Tanzania Civil Service Reform Programme

Case Study

Graham Teskey and Richard Hooper

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1. Context and Background

Following the Arusha Declaration of 1967 through to the late 1980s, Tanzania saw a dramatic expansion in the role of the state in all areas of the economy. State enterprises, whether newly created or expropriated from the private sector, were heralded as the driving force of economic growth. Wealth generated by these enterprises was intended to finance the expansion of a Civil Service, which would provide free health care, education and other public services to create a well-educated and healthy socialist utopia.

Initial results were encouraging with impressive improvements in indicators such as literacy and child mortality rates. However the growth of the Civil Service, though apparently unstoppable, was evidenced more in terms of employment than productivity. At the same time, the institutional environment for the Civil Service declined as the quality of governance fell. Political interference increased, and the Civil Service became a source of patronage and influence. Increasingly, the civil service became used as a guaranteed source of employment, particularly for graduates. Production and productivity were of lesser importance.

Results, in terms of the delivery of services, became less important than political influence or self-enrichment, as civil servants ceased to be held accountable for non-performance and non-compliance with financial and administrative regulations. Public confidence in the competence and integrity of the Civil Service plummeted. As the socialist economy failed to deliver the expected dividends, public finances were squeezed and real pay levels in the Civil Service worsened year by year. Hence the legitimate rewards of working for the Civil Service - status and salary – were devalued, and overtaken by illegal (and if not officially condoned, then at least overlooked) benefits from the abuse of public office. Not surprisingly high quality professional and managerial staff, who is the backbone of any competent public service, sought careers elsewhere.

In the late 1980s, the Tanzania Government attempted to address the disastrous state of the national economy by breaking with the old socialist model. It attempted to redefine the boundaries of the state and give greater space to the private sector and third sector institutions. However it lacked any effective implementation mechanism. The Civil Service, despite employing more staff than at any time in its history (350,000 in 1990), no longer had the capacity or the resources to develop and implement new policies. The reform of the Civil Service became a priority, and the Civil Service Reform Programme was launched in 1991.

CSRP implementation did not actually start until 1993, when the overall objective was identified of achieving a smaller, affordable, well-compensated efficient and effectively performing civil service. The programme was supported by several donors, including IDA, UNDP, DFID (then ODA), SIDA, NORAD, FINNIDA, DANIDA, USAID, EU, Switzerland and the Netherlands.

During this period, the CSRP focused on restructuring the overall machinery of government, regaining control over the payroll and the size of the establishment, recapturing the control of costs, retrenching surplus staff, and beginning the move towards commercialisation, privatisation and agency creation.
Given the limited impact on the quality of service delivery, the programme was re-launched in 1998 as the Public Service Reform Programme (PSRP), with the stated objective to enable the Public Service to deliver efficiently and effectively the Government's economic and social programmes on a continuous and sustainable basis. The PSRP is considerably broader in scope than the CSRP, and represents a substantial increase in reform effort; total expenditure (excluding retrenchment costs) for the five years of the CSRP was around US $20 million, compared with an estimated budget for the first five years of PSRP of US $88 million.

Both the CSRP and its successor are considered in this case study, although few lessons can yet be drawn from the implementation of the new programme. However, the Government of Tanzania has developed a comprehensive strategy and action plan for the PSRP for 1999-2004, which is to a large extent based on lessons learned from implementation of the CSRP. Therefore the case study draws on both actual experience with the CSRP, and planned PSRP activities.

2. **Nature and Scope of Interventions**

Capacity building under CSRP (1993-1998): The CSRP had four main objectives:

- reduce the scope of Government operations to affordable levels;
- rationalise the machinery of government to improve efficiency and effectiveness;
- develop an open, objective and competitive pay structure; and
- decentralise executive responsibilities to local government, executive agencies, NGOs and the private sector.

The CSRP did not use the term "capacity building" to describe the overall programme. However, there was a relatively minor capacity building component within the programme with the following goals:

- development of leadership skills and *capacity* needed to manage change; and
- develop *capacity* to ensure that the Government will in future effectively manage its role and functions.

CSRP documentation does not define the term "capacity". However, for most of the programme period (at least until late 1997), it appears that "capacity building" equated to training, with a limited amount of basic "retooling" i.e. provision of office equipment, computers etc. Training was concentrated on key groups of managers responsible for implementing the CSRP, called Technical Task Groups (TTG). Training covered aspects of the reform process itself (e.g. rationalisation and restructuring) and new management techniques to be introduced post-reform (e.g. planning and budgeting using performance targets.). This clearly provided useful support for the implementation of reforms, but did little to address wider *institutional* weaknesses as only 295 TTG staff was trained in total.

Some CSRP documentation refers to a much larger training output of 25,000 staff. However the majority of these staff were retrenchees, and the training provided was retrenchment counselling; useful and necessary, but not capacity building.
The CSRP implementation report of December 1997 identified two key problems with the capacity building component:

- since inception of the CSRP capacity building activities were undertaken on an *ad hoc* basis, without an overall strategic perspective; and
- Inadequate resources were allocated to support capacity building initiatives.

The same report identified a range of capacity building activities which would be needed for a more strategic approach:

- strengthening Government’s strategic planning and policy co-ordination processes;
- implementation of merit-based promotion systems;
- development of a core professional and managerial cadre through pay reform, contract based recruitment and "fast track" promotion;
- retooling to meet priority IT and telecommunications requirements;
- developing skills and organisations for regulating divested activities; and
- strengthened leadership and governance.

Although these activities were identified and some, such as pay reform, were already included under other components, a broader capacity building strategy was not developed under the CSRP.

Even within the narrow, training oriented, definition of capacity building used within the CSRP, progress was very slow. For example, the need for a training needs assessment (which is the starting point for any serious programme of training-based capacity building) was still being discussed in early 1998, five years after the start of the CSRP.

The programme documentation identifies targets and time scales for training and some other capacity building initiatives, but these were not consistently followed up. The CSRP implementation report for December 1997 identifies seven capacity building activities to be undertaken in the first three months of 1998. The next quarterly implementation report in March 1998 describes progress with only two of these activities, plus another three activities, which were not included in the previous plan. The March 1998 report goes on to identify five future capacity building activities for the following quarter: but according to the June 1998 report, none of these were in fact implemented.

However it would be wrong to conclude that the CSRP was a capacity building failure. The CSRP had a rather narrow conception of capacity building; in fact, all CSRP activities were ultimately intended to enhance the capacity of the Civil Service to perform efficiently and effectively. Therefore despite the narrow definition used by the programme itself, the entire CSRP can be considered an exercise in capacity and institutional development for the purposes of this case study.

The main thrust of the programme was to cut staff numbers to finance increases in real salaries, while implementing systematic controls over staff and establishment, and adopting a more business-like organisation structure for the Civil Service. Significant achievements were made with reductions in staff numbers through a
recruitment freeze and retrenchment programme; total Civil Service employment fell from 355,000 in 1992 to 270,000 in 1998. The pay structure was simplified, and real pay levels increased on average by 75%, with some decompression of the salary structure to increase motivation at senior levels. Organisational reforms were less successful, although some progress was made with restructuring Ministries and regional administrations. A strategy for decentralisation of executive responsibility to local governments was developed and approved by Government, though this has not yet been implemented.

Thus although "capacity building" was not defined in the programme, it is probably true to say that the whole programme was attempting to build system level capacity, by reducing the numbers of civil servants, which in turn would allow increases in real wages. Efficiency wage theory indicates that increased real wages would be likely to call forth a much greater work effort by staff, thereby improving productivity and performance. Despite its covert emphasis on capacity building, the tools used were limited, focusing on training.

Capacity building and the PSRP (1999 onwards): The PSRP takes forward all the activities of the CSRP but with a new emphasis. Capacity building is now explicitly identified as central to the programme: The reform programme must now change gear, to focus on capacity building and improving the quality of public services. (M.Y.C. Lumbanga, Chief Secretary and Head of the Public Service).

Unlike the CSRP there is no single "capacity building" component within the PSRP, but rather a recognition that capacity building is central to all reform activities. The PSRP identifies six main reform components:

- performance management;
- restructuring and private sector participation;
- executive agencies;
- management information systems;
- leadership, management and governance; and
- programme co-ordination, monitoring and evaluation.

The most critical of these components is performance management, as it brings together the two central themes of improving the quality of public services, and building the capacity necessary to deliver these services.

The main instrument for taking forward performance management reforms is the new Performance Improvement Fund (PIF). The PIF represents a new reform approach under the PSRP which is more "demand led" than the CSRP. Under the CSRP, CSD attempted to supply capacity building and other reform services to the rest of Government, often meeting an uncooperative or even hostile response. The PIF will provide resources for reforming Ministries, Departments and Agencies (collectively known as MDA), according to their demand for them, and subject to laid down "access conditions" being met. The access conditions for PIF funds include the requirement that MDAs undergo a structured approach to planning and implementing performance improvement; called the Performance Improvement Model, or PIM. The PIM takes a strategic, results oriented approach to the management and resourcing of Government operational units.
The first requirement for all MDAs is to undertake a strategic planning process, with assistance from CSD. For possibly the first time, MDAs are required to identify what is their goal and purpose; to think through what it is that they are supposed to deliver, to whom and at what unit cost.

The PIF will be financed primarily by donors, and managed by CSD. The PIF will provide resources for "capacity building" in the broadest sense, for example: development of MDA strategic plans and strategic planning capacity, limited retooling, management development training, contract hire of key staff, and "local cost compensation" to raise pay for core management staff to target levels identified in the medium-term pay reform strategy.

The PIF/PIM approach has been piloted in CSD itself, which has developed a medium term strategic plan for 1999-2004, including detailed specification and costing of capacity building requirements, which will be financed through the PIF.

The critical difference with past capacity building efforts is that a comprehensive strategic approach is being taken under the PSRP. Capacity building activities are not being undertaken because they are a "good thing" but because an individual Ministry, Department or Agency has identified them as essential to the cost-effective delivery of improved services.

In the new world of the PSRP, "capacity building" is understood in a far wider sense, recognising that individual competencies will only be turned into organisational capacity if system wide incentives are in place, and the wider institutional environment is conducive. The focus was on building capacity of systems, through pay reform, meritocratic recruitment and promotion, delegated management and performance improvement, rather than on individuals through training.

3. The Design, Planning and Implementation Process

Although the CSRP was initially a Government response to frustration with an ineffective administration, donor agencies where closely involved from the start both as advocates and supporters of the reform process. In negotiations with Government, both IDA and IMF included conditions in their credit programmes explicitly linked to the implementation of the CSRP. In particular, targets were set for Civil Service employment which were instrumental in achieving the substantial reductions made.

Donors provided a range of technical assistance to the programme including both short-term consultancies and longer-term resident technical advisers. However by far the most significant support in monetary terms was donor support to the retrenchment programme. Over the period 1992-1998 donors contributed over US$90 million to pay redundancy compensation for retrenched civil servants.

The leadership of the reform programme lay with the CSRP Secretariat. The CSRPS was a specially created body positioned within the existing Civil Service Department in the Office of the President. CSRPS was staffed by a combination of former senior civil servants and technical advisers, all financed by donor agencies. The intention
was to create an independent agency for change, which was well resourced and motivated and so not subject to the same constraints as the rest of the Civil Service.

With hindsight, this approach created capacity problems in itself. It established an enclave or cluster, which was divorced from the constraints facing the service. This made it far less able to address the fundamental issues, which needed addressing - it allowed the focus to remain on "training" and "re-tooling", rather than wider institutional reform and system capacity.

There is no doubt that right from the outset, improvements in public service performance was seen as a long-term objective. The CSRP was designed as the first phase of a longer term transformation. It was also clear that the vision for the change programme came from the top; the political and the technical leadership perceived a need for change. In that sense the programme was directed and imposed. It was not participatory. Indeed, it had to be, public servants were so demoralised that they had neither the desire nor the ability to bring about change themselves. This legacy is now being addressed in the new PSRP.

Leadership, commitment & participation: The programme benefited from considerable political commitment at the highest level. However operational leadership (outside of CSD) and commitment to, and participation in, the programme across Government was more problematic.

Initially, the independent secretariat arrangement of the CSRPS provided a "quick start" for the programme, as it bypassed normal Civil Service procedures. However it soon ran into difficulties implementing new policies as it lacked credibility within Government. In effect it was duplicating the role of the Civil Service Department (which has the statutory management responsibility for the Civil Service) without CSD’s authority. Although CSRPS was located within CSD, the institutional linkages with it were weak, and little was done to develop the capacity of departmental staff within CSD who had line responsibility for core CSRP activities such as pay reform and restructuring. A key factor in this poor relationship was the perceived unfairness of the pay arrangements, such that CSRPS staff (including recently retired Civil Servants) were enjoying pay levels which were a multiple of 10 or 20 that of regular civil servants in CSD.

In 1997 the decision was taken to close CSRPS and move operational responsibility for the reform programme to CSD. This change overcame many of the programme management weaknesses by "mainstreaming" CSRP, and making CSD managers directly responsible for CSRP tasks and the associated resources. However, the programme continued to be heavily reliant on technical advisers, although these were now located within CSD. Also, the move did little to address the wider problem of CSRP "ownership" within Government. The reform of the Civil Service should be the corporate responsibility of all Government Ministries, but in Tanzania it has tended to be seen narrowly as a CSD responsibility. Although the programme made great efforts to involve senior officials throughout Government in the design and implementation of the CSRP, these efforts were not always successful. For example, CSD received only three responses when it circulated a draft of the Public Service Management and Employment Policy, despite the fundamental importance of this policy to the way all Ministries are managed and run.
This lack of ownership is symptomatic of a wider malaise. There is a general lack of capacity within Government for the systematic and strategic development of policy, both in central areas of public administration and finance, and at the sectoral level. There is little effective dialogue between Ministries as policies are developed, and agendas are often set or heavily influenced by donor agencies.

The design of the PSRP has attempted to address some of these concerns. Government has identified the need for wider participation in the design and implementation of reforms. The design of the PSRP grew out of in-depth reviews of the CSRP initiated by CSD in 1997, and was endorsed at a National Symposium on Civil Service Reform in January 1998. The National Symposium brought together politicians, civil servants and users of public services represented by NGOs, business people and private individuals.

The PSRP contains several measures to extend ownership of, and participation in, the reform process. The new PIM/PIF approach requires the identification of management responsibilities within MDAs for reform and performance improvement activities. Responsibility for implementation should not lie solely with the MDA Permanent Secretary or with CSD, as was often the case for CSRP reforms. In addition the PSRP is attempting to address the wider policy formulation and implementation weaknesses in the "centre of Government", through the component on leadership, management and governance.

However, it remains the case that the change programme is being imposed from above. There has been little stakeholder participation. The justification for reform was absolute; a costly and unproductive service. In such circumstances it may be that participatory change is neither feasible or desirable.

Linkage with other reform activities: The CSRP ran in parallel with several other donor financed reform programmes across Government. There were other "centre of Government" reforms in public finance and governance, as well as programmes in the main social, production and infrastructure sectors. Also the Local Government Reform Programme, which was designed originally within the CSRP, was "spun off" to create a separate programme.

Each of these programmes had their own objectives, activities, staffing and donor sponsors. Because CSRP has implications across all sectors of Government, effective co-ordination with these programmes was essential.

CSD took an active role in attempting to ensure co-ordination, through the Inter-Ministerial Technical Committee of Permanent Secretaries (IMTC). Co-ordination with the other central reforms was generally successful, because there were fairly clear technical boundaries between programmes, and central reforming Ministries (CSD, Ministry of Finance, Planning Commission) have a similar "world view". Co-ordination with the sectoral Ministries was, and remains, more difficult. Sectoral programmes, particularly in the social and infrastructure sectors, tend to attract very large amounts of donor support as well as national funding. These donors have substantial influence over the public management aspects of the sector being reformed. This influence may or may not be consistent with the public management
reforms, which CSD is attempting to pursue. Even where reforms all appear to be moving in the same direction, complex management and financing relationships between sectoral Ministries, donors and central Ministries can confuse and undermine the reform process.

The new PSRP attempts to address these problems by setting the strategic and policy framework for all public management reforms pursued under sectoral reform programmes, strengthening the co-ordination mechanism, and delegating implementation responsibility to Ministries.

Reform scheduling: The timetable set for the implementation of the CSRP proved rather optimistic. For example, the executive agency component launched in early 1997, planned for the creation of 24 agencies by the end of 1998. In fact, to date (August 1999) only four agencies have been launched. Experience has been similar in other programme areas; although there have been significant achievements, they have nearly always taken much longer than originally planned. Possible reasons include under resourcing of the programme, lack of commitment to change in Ministries, and unrealistic programming. However it is also possible that timetables were deliberately over ambitious to act as an incentive for change; "realistic" timetables would perhaps have provided an excuse for even slower progress.

The incentive structure for reform: Although CSRP recognised the need to improve incentives for civil servants through pay reform, it failed adequately to address the incentive structure within which reforms were to take place.

There was insufficient incentive at the political level. Politicians will naturally tend to support programmes, which increase their popularity with the electorate. Building schools, laying roads and providing drugs to health centres are more immediately attractive than sacking civil servants. Politicians need to be re-elected every five years; it is difficult to persuade them to support policies, which take longer than this to yield publicly appreciated results.

The CSRP was attempting to address the fundamental structural weaknesses in the Civil Service, which prevents it from effectively delivering services to the public. However the relationship between the CSRP reforms and real improvement in services delivered to the Tanzanian public was not adequately demonstrated. This issue has been recognised in the design of the new PSRP, which makes service delivery improvement a core objective. A major challenge of the PSRP will be to demonstrate that structural changes (such as creation of executive agencies, or increases in pay levels) lead to measurable improvements in service quality, and not just to increased public expenditure.

Incentives were also inadequate for the professional and managerial staff whose support is critical to the success of reforms. Although pay reform made significant improvements to basic pay, these improvements were below what was necessary to address the disparity in pay rates with professional staff in the private, NGO and parastatal sectors. In some cases, CSRP policies on the abolition of various allowances and non-cash benefits meant that managers actually became worse off following pay reforms. Political pressure reduced the scope for "decompression" of the salary structure, so that market related pay increases for professional staff were
deferred in favour of across the board increases for politically sensitive groups such as teachers. In these circumstances, it became very difficult to gain the support of senior Ministry staff to take forward challenging restructuring programmes.

Pay distortions also played a major part in undermining the incentive structure. The payment by donor agencies of salary top-ups, incentive allowances and other benefits to serving civil servants is a common practice in Tanzania. Such payments are a response to the perceived low level of Civil Service pay, which has made it difficult to secure the services of competent civil servants to support donor financed projects. Unfortunately the situation has spiralled out of control. Top-up payments are paid at inconsistent rates, which are often several times normal Civil Service pay. Civil servants, quite rationally, support and compete for inclusion in donor projects that offer the highest top-ups, irrespective of the value of the project to their Ministry’s objectives. Donor agencies compete in an implicit "bidding war" to attract the most able staff to their projects, by trying to offer the best deals on top-ups, "sitting allowances" and per diems.

As well as distorting the incentive structure, donor incentive payments have created wholly unrealistic expectations among civil servants about the pay increases they can expect in the short term from the CSRP.

The CSRP attempted to address the top-up problem within the context of an overall pay reform strategy, but with little success. In most cases the level of top-up being paid far exceeded any increase in general pay levels which could be afforded in the foreseeable future. There is also a powerful disincentive for reform; those responsible for any change in policy are frequently those benefiting most from the top-ups being paid.

On a wider level, the institutional incentives within the Civil Service did not support reform. There was no consistent method of setting targets for Ministries and departments, measuring performance against these targets, rewarding success or disciplining failure. Without accountability for results, there was little incentive for Ministries to seek to improve performance. Restructuring was seen as "all pain, no gain". The public finance and budgeting system (which was outside the scope of the CSRP) provided further disincentives for reform. To prevent over-expenditure funds are released to Ministries only when tax and other revenues are available; the so called "cash budget" system. The only expenditures that are financed automatically are payroll costs. There is little incentive for Ministries to shed staff in the interests of efficiency, when this means reducing their only guaranteed source of funding.

The new PSRP seeks to improve the institutional incentives using the performance improvement model (PIM). The PIM establishes strategic goals at the Ministry and department level, provides implementation support through the performance improvement fund (PIF), and monitors and rewards performance against goals. The intention is to hold Permanent Secretaries and Ministry management accountable for the results they achieve. Successful ministries will be freed from some of the constraints of cash budgeting and given more control over their own resources.

Reform implementation capacity: A small number of dedicated civil servants within CSD have provided excellent strategic leadership and technical implementation
support to the CSRP. However the reform programme has, since inception, being heavily dependent on external support both from long-term advisers and short-term consultancy. Where short term, "quick win" reforms are being implemented, such dependence is not necessarily a problem. Benefits can be obtained from a one-off change, and sustained support is not subsequently required. However, much of the work in reforming the Civil Service is very long term. CSRP was implemented over five years and will be followed by at least another five years of the PSRP, possibly another 15-20 years. Strategic thinking and implementation for such long-term programmes need sustained support that only permanent staff can provide.

The new PSRP identifies the need to develop reform management capacity within Government. However, it is unclear how the transition from adviser-led reforms to civil servant-led reforms will take place. As the reform programme has developed, it has grown ever more sophisticated in its objectives and activities. There are good reasons for this; the PSRP contains several innovative reforms that are intended to overcome some of the weaknesses of the CSRP. But the thinking behind these programme developments has largely been initiated, or at least heavily guided, by external, donor financed, advisers. The gap between the programme’s ambitions, and the Civil Service’s capacity to manage and implement the programme, gets ever wider. There is a paradox here: the more that advisers are involved in the programme, the more sophisticated the programme gets; the more sophisticated it gets, the more that advisers are needed to drive it forward.

This is not to argue against the use of advisers; much of the undoubted success of the CSRP was due to excellent technical advisers working in close partnership with dedicated Government officials. But if external support is eventually to make itself redundant, programme design should realistically reflect the capacity of the Civil Service to implement reform programmes.

In common with the vast majority of "capacity building" initiatives, the PSRP assumes, but does not demonstrate quite how the skills of advisers will be "transferred" to local staff. This is a mystery process that will somehow occur - depending on the personalities and attitudes of the individuals involved.

Appropriateness of reforms: Are the reforms under the CSRP, and those planned under the PSRP, the most appropriate way to build the capacity of the Tanzania Civil Service?

Most of the reforms attempted under the CSRP were designed to restore basic administrative control in the Civil Service. There can be no doubt that this effort was required. It was necessary to cut the Civil Service to a size Tanzania could afford and to put in place controls to prevent it growing again, while ensuring that pay levels at least had the chance of returning to acceptable levels. While progress has been made, none of these objectives has been fully met. Government is still attempting to deliver a far wider range of services than it can afford within a coherent public expenditure framework. Attempts to "divest" services are sometimes seen as opportunities to create new semi-autonomous agencies or subcontract to the private sector, rather than close down a non-essential activity altogether. Personnel and establishment control systems have been developed, but are not yet operational. Decentralisation to local governments of employment responsibility for large groups of staff (such as teachers)
will require even more robust control systems. Low pay remains the single most serious problem constraining the effective operation of the Civil Service.

At the same time as attempting to restore basic administrative control, the CSRP attempted to introduce some "new public management" innovations into the Tanzania Civil Service. NPM style reforms are given much greater prominence under PSRP, and include executive agencies, decentralisation of management decision making, citizen’s charters, results oriented management, performance budgeting, and contracting out. NPM has been introduced to a greater or lesser extent in most developed country public services, with some impressive results in terms of improved efficiency and effectiveness of service delivery. It is not surprising that there is an interest in the same techniques in Tanzania.

However, Tanzania’s circumstances are totally unlike those of any developed country in which NPM has been implemented. Tanzania has around one percent of the resources per capita of a typical developed country; it can only afford to provide the most basic services to its citizens, in the cheapest possible way. Although NPM techniques should ultimately lead to cost savings and greater efficiency, they also provide substantial opportunity for increasing waste, corruption and mismanagement if poorly implemented. Even in developed countries some aspects of NPM, such as executive agencies, are now being questioned on grounds of democratic accountability and good governance; areas in which Tanzania can ill afford any weakening.

NPM introduces a managerial approach, which places huge demands on managers, and staff brought up in the bureaucratic traditions of the Civil Service. Even in developed countries where staff are well paid, highly educated and working within a robust governance framework, these demands can prove excessive. In the poorly paid and demotivated Tanzanian Civil Service the management demands will be even more severe.

NPM relies on having a large and efficient private sector on which the public sector can model itself, and to which public services can be contracted. The private sector in Tanzania is very limited, and few aspects of it provide a model on which public service delivery could be based.

Elements of the PSRP also reflect some insights arising from the so-called New Institutional Economics (NIE). As well as a focus on the incentive framework, NIE emphasises the "principal-agent" model. Built into both the PSRP and the CSRP is the move toward increased autonomy for specified agencies, with definable outputs and clear lines of accountable. The management of these agencies is based on performance-based contracts. It is too early to indicate the success or otherwise of these initiatives, but early evidence is encouraging. Attitudes of managers and staff are beginning to change.

4. **A Summary Assessment of Results**
The Civil Service in Tanzania, as in many SSA countries, has failed to sustain basic administrative control over the delivery of public services. It is not that the Civil Service has become inefficient because of an overly bureaucratic approach, as in UK or New Zealand. The administrative systems themselves have broken down through neglect and abuse, and a vast over expansion in the responsibilities of Government. Basic administrative controls must be restored, including raising pay to an acceptable level for professional and managerial staff. Attempting to introduce sophisticated NPM measures - let alone NIE - however innovative and exciting, before basic control is established may be a risky strategy. Notwithstanding this concern, it is difficult to see the alternative.

CSRP monitoring and evaluation: The approach to CSRP monitoring and evaluation (M&E) changed during the life of the programme. Initially, M&E was largely an externally driven activity, led by the World Bank who provided much of the initial financing for CSRP under the Public and Parastatal Reform Project (PPRP). The World Bank and other donors, through appraisal missions and credit/grant conditionalities, provided a basic system of M&E which helped keep the programme on course.

As the programme developed, M&E became more integrated within the programme itself. Following appointment of long term technical advisers to the programme in 1994, CSD developed the capacity to provide regular reports on reform plans and progress against those plans. The quarterly "Implementation Status and Plan" reports, issued by CSD, have provided the basis for effective M&E by Government and donor agencies supporting the programme.

Another key M&E development, was the institution in 1995 of quarterly donor co-ordination meetings. Government chairs these meetings and attended by representatives of all donors supporting the programme, using the quarterly implementation reports as their agenda.

The weakest aspect of CSRP M&E was the internal Government process. As already discussed, ownership of the programme across Government was weak, with the tendency to view reforms as a CSD responsibility. There was therefore little incentive for Government, even at the highest levels, to actively monitor or evaluate programme performance, except where external pressure was brought to bear. Thus progress with staffing reductions were on occasions monitored keenly by the Cabinet and Ministry of Finance, because of payroll targets agreed as credit conditions with the IMF and World Bank. Also, high level monitoring of the programme was apparent where reform activities had significant short-term political implications; for example, pay reform. However, in general, monitoring and evaluation of programme progress by Government lacked depth and consistency.

Even where M&E processes were working well, they tended to focus on programme inputs rather than outputs. For example, targets set in the quarterly implementation reports would typically relate to undertaking consultancy studies, or delivering training, or acquiring computers. They would not generally relate to the outputs (such as improved service delivery), which the inputs were intended to support. This weakness was partly due to the fact that donors were a major audience for the M&E reports. Donors inevitably tend to focus on inputs, because that is what they are
paying for. Also, inputs are much easier to measure than outputs. The CSRP did not put in place any sustainable mechanisms for measuring the impact of reforms on the outputs of the Civil Service.

Planned monitoring and evaluation of PSRP: The design of the PSRP has taken into account many lesson from the CSRP. The whole programme is geared towards performance improvement and M&E is given a high priority. Unlike CSRP which did not recognise M&E as a distinct programme activity, the PSRP provides for programme co-ordination, monitoring and evaluation as one of its six core components.

M&E under the PSRP is much more focused on outputs, using instruments such as service delivery surveys to establish an initial baseline for the programme, and to monitor subsequent improvements in performance. The M&E capacity of Government is also addressed, with specific initiatives to develop an institutional framework for the monitoring and evaluation of all public sector reforms, not limited to the PSRP.

This robust, output oriented, approach to monitoring and evaluation is perhaps the greatest strength of the PSRP. By focusing regularly and consistently on the results that the programme is actually achieving, both Government and donors should be able to make the necessary adjustments to keep reforms on track. Hence, any weaknesses in the programme design (such as a possible over-reliance on sophisticated NPM solutions) should become apparent at an early stage, and corrective action can be taken.

5. Conclusions and Lessons to be Learned

Institutional development can be considered as "how to turn individual competence into organisational capacity". Capacity building must begin with capabilities; the capabilities of individuals. This is necessary, but insufficient. Equipping staff with the skills and knowledge that enables them to discharge their official functions will, at best, only bring about individual effectiveness. It is unlikely to contribute to collective or organisational effectiveness. Individuals perform tasks, which, when strung together, constitute the processes and systems undertaken by the organisation. If matched with resources and appropriate degrees of authority, these processes will result in the organisation delivering its outputs.

"Capacity" refers to the ability of an organisation to:

- articulate its mission, role and function;
- mobilise and deploy resource (cash, people, equipment, assets);
- deliver outputs (whatever they may be);
- manage its own affairs effectively and efficiently;
- reflect upon its role in response to the continuously changing external environment; and
- respond to the needs of its partners, clients and customers.

Within a particular set of institutional arrangements in a particular sector (here we are talking about "the public sector"), organisational capacity comes from having an
appropriate organisational structure (with responsibility matched by authority and resources), appropriately skilled people in post, following effective business processes, and supported by functioning systems (for managing information, cash, assets, and staff).

Even this is not sufficient to ensure organisational capacity. Any organisation operates within an "incentive framework" that establishes the material, cultural and social incentives to perform. The move from the CSRP to the PSRP recognised that a range of influences far wider than training and tooling will affect performance.

Institutional economics describes three sets of mechanisms that will influence, if not determine individual and collective performance. Unless these influences are addressed in the ESDP, no amount of training or supply of computers will bring about functioning organisations:

- **Exit** refers to the extent to which there are competitive pressures operating within the organisation. Even in the public sector it is possible to introduce such pressures. These include competitive remuneration, meritocratic recruitment and promotion, performance related contracts, performance assessment and (eventually) performance pay. Some of these are more difficult than others to introduce in the short-term, but the point of departure is the recognition of their importance.

- **Loyalty and compliance** refer to the extent to which there exists in any organisation a culture of loyalty to the organisation and compliance with its rules. In public sector organisations this is particularly important; what credence is attached to the rule-based bureaucracy? How much pride is associated with working for the organisation? Are there effective sanctions in place if the rules are ignored? In essence the notion of loyalty and compliance refer to the dominant organisational culture in place at any one time; and

- **Voice** mechanisms are twofold. First, it refers to the extent to which individuals within the organisation have some influence over the way it is run. Are their views known and registered? Second, it refers to the extent to which there exists pressure from outside the organisation to perform. Are there mechanisms whereby either the clients or the beneficiaries of the organisation can register their views and exert a demand upon the organisation to perform?

The relative importance of each of these three mechanisms will vary according to the circumstances. A common problem in many projects is that the response has tended to focus on the technical or technological basis for the behaviour of state agencies; ie interpreting the problem as one of a failure in organisational structure, in the individuals themselves (lack of training, inadequate skills) or in the equipment available to those individuals (computers, cars). These are often called "institutional" problems, but they are not. For want of a better word, they are technological problems.

It is clear from a close study of the PSRP in Tanzania that over time, a rather more sophisticated understanding of capacity building emerged. The first phase, while acknowledging the importance of system wide improvements, relied on more traditional training and tooling interventions. With information arising from the extensive and intensive monitoring of the programme by the GoT and its development
partners, the revised PSRP adopted a more comprehensive approach. Although the vocabulary is not that of the NIE, the sorts of interventions now planned (major pay reform, meritocracy in appointment and recruitment, social delivery surveys putting pressure on service providers, demand led performance improvement funds etc) all reflect this far wider understanding of what it takes to turn competent individuals into performing organisations