

*Guiding Principles On Civil Service Reform*

**2000**

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## **1. *Background and Introduction***

1.1 Civil Service Reform (CSR) programmes are increasingly being adopted in several African countries and in many cases they are closely linked to structural adjustment efforts. The results have been mixed and the effectiveness of the aid provided in support of these programmes has sometimes been limited. It is considered important to review CSR experience to draw lessons that will enable SPA donors to improve the impact of their aid in this area, and to inform the policy dialogue with recipient governments. CSR is also considered necessary to complement donor programmes at the sector level.

1.2 The following principles have been developed by the SPA Working Group on Civil Service Reform by drawing on a wide range of published material, the experiences of the donors involved, and six case studies of major CSR programmes in Uganda, Tanzania, Ghana, the CAR, Benin and Burkina Faso. The case studies were specially commissioned by the Working Group to provide a more in-depth assessment of current CSR programmes from a cross section of African countries.

1.3 The paper is divided into six sections. Following these brief introductory remarks in Section one, Section two briefly outlines the purpose of the principles. Section three provides an overview of the general issues that need to be addressed or taken into account by donors when designing individual aid projects in support of CSR. Section four provides an overview of CSR design issues and Section five covers implementation and monitoring issues. The last section identifies key issues for aid management.

## **2. *The Purpose of the Guiding Principles***

2.1 The principles outlined in this paper are intended to provide general guidance and pointers to donors wishing to assess the viability of CSR programmes developed by African Governments. As such, they provide guidance on the overall requirements for effective CSR and on the critical issues that need to be considered in appraising CSR programmes for possible donor support. It is hoped that this will promote a more consistent approach to the policy dialogue and donor support in this area.

2.2 The second aim is to provide guidance to assist aid donors contemplating an involvement in CSR to design more effective aid interventions in line with the current best practice. The third objective is to identify areas of weakness in existing CSR programmes and to propose corrective action that can be taken by donors and recipients.

## **3. *Overall Approach***

### **Purpose and Scope of CSR**

3.1 The purpose of CSR is to improve the effectiveness and performance of the civil service and to ensure its affordability and sustainability over time. The ultimate goal is to raise the quality of

public services delivered to the population and to enhance the capacity to carry out core government functions. This is essential to promote sustained economic and social development.

3.2 CSR programmes therefore need to improve both core functions (eg revenue generation, financial management, personnel management, policy formulation, etc.) as well as sector specific policy, management and organisation. Both aspects need to be covered in a coordinated manner.

3.3 In many African countries the effectiveness of the civil service is constrained by poor governance, structural factors such as excessive numbers and inadequate incentives, and by limited administrative capacity. If performance is to improve, all these aspects need to be simultaneously addressed in a comprehensive reform programme which derives from a redefinition of the role and function of government and the civil service. In so doing, it is important to take into consideration the different tiers of government at central, regional and local levels.

#### Economic Reform and Adjustment

3.4 Adjustment programmes can support efforts to redefine the role of government and to concentrate public sector activities on functions such as economic policy making, revenue collection, infrastructure provision, and the delivery of social services. CSR should, therefore, be designed to assist recipient governments in altering the role and function of the civil service, and specifically to identify how services can be provided most efficiently and effectively in future. This may result in changes to the balance between public and private sector provision including contracting out, corporatisation and privatisation, usually in the context of a redefinition of the role of the state.

3.5 In some countries, CSR can contribute directly to macroeconomic stabilisation through supporting downsizing programmes which reduce the size and cost of the civil service to an affordable and sustainable level. This can assist governments to restore budgetary stability. In such cases, down-sizing could be a key component of CSR and a high priority for donor support, along with other measures such as strengthening revenue collection. Support for capacity building should also be given a high priority for donor support in the early stages of CSR.

3.6 Reducing the size of the civil service is often a prerequisite for ensuring that governments can sustain and finance a smaller and better paid civil service over time. However, unless such efforts are well designed, they can have negative consequences on morale and productivity. These risks can be minimized by developing programmes in close consultation with those affected, and linking them with other measures to improve administrative capacity. The challenge is to combine restructuring with capacity building in a programme which can ultimately enhance the overall performance of the civil service.

3.7 In developing CSR programmes and aid projects, recipients and donors need to ensure that there is consistency with overall public expenditure plans especially the target ceilings for the recurrent budget and the composition of expenditure. These will also affect the pace of some reforms and their longer-term financial sustainability. Planned improvements in civil service terms and conditions are particularly dependent on the availability of recurrent finance.

## Leadership and Commitment

3.8 High-level political commitment and support is an essential prerequisite for successful CSR but is not sufficient in itself. Ownership of reform programmes needs to be more broadly based and to derive support both from the political and administrative leadership and the rank and file of the civil service. In dialogue with recipients, donors should underline the need for policy statements on CSR to be endorsed at the highest level of government as a foundation for the development of detailed programmes. This will often require a strong advocate and reform champion at ministerial level. Windows of opportunity, such as change of governments, should be seized to initiate such dialogue and to build commitment.

3.9 The development of political commitment takes time and donors need to participate actively in the process through policy dialogue and acting as advocates of reform. Although the process of developing a reform policy and strategy must be led by domestic stakeholders, donors can sometimes facilitate debate, and help to build consensus and commitment through, for example, supporting workshops. These should involve consultation and communication with a cross section of both male and female representatives from civil society. The use of beneficiary assessment and participatory approaches to project preparation should also be promoted.

3.10 Developing and sustaining political commitment always requires careful attention by recipients and donors to the timing of commencement and implementation of CSR projects and to the clear communication of reform objectives.

3.11 Donors should avoid taking the lead in diagnosing problems and devising reform strategies. This is likely to undermine ownership and commitment. Recipients need to develop their own reform strategies and to devise CSR programmes which they own and are prepared to implement. Where recipients lack technical capacity, donors should provide technical assistance to facilitate this process.

## Taking Account of Governance

3.12 Good governance, including accountability, transparency and the rule of law, is conducive to effective CSR. This requires a commitment to establish a more professional civil service with a stronger emphasis on performance and less influenced by patrimonialism and ethnic loyalties. A key objective of CSR is therefore to promote professional integrity and accountability.

3.13 In developing CSR programmes, donors need to review the governance position in the country concerned and the impact this has on the performance of the civil service. If appropriate, CSR should include measures to remove constraints created by poor governance at national and sub-national levels. There is likely to be a need for this where there is a high degree of patrimonialism and endemic corruption.

3.14 Donor support for governance related reforms will typically go beyond the confines of the executive branch of government to include activities such as support for development of legislation governing the civil service, legal sector reform (including the relevant sections of the judiciary) and anti-corruption measures. CSR can itself promote improved governance and donors should aim to

support activities which can help achieve this, such as improving ethical standards or enhancing accountability. In some cases, it may be appropriate for donors to support policy changes linked to governance issues.

#### **4. *Programme Design***

##### Diagnosis and Preparation

4.1 Prior to the detailed design of CSR programmes there is a need for an open, objective and gender-specific analysis of the constraints faced and stocktake of the current situation. It is important that this draws on the knowledge and experience of local decision-makers and officials in a participative way to diagnose the problems faced and that women are properly represented in the consultation process. It may also require donor funded consultancy studies on particular issues or aspects of the civil service. A gender-specific analysis might cover gender balance in the civil service and in retrenchment; gender stereotyping in public service employment; performance and training opportunities of women in the public service; and the extent of participation in decisions about levels and type of service provision.

4.2 Close attention needs to be paid to the process involved in carrying out such a diagnostic. Donors should seek to support a structured and participative approach involving all stakeholders in an attempt to reach a consensus on the problems and the required corrective action. Following this, it should be possible to develop a strategy and reform action plan to which local stakeholders are committed.

##### Vision and Strategy

4.3 Donors should encourage recipients to develop a clearly articulated view about the nature of the civil service they are trying to develop and the reform strategy required to implement the changes that are needed. Overall programme objectives should be driven by the intended outcomes. This should be based both on the expectations of the public and the expected future role of government and the civil service. It will provide a framework for objective setting and minimize the risk of programmes (or individual components) being seen as ends in themselves which can lead to a build-up of resistance to reform. The vision should include consideration of ethics and the professional standards of civil servants.

4.4 Donors should aim to provide support for CSR in a programmatic framework. This requires a comprehensive reform strategy which addresses all the main constraints in an integrated way and sets specific objectives with targets/benchmarks against which progress can be judged. These should be linked to desired final outcomes such as improved service delivery; meeting the needs of men, women and disadvantaged groups; and the size, structure and cost of the civil service. The reform strategy also needs to be realistic and to reflect the available implementation capacity. In cases of uncertainty about the approach to be taken, reform should be piloted in a limited area or in selected ministries first.

### Sequencing and Timeframe

4.5 Donors need to assess whether the proposed content, sequencing and pace of any CSR programme for which aid is requested is realistic. In part, this depends on the specific situation and initial conditions of the recipient country. In practice, the precise sequencing adopted is often influenced by the availability of finance, management capacity, the ease of carrying out a programme component, and the degree of support for it among stakeholders. Some parts of the programme can be implemented relatively quickly (eg. 1-2 years) but some aspects will often take much longer before showing results.

4.6 The implementation phase of many African CSR programmes has typically included most of the following components: rationalisation and restructuring of ministries and departments; reducing the size of the civil service through "downsizing" and "rightsizing"; and improving pay levels and incentives. Recipient governments should identify the linkages between these programme components and implement them in a sequence which takes into account any interdependencies.

4.7 In general, downsizing and rightsizing programmes should take place after ministerial reviews because these will identify redundant posts and personnel to be retrenched. However, in some cases where there is a 'ghost worker' problem and gross overstaffing, downsizing may take place before this. Downsizing programmes generally need to be accompanied by efforts to establish a robust personnel information and establishment control system to prevent reemployment of retrenched personnel. It is usually better to undertake retrenchment before pay reform is implemented since this should generate some resources to meet the cost of higher salaries. It will also reduce opposition from those remaining in the civil service as they perceive the scope for higher pay as a result of the reform programme.

### Process Approach

4.8 Donor assistance for CSR needs to give higher priority to process issues. More participative and gender-specific methods should be used to develop and design CSR programme components and aid projects. Greater use should be made of stakeholder analysis and other participatory techniques such as workshops and team based project preparation methodologies. Donors should also provide advisers and consultants with change management expertise.

4.9 All the CSR components need to be developed in a participative way. However, the implementation of some components will require a more directive approach (setting global targets) led by higher level authorities and others can be implemented through further consultation and behavioural changes (eg. ministerial restructuring).

4.10 Process approaches also require donors to adopt a flexible approach to project design so that programmes can be adapted and changed in response to evolving circumstances. They usually also require a longer period of preparation.

## Strengthening of Core Functions

4.11 In developing CSR interventions, donors should support the programmes of African Governments to strengthen their core functions thereby improving resource mobilisation and allocation, policy making capacity, and the effectiveness and independence of the judiciary. This can involve action by the recipient and specific donor support to increase the autonomy and accountability of revenue collection institutions; to strengthen financial planning and budgeting systems; and to strengthen policy making through training and technical assistance.

4.12 Strengthening of core functions needs to take place across the civil service and to take into account sector-specific management needs. The Public Expenditure Working Group is also considering these issues.

## Ministerial Restructuring and Decentralisation

4.13 Functional reviews and restructuring of ministries are crucial to improving the effectiveness of service delivery. These need to reflect changes in the role of central government, and any shift in the division of responsibility between central and local government and between the public and private sectors, including NGOs. Donors should encourage recipients to use this process to help define sector objectives and to consider the appropriate division of responsibilities between alternative service providers.

4.14 The scope of ministerial reviews should be wide ranging and include an assessment of systemic and structural constraints, organisation structures, establishment and staffing levels, and management systems. They should identify the changes needed to improve delivery of services to the public and to disadvantaged groups. This must respect specific political, social, organisational and cultural factors. Management systems need to be introduced to encourage a strong focus on objective setting and to improve resource management. These will need to be consistent with civil service wide systems managed by central ministries.

4.15 Where decentralisation is envisaged or underway, donors should emphasize the need for ministerial reviews (including institutional assessments) to be coordinated or integrated with these programmes. Once an agreed division of responsibilities between the central and local government and between the private sector and NGOs exists, it can form the basis for ministerial restructuring.

## Downsizing

4.16 Governments are increasingly concerned about the size and cost of the civil service and its impact on their ability to finance operating costs and priority development needs. Some donors are therefore willing to provide aid financing for downsizing and rightsizing programmes. These should be driven by government efforts to rationalize programmes and functions, and to reduce the number of ministries and departments as part of the process of redefining the role of the state.

4.17 Retrenchment programmes can be difficult to design and there are usually several options to be considered. It is important to identify and select the most cost-effective option and to avoid forms of support, such as training and credit programmes, which are often costly and ineffective.

Donors should be prepared to provide technical assistance to review retrenchment options, design programmes, and to help strengthen personnel management and control systems to prevent reemployment.

4.18 Well designed retrenchment programmes should address economic, financial and social issues. Governments should ensure that the costs of retrenchment take into account both additional pension payments as well as the severance package, and that the overall cost is in line with similar schemes in other countries. Retrenchment programmes are likely to have substantial economic benefits arising from the redeployment of retrenched staff to the private sector or from improved use of public sector resources. Nevertheless, for budgetary reasons the present value of the cost savings accruing to Government from retrenchment should outweigh the present value of the initial cost of retrenchment, and any additional pension paid to those retrenched. In general, programmes should have a quick pay back period and generate net budget savings within a few years.

4.19 Particular attention needs to be given to the social consequences of retrenchment. Criteria for selection need to be open and transparent to retrenched staff and are also required to identify any adverse social consequences, to ensure the adequacy of severance packages, and to consider the need for other measures. Consideration also needs to be given to the potential effects on the informal sector of any displacement from employment by better qualified retrenched civil servants.

#### Pay and Incentives

4.20 Inadequate terms and conditions for civil servants remain a major impediment to improving performance in the civil service. Successful CSR requires a commitment by recipients to move basic pay toward a Minimum Living Wage (MLW) over time, and to reform pay and benefits structures by restoring differentials, introducing performance-related aspects, and monetising benefits in kind. However a cautious and pragmatic approach is needed. Performance-related pay should be introduced as quickly as possible but initially on a pilot basis, and focusing on measures such as attendance and achievement of other easily measured targets and objectives. Care should be taken to ensure that monetisation of benefits does not reduce incentives for senior personnel.

4.21 Donors should encourage recipients to adopt pay reform as a key component of CSR and provide technical assistance to support the design and implementation of the programme. Support for comparative surveys of pay and benefits in the private sector, as well as the design of performance pay and new pay scales, is often needed. Donors should also consider providing selective support to improve civil service offices and equipment.

#### Capacity Building

4.22 Donors should assist recipients in designing and implementing in-country and regional training programmes that would help to develop skills and build capacity in areas related to CSR. There may be scope for enhanced regional collaboration and coordination in this area. Such training should cover technical as well as process aspects. It should also take into account each country's institutional and absorptive capacity to make optimum use of these skills. Donors should also support capacity building efforts to strengthen civil service management, including personnel policies and management systems. This will often involve organisational changes and

improvements to incentive structures designed to enhance performance and productivity and to promote redeployment of personnel (e.g. to rural areas). Particular attention needs to be paid to gender issues to ensure that equal opportunities are promoted and that the impact of redeployment is not adverse.

## **5. *Implementation, Monitoring and Evaluation***

### Management of Reform

5.1 Donors should assist recipients in establishing adequate capacity to manage and implement CSR. A CSR management team with sufficient status and authority is usually required to design the programme to ensure inter-ministerial coordination and to overcome resistance to change. This will typically need to be located in the central agency responsible for the management of civil service. Adequate management and technical capacity to cope with CSR is required, and the design of the programme should be matched to the level of capacity available.

5.2 Donors should be prepared to assist the CSR management team by providing specialist technical expertise and advice in a facilitative way whilst retaining local ownership. Such support can also build local capacity through developing staff motivation and skills, suitable administrative structures, and participative working methods. Specialized training for change management could be offered in support of this.

5.3 Reform of service delivery mechanisms also requires the leadership and active participation of officials from line ministries. This is likely to involve the creation of ministerial teams and the development of capacity through team building workshops and training.

5.4 The coordination and management of donor activities is an essential requirement for successful implementation of CSR. Donors should encourage recipients to lead the process, and donor funded experts or advisers should support the CSR management team to develop suitable coordination mechanisms. Joint donor and government project reviews should be held on a regular basis, and the CSR management team should also develop a format for progress reports and supply these routinely to donors.

### Service Delivery Surveys

5.5 Donors should provide support for recipients to assess the effectiveness of CSR in a gender-specific way including the provision of technical assistance to help build local capacity in this area. This should include specific studies of service delivery standards and the level of involvement, utilisation and access to public services by the poor and women. The initial survey should be used both to improve the design of CSR as well as to monitor its impact. Repeat surveys should then be able to identify the need to take early corrective action to mitigate any adverse consequences.

5.6 Recipients and donors need to review the progress and impact of the main programme components against qualitative and quantitative indicators and targets established for the CSR programmes. Monitoring systems and progress reporting should be designed to cover this aspect. Occasionally specific studies or reviews of individual programme components are also likely to be

required. Tracer studies of personnel retrenched from the civil service would fall into this category. Donors should be prepared to assist with these studies if required.

## **6. Donor Assistance**

6.1 CSR is a high cost and resource intensive activity which requires a consistently high level of commitment and financing from donors and recipients over an extended time period. In situations where recipients are meeting programme targets, donors should be as flexible and responsive as possible in providing aid.

### Conditionality

6.2 Carefully designed and selective conditionality is an important mechanism for stimulating initial action by recipients, and as a means of allowing donors some influence over the pace and direction of reform. However, conditions need to be realistic, developed jointly and negotiated with the recipient so that they are perceived as a government commitment to an agreed programme rather than being externally imposed. Including conditions on CSR in structural adjustment programmes can be an important catalyst for the development of programmes by recipients.

### Policy Dialogue

6.3 Donors should pursue the policy dialogue on CSR in a coordinated fashion using the Consultative Group and Round Table process. This requires close consultation at working levels between bilateral donors and the multilateral agencies. Improved donor coordination is also important.

### Aid Mechanisms

6.4 Where possible donors should consider the provision of financial aid as well as technical assistance. Some donors may be able to consider providing recurrent financial support to the recipient budget over a limited time period and on a tapering basis. This mechanism could be used to support the introduction of pay reforms.

6.5 Donors should be prepared to consider a variety of options for the provision of technical assistance often over an extended period. The flexibility to recruit national consultants and experts can be particularly useful where local knowledge and contacts are required. The use of short-term periodic technical assistance should in general be encouraged but, in certain circumstances, the use of long term advisers may be appropriate. Continuity must be ensured in all cases.

6.6 The quality of the technical assistance provided is crucial to the success of CSR. The terms of reference for consultants and experts should emphasize the importance of working in a facilitative and supportive manner with national personnel, and the need for early skills transfer and capacity building. Donors should aim to provide consultants and experts with process and change management skills, and awareness of cultural and gender issues, as well as expertise in the design and delivery of specific programme components.

## Local Compensation For CSR Management Team

6.7 The successful delivery of CSR programmes often requires that monetary incentives be offered to personnel in the CSR implementation organisation. This is covered in the SPA Guidelines on local cost compensation which have already been agreed on and should be used as a framework by any donor considering such support.