

**Background Paper on Public Administration Reform and Measures to reactivate the economy**

**Introduction**

1. Almost ten years after the 1998/99 armed conflict and the political instability that followed, the economic and social situation in Guinea Bissau remains largely fragile. Two thirds of Bissau-Guineans live in absolute poverty and achievement of the MDGs by 2015 is increasingly unlikely. The country is ranked 175 out of 177 countries in the UNDP Human Development Report for 2007-2008. Guinea-Bissau equally displays low economic performance, with a growth rate of 1.8 % in 2006 and 2.7% in 2007. Its dependence on one single economic export commodity, cashew, the rise in prices of oil as well as of basic products such as rice, milk and flour affect economic growth and the purchasing power of the population, in particular the most vulnerable. The effective per capita GDP was €153 in 2006 and €163 in 2007. Inflation was estimated at 3.8% in 2007, in a context marked by the accumulation of outstanding internal payments, including salary arrears.

2. The armed conflict of 1998/99 and continuing political instability have also contributed to the weakening of public administration, the deterioration of infrastructure, the increase of public deficit, and poor private sector development, all of which are slowing down the reactivation of the economy. Investments remain weak, (12.2% of the GDP in 2006) and largely implemented by the State through external funding (88.5% of all investments in 2006).

3. In order to tackle these problems and other development-related and poverty reduction challenges, the Government of Guinea-Bissau presented a Poverty Reduction Strategy Paper (DENARP) to the development partners at the Geneva Round table in November 2006. One of the major axes of the national strategy relates to promotion of economic growth and the creation of jobs.

4. Public administration reform is also a key element of the DENARP and one of the Government priorities in efforts to improve public funding and management. With the administrative reform, the government of Guinea-Bissau intends to modernize its public administration to i) reinforce its capacities and to make it more efficient and accountable; (ii) to improve public finance management; (iii) to create the conditions to implement public policies, aimed namely at consolidating peace, poverty reduction and promotion of economic growth.

**The economic challenges for Guinea-Bissau**

5. ***Improvement of public funding and management.*** Acceleration of economic growth requires, inter alia, a public administration capable of implementing adequate public policies in order to ensure macroeconomic stability, increased State revenue, an improved business environment and a diversification of export products. The efforts carried out by the Government, since May 2007, in the improvement of public finances led to the signing with the IMF of the Emergency Post-Conflict Assistance (EPCA) programme for the year 2008, which opens up good perspectives for additional support. However, more efforts and appropriate reforms are needed to increase State revenue, create budgetary discipline, reform public administration and reinforce its capacities.

6. ***Aid mobilization and its efficient management.*** In light of the limitations of Guinea-Bissau's internal financial and human resources, the implementation of policies and reforms requires the support of the international community. The November 2006 Geneva round table,

organized with UNDP support, raised pledges amounting to US\$ 279.38 million, of which US\$ 29.45 million in budget support and US\$ 249.93 million in programme support. Whereas pledges for budget support have largely been respected, assistance for development programmes and projects has, for the most part, yet to materialize. Within the context of the EPCA with the IMF, an increase of support to Guinea-Bissau, mainly budget support, is planned. At the same time, the country's inclusion in the PBC agenda, as well as its access to support from the Peacebuilding Fund, will result in additional support by the international community to programmes in the context of DENARP, the Security Sector Reform plan and the country's other national strategies. The perspective of an aid increase to Guinea-Bissau requires adequate technical monitoring in order to ensure greater efficiency and to facilitate the implementation of the reforms.

7. ***Development of the private sector.*** The private sector in Guinea-Bissau is poorly developed and essentially concentrated on import / export activities. Efforts need to be made towards facilitating the growth of the private sector in key sectors such as agro-industry, livestock farming, fisheries and tourism, which will not only contribute to the diversification of exports and the creation of jobs but will also ensure income to the population, including the most vulnerable in rural areas. Besides the lack of an adequate business environment favorable to the development of private projects, the private sector suffers from inadequate basic economic infrastructure (transportation, communications, electricity, etc.) and the absence of funding, as well as monitoring and follow-up assistance for entrepreneurs to implement their projects.

8. ***Public debt.*** With an external debt estimated at 524.7 billion F CFA (over US\$ 1.1 billion) representing 300 percent of the GDP in 2006, external debt constitutes an enormous burden for Guinea-Bissau. An adequate management of the EPCA may help reduce the country's external debt and widen perspectives for a growth and poverty reduction facility programme with the IMF. That would allow the country to fully take advantage of the initiative in favor of the highly indebted poor countries (HIPC) as well as the initiative in favor of reduction of the multilateral debt.

9. ***Poverty reduction and the achievement of the MDGs.*** Important investments are needed in the economic and social sectors in order to accelerate achievement of the MDGs. These investments, by contributing to the improvement of the living conditions of the population, will help to break the vicious circle of poverty, thus enabling them to contribute more productively to the economic and social development of the country.

### **The challenges of public administration reform**

10. ***Coordinating donor support.*** Several partners currently provide support to the public administration reform. This is the case for example of the European Union which will soon launch a project to assist with the public sector reform amounting to €6,5 million, and also Portugal which plans to intervene through its recently approved 2008-2010 "Indicative Cooperation Programme". UNDP already provides support mainly for the creation of a computerized human resources data base system and a local E-Governance Project (funded through a Spanish thematic trust fund -TTF) for a planned amount of US\$ 2.5 million. These partners, together with the World Bank, African Development Bank (ADB), the IMF and other bilateral partners, equally intervene in the management of public finances. The EU facilitates the partners' group for public sector reform. The elaboration and implementation of a public administration reform and development programme could constitute a major instrument for harmonizing the support from different partners and consequently contribute to a better coordination of their interventions in this critical area. The PBC engagement in Guinea-Bissau could serve as a mechanism for coordinating resource mobilization among Member States of the UN.

11. ***Redefinition of the functions of the State's administrative apparatus and its accountability.*** The redefinition of the functions of the public administration should start with the simplification of the organic frameworks that regulate the functioning of government structures and the disengagement of the State from productive and commercial activities. This would allow the State to refocus its interventions on the provision of quality public services and the coordination of public development policies, including at the local level. Public administration should be accountable for its actions, not only in the management of public resources, but also in the provision of quality public services namely in the areas of health and education. The respect for regulations and procedures, namely those aiming at the improvement of management of public finances, needs to be promoted and valued through the culture of merit and professional accountability.

12. ***Improvement of human resource management and reinforcement of public administration capacities.*** The excessive number of civil servants in public administration constitutes a heavy financial burden on the State. Management of human resources suffers equally from the absence of career plans and capacity building programmes. Besides the excessively overstaffed public administration, other problems arise such as the lack of qualified human resources in different specialty areas. Measures that could contribute to a better management of human resources and capacity building of the public administration include (i) the implementation of a retirement and pension system for workers, (ii) the creation of a computerized system for management of workers and their salaries, (iii) the elaboration and implementation of a career management plan, and (iv) a national capacity building development plan.

### **Conclusion**

13. In a context of internal financial and human resources deficit, the promotion of economic growth and implementation of administrative reform should be understood as interdependent and complementary challenges, with the successful tackling of one challenge contributing to a proper addressing of the other. Above all, the absence of responses to the most elementary needs of the population sets the condition for political instability, which in turn further enhances the vulnerability of the already fragile state. Reforming public sector administration and reactivating the economy would help to break this vicious circle and allow for the consolidation of peace and create favorable conditions for prosperity in Guinea-Bissau.

14. In spite of the pledges made at the November 2006 Round Table, Guinea-Bissau still needs support to promoting economic growth and creation of jobs. The assistance from the international community has been oriented towards consolidation of the democratic process and support to the State budget in order to guarantee the payment of salaries and a minimum level of functioning of the State. While it is recognized that public administrative reform is also at the center of the partners' attention, much remains to be done to fulfill it. Areas in need include management of the civil servants, management of careers and capacity building through creation or rehabilitation of training centers or schools in the different public administration disciplines.

15. The support of the Peacebuilding Commission could be provided as a complement to the efforts of the Government and other partners in the areas of administrative reform and management of public finances. It could also help fill the gap in the development programmes and projects aimed at re-launching economic activities, creating jobs (mainly among the youth) and reducing poverty. These are doubtless key elements for political stability and peacebuilding in Guinea-Bissau, alongside the reform of the defense and security sector and the consolidation of democracy.