Domestic actors (voters, civil society and the media) and regional and international bodies have placed increasing pressure on the Turkish Government to accelerate the implementation of reforms. The process has gained considerable momentum over the past five years with the formalization of Turkey's EU candidacy, the coming to power of a new Government committed to change, and the adoption of a national development plan providing for the establishment of a fully democratic system of government.

The Eighth Five-Year Development Plan (2001-2005) called for major changes in government administration, providing for the restructuring of the central Government, increased decentralization, and the strengthening of participatory and citizen-centred governance at the local level in line with the principles and provisions of Turkey's local Agenda 21 programme.³³

The centralized approach to public administration is well entrenched in Turkey, having been developed during Ottoman times, reinforced throughout the period of State consolidation, and further strengthened and sustained in the succeeding decades under various administrations. The strong bureaucratic tradition served

³² See <http://europa.eu/scadplus/leg/en/lvb/e71113.htm>.

³³ The Local Agenda 21 Programme was launched by the United Nations Conference on Environment and Development in Rio de Janeiro in 1992. Paragraph 28.2 of Agenda 21 states that "by 1996, most local authorities in each country should have undertaken a consultative process with their populations and achieved a consensus on 'a local Agenda 21' for the community". A project entitled Promotion and Development of Local Agenda 21 in Turkey (TUR/97/005/A/01/99) was initiated at the end of 1997; in 2001 the Turkish programme was adopted as a "worldwide best practice" by the United Nations Development Programme, which provided the project financing.

a purpose in the early years of national development but now represents an impediment to progress. The established system allows politicians to retain excessive power and influence and creates dangerous imbalances between central and local authorities. With insufficient resources, political authority and administrative capacity, local administrations are unable to meet the needs of citizens.

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(Ministry of Public Sector Modernization)
- <http://www.pm.gov.ma>
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Part Three: Western Balkans

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<http://www.alvrs.com>

(Association of Local Authorities of Republika Srpska; also referred to as the Association of Towns and Municipalities of Republika Srpska)

<http://www.ads.gov.ba>

(Civil Service Agency of Bosnia and Herzegovina)

<http://www.dei.gov.ba/>

(Directorate of European Integration, established by the Council of Ministers of the Republic of Bosnia and Herzegovina)

<http://www.rsprivatizacija.com>

(Directorate for Privatization of Republika Srpska)

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<http://www.bihfedomb.org/eng/index.htm>

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<http://www.predsjednistvobih.ba>

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Journalistic and press sources

<http://www.ansa.it/balcani>

(ANSA, the largest press agency in Italy; special section dedicated to the Balkan region)

<http://www.hidra.hr>

(Croatian Information Documentation Referral Agency, the central government portal for official public documents and information)

<http://www.hina.hr>

(HINA, the official Croatian press agency, based in Zagreb)

<http://ika.hr>

(IKA, the Croatian Catholic Press Agency, based in Zagreb)

<http://www.osservatoriolbalcani.org>

(Osservatorio sui Balcani, an institute comprising various non-governmental organizations involved in protecting human rights and promoting collaboration between the public and

private sectors)

<http://www.stina.hr>

(STINA, an independent Croatian press agency based in Split)

Reports and general information

<http://ec.europa.eu/comm/enlargement/croatia/index.htm>

(European Commission; news and information on Croatia)

<http://www.globalgeografia.com>

(Global Geografia; general news on Croatia)

<http://www.cia.gov/cia/publications/factbook/>

(United States. Central Intelligence Agency. Country profile for Croatia.
The World Factbook.)

Legislative databases

<http://www.croacta.com/>

(catalogue and search engine for legislation, international accords, and other legal instruments, information and documentation relating to Croatia)

<http://www.eurorecht.hr/>

(CroLex, a legislative database; user redirected to

http://www.crolex.net/portal/crolex/?p=ref/2/25870&t=Drzava&v=Drzava_)

Research institutes, projects and ongoing studies

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(National Democratic Institute for International Affairs. NDI Worldwide. Europe: Eastern & Central: Croatia.)

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(University of Split, Croatia)

<http://www.unizg.hr/>

(University of Zagreb, which, among other things, is conducting a research project on the political conditions necessary for the country's development)

<http://www.urban-institute.hr>

(Urban Institute, a partner organization involved in a local government reform project initiated and financed by the United States Agency for International Development)

<http://www4.worldbank.org/sprojects/>

(World Bank. Projects and operations. Search by country/area for projects carried out in Croatia.)

<http://www.worldlearning.org/ptp-e/>

(World Learning for International Development, a USAID initiative designed to develop the skills of individuals and strengthen the capacities of local organizations as effective advocates and agents of progress and social change. The section on “training and capacity-building” describes the START Participant Training Programme in Bulgaria and Croatia.)

Government offices, institutions, agencies and resources

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<http://www.hgk.hr>

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<http://www.vlada.hr>

(Government of the Republic of Croatia)

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(Agency for Small and Medium-Sized Enterprise Development)

<http://www.nbj.yu>

(Central Bank of Yugoslavia)

<http://www.szs.sv.gov.yu>

(Federal Institute of Statistics)

<http://www.sr.gov.yu>

(Government of the Republic of Serbia)

<http://www.minttu.sr.gov.yu>

(Ministry of Trade, Tourism and Services)

<http://www.min-cul.sr.gov.yu>

(Ministry of Culture)

<http://www.mpriv.sr.gov.yu>

(Ministry of Economy)

<http://www.min.edu.yu>

(Ministry of Education and Sport)

<http://www.mem.sr.gov.yu>

(Ministry of Energy and Mining)

<http://www.mfin.sr.gov.yu>

(Ministry of Finance)

<http://www.mup.sr.gov.yu>

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<http://www.mier.sr.gov.yu>

(Ministry of International Economic Relations)

<http://www.mpravde.sr.gov.yu>

(Ministry of Justice)

<http://www.minrzs.sr.gov.yu>

(Ministry of Labour, Employment and Social Policy)

<http://www.uzzpro.sr.gov.yu>

(Ministry of Religion)

<http://www.nauka.ac.yu>

(Ministry of Science and Environmental Protection)

info@arii.sr.gov.yu

(State Agency for the Development of ICT and the Internet)

<http://www.pa-serbia.co.yu>

(State Agency for Privatization)

rzrazvoj@infosky.net
(State Office for Development)

Journalistic and press resources

<http://www.beta.co.yu/korupcija>
(Beta independent agency, dealing mostly with corruption)

<http://www.blic.co.yu>
(*Blic*, a Belgrade newspaper; there is also a version called *Blic Montenegro*.)

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