



Rethinking civil service reform

Civil service reform is an increasingly important part of the Bank's public sector portfolio. Yet such reform often does not generate sustained improvements in government performance. A rethinking of the Bank's approach could lead to broader interventions better tailored to country conditions and demand.

Recognizing the importance of government capacity in achieving economic and social objectives, the World Bank has invested significantly in civil service reform over the past 10 years. Few observers doubt the centrality of civil service performance to the development agenda—but some question the effectiveness of past programs to strengthen civil services in borrower countries. Have Bank interventions helped make governments work better? Despite some progress, the answer is, “probably not.” Thus a serious rethinking of the current approach to civil service reform is needed.

What is civil service reform?

The Bank does a number of things in the name of civil service reform. The focus has been and remains on addressing fiscal concerns—bringing balance to government pay and employment practices. But civil service reform also involves revamping government functions and organizational structures, improving human resource policies in central, local, and sector governments, revising the legal and regulatory framework for the public administration, providing institutional support for government decentralization, and managing the process through which these changes are implemented.

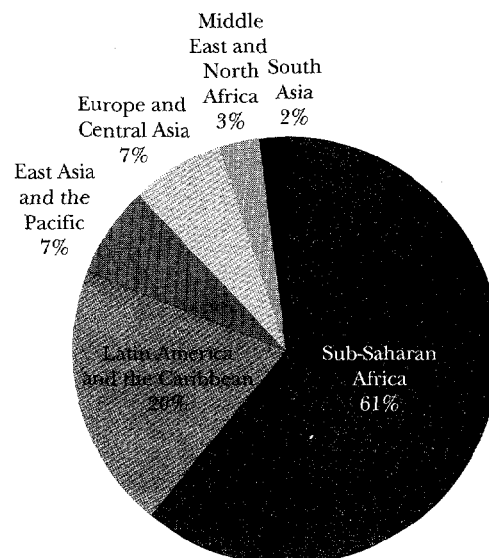
The Bank's civil service reform portfolio has been extensive: about 169 operations in 80 countries between 1987 (when

lending for civil service improvements began) and 1998. Sub-Saharan Africa has accounted for nearly two-thirds of civil service lending (figure 1). During this period more than half of civil service reform lending was carried out through structural adjustment programs, although other instruments—such as technical assistance and institutional development grants—have grown more important in recent years.

Has it worked?

It is hard to say, empirically, whether the Bank's civil service reform efforts have been

FIGURE 1 REGIONAL DISTRIBUTION OF CIVIL SERVICE REFORM OPERATIONS, 1987–98



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successful. Internal Bank assessments tell an incomplete story. Ratings by the Operations Evaluation Department of projects completed between 1987 and 1998 suggest that civil service reform projects—with 38 percent unsatisfactory ratings—underperformed the Bank's general portfolio—which had a 30 percent unsatisfactory rating for the same period.

Earlier analysis also suggested that civil service reform has often missed its main fiscal targets. Through the early 1990s less than half of the Bank's civil service reform operations reduced wage bills or compressed salaries. Reductions in employment were modest—between 5 and 10 percent of government employment—and subject to reversals. Fiscal savings from these cuts were rarely sufficient to finance salary increases for higher-level staff (Nunberg and Nellis 1995).

Why not?

A gnawing critique of civil service reform efforts persists, intimating that these interventions have boosted neither efficiency nor effectiveness. The outlines of the problem are fairly clear: civil service pay and employment reforms have had only limited achievements, and there have been difficulties with government ownership and oversight—especially in Africa. At the same time, an emerging agenda for government reform includes standard personnel management and pay and employment reforms, but also tries to link these activities with fundamental tasks of transforming the state.

The main problem with the Bank's conventional approach to civil service reform is that it has tried to use palliative measures to solve problems that require major surgery. Technical administrative fixes have been applied to fundamental problems of political economy. And even on the technical side the focus has been narrow, ignoring crucial links with other parts of the larger system. Overcoming the limitations of this approach will require a more comprehensive and realistic framework for reform—as well as new instruments of support.

Elements of a new approach

A new approach would include deeper and slower pay and employment reforms, link civil service reform with other institutional reforms, move from a project to a program approach, and follow the lead of smart administrative revolutions elsewhere.

Adopting deeper and slower pay and employment reforms

Many civil service reform operations have focused on reforming government pay and employment policies. The objectives have been to reduce the aggregate wage bill, streamline the civil service, and rationalize remuneration structures (see Lindauer 1994).

Some would argue that these reforms have been driven by narrow fiscal determinants, have been politically difficult, and have had minimal fiscal impact and—more to the point—little performance impact. Thus some observers argue that pay and employment reforms should be abandoned. But in fact, such measures need to be deepened, broadened, and lengthened.

Pay and employment reforms are often needed to restore fiscal balance—a necessary but insufficient condition for performance and capacity improvements. But such reforms have generally been too modest to achieve fiscal balance. Most downsizing programs have sought reductions of 5–15 percent—but much bolder cuts are needed to render government affordable.

Downsizing programs have not proved politically destabilizing. Even without elaborate schemes for redundant workers, severance (where it exists) and moonlighting and daylighting have provided a transitional cushion for displaced workers, and informal and agricultural sectors have been able to absorb more workers than expected. Thus reforms can perhaps be pushed farther on political grounds as well.

But Bank-supported pay and employment reforms have continued to focus on short-term goals—such as one-shot employment cuts—rather than long-term rightsizing and performance improvements. Thus even where civil services have shed labor through

adjustment operations, they have sometimes simply rehired staff.

Linking civil service reform with other institutional reforms

Because the focus on pay and employment was too narrow to achieve necessary institutional changes, the emphasis was broadened to include human resource management issues. Yet an even broader but highly selective approach is called for—one that addresses first-order questions about the role of the state, with important implications for the functions, structure, organization, and process of government.

Three other dimensions of government reorientation need to be considered in this more integrated reform model. The first is the by-now widely recognized connection between civil service management and the framework of controls and incentives embodied in governments' financial management systems. Strong links between personnel and budget functions are essential to sound government management.

The second dimension is the extensive administrative reform occurring throughout borrower countries at decentralized, subnational levels of government. Decisions about devolution and deconcentration of staff, functions, and resources must be linked to policies on central civil service development.

The third dimension is the link between central government civil service reform and institutional reforms in individual sectors—especially health and education, typically the largest government employers. These systematic ties are needed to ensure coherent and consistent reform programs.

Basic principles must be explicit in this new model. One is that a more integrated approach to government reforms must guard against overloading governments' already burdensome requirements for reform. Another is that guidance on the design and implementation of carefully sequenced reforms cannot be provided through a universal blueprint. Reforms must be tailored to regional and country circumstances.

Moving from a project to a program approach

The new agenda for civil service and administrative reform requires a capacity for flexible Bank responses—including the ability to intervene quickly but also to stay the course through the frequent redesigns often needed in institutional reforms. Moreover, links among different reform initiatives under the wider umbrella of state transformation will require support mechanisms with more permeable boundaries.

The Bank's conventional project approach is not well suited to this new construct of government reorientation. Projects are based on an engineering model that emphasizes tight timeframes and deemphasizes human variables. Institutional reform requires adaptability and participant commitment to reform goals. Such reform is subject to myriad unpredictable variables, making blueprints disingenuous at best.

In some ways Bank work on civil service reform has already begun to move away from a focus on projects. Various high-impact non-lending operations and a new range of operational instruments provide for a looser, more country-driven approach to reform. In addition, thought is being given to new types of program loans, which could develop the programmatic approach more systematically. Such loans can support medium-term reforms within a broad policy framework agreed on by the Bank, the government, and civil society. Establishing overall program criteria and governance mechanisms for the reform process, conditioned on the development of results-oriented reform packages, is key to program success.

This model allows for a more tailored, realistic timeframe for governments to prepare and pursue activities following an internally determined schedule. It is not a one-size-fits-all approach. Only some countries possess sufficient institutional capacity to pursue this more autonomous model; others would need to move away from the project approach more gradually.

Reforms must be tailored to regional and country circumstances

The Bank can play an objective role for borrowers interested in sampling elements of government reform

Emulating examples of smart government

The past 10 years have seen dramatic changes in administrative practices in industrial countries. Governments have reshaped rigid, hierarchical bureaucracies into flexible, decentralized, citizen-responsive organizations. Reforms have been sweeping in some countries, representing radical, systemic transformation based on new public management reforms—reforms that emphasize narrower government functions and structures, demands for value for money, and a focus on results. Other countries have pursued more incremental improvements in civil service management while retaining basic administrative structures and practices.

The range of new approaches and models available to borrower countries can be overwhelming. Moreover, most industrial country innovations are only now being tested. Debate runs high on these reforms, and the jury is still out with respect to some of the more controversial elements of the new public management—including the use of market mechanisms (such as performance pay or widespread contractual employment) in core civil services. For three reasons, adapting elements of competing administrative models to borrower country contexts will be complex.

First, countries must be able to choose mechanisms that are appropriate for their circumstances, selecting from a menu that neutrally demonstrates the pros and cons of each option. In the midst of powerful advocacy by true believers in one or another approach, the Bank can play an objective role for borrowers interested in sampling elements of government reform rather than importing a whole-cloth model.

Second, this neutral presentation of options must be balanced with the need to ensure that reforming governments do not install obsolete systems that, instead of

putting the state in the mainstream of 21st-century modernizing trends, undermine efforts to move governments toward the cutting edge of administrative development.

Finally, countries should embark on a course toward smart government. More than simply reinforcing new public management slogans, smart government means finding the best strategy to carry out essential tasks by leveraging scarce resources—possibly through creative technology applications or inventive management solutions. Fresh approaches could result in a “third way” for borrowers that not only bypasses traditional administrative approaches but also leapfrogs the new public management models.

Further reading

Nunberg, Barbara. 1997. “Re-thinking Civil Service Reform: An Agenda for Smart Government.” Poverty and Social Policy working paper. World Bank, Washington, D.C.

Nunberg, Barbara. and John Nellis. 1995. *Civil Service Reform and the World Bank*. World Bank Discussion Paper 161. Washington, D.C.

Lindauer, David. 1994. “Government Pay and Employment Policies and Economic Performance.” In David Lindauer and Barbara Nunberg, eds., *Rehabilitating Government*. A Regional and Sectoral Study. Washington, D.C.: World Bank.

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