

PN-ABD-410

Best available copy -- page 9 missing

PA-ABD-410

ISA 63019

REPORT ON

CIVIL SERVICE REFORM EFFORTS WITH
PARTICULAR REFERENCE TO
SUB-SAHARAN AFRICA:
AN OVERVIEW WITH LESSONS FOR
LIBERIA

by

Richard J. Moore

Prepared for the USAID/Liberia Mission
by

Richard J. Moore
Senior Research Associate
NASPAA

July 28, 1988

TO: SHIRLEY ERVES
FROM: RICHARD MOORE, NASPAA
RE: ADDENDUM TO REPORT AND NEXT STEPS TO TAKE
DATE: AUGUST 2, 1988

As a follow-up to our meeting yesterday afternoon regarding the next steps to take to assist the Liberia mission and the GOL in their civil service reform effort, we offer the following addendum.

1) In the short term, the most palatable and immediate activities that can contribute to accomplishing the long term goals of reductions in force and rationalization of public employment practices are the following:

-The "count," or an accurate portrayal of the numbers of people employed, is a first priority. This means that census and payroll counts must be brought up to date and be made accurate. A first step then is a functional review and a census count to rationalize activities and remove ghosts.

-Reform initiatives that introduce minimal new administrative practices and structures are more likely to accomplish success than those that require the establishment of complex new structures and procedures. Thus, for example, hiring freezes, ceilings, and selective recruitment practices may be more palatable and functional than complicated termination programs.

-Voluntary termination programs, with appropriate compensation packages, seem to be more successful when combined with non-entry programs. Care must be taken that departures are not simply hidden transfers of personnel. Again, the count will help with this.

-Redeployment programs have been largely ignored. Yet, expansion of employment and business opportunities in the private sector are the only means for sustaining reforms. Compensation packages that incorporate a credit fund for the establishment of small enterprises and appropriate redeployment training and technical assistance will do more to guarantee long-term success than simply "closing the public door."

-Some of the financial benefits gained from the reduced numbers of public employees must be used to create wage and training incentives for the remaining public servants. Public sector reform is not just an issue of keeping numbers down; it is also an issue of improving organizational efficiency through management improvement and skill training.

These recommendations appear in expanded form in the text and summary of the report.

2) As a follow-up in the field for action, we propose three

10

options:

- Option 1:** Go ahead with the current proposal and budget, and have Moore travel to Liberia for the budgeted seven days. However, given the conclusion of the study that there are few direct models that can be adopted readily, a brief seven day trip really can only serve to assist the mission in identifying strategies for further action that may be viable. The design of a program in this time frame is not feasible. If this option is preferred by the mission, then review of the report and timing for the field activity must occur very quickly. Moore's current availability for field work extends only until August 30.
- Option 2:** Bring Moore to the field for the current time proposed to identify potential contextually relevant strategies based on comparative experiences, but to add a second person who would spend additional time (possibly 15 days total) to assist the mission in operationalizing a specific proposal and scope of work for instituting chosen strategies. NASPAA has identified a number of operationally expert individuals from among its roster, and, if this option is chosen, will contact these immediately to determine immediate availability. Again, timing is of the essence and the team must be in the field by August 15.
- Option 3:** Given the lack of a clear model to emulate and the time constraints NASPAA is operating under, the mission may prefer to hire someone for a longer time-frame to design and to put in place a monitoring and evaluation system. The short-term approach may not be the most effective in producing sustainable results. A longer time-frame may well be required.

Proposed Budget, Liberia Civil Service Reform - Additional Person in the Field

	No. of Persons	No./Round Trips/Days	Cost each Trip/Day	Item Total
I. Air Fare U.S. - Monrovia	1	1	\$3,000	\$3,000
II. Per Diem Monrovia	1	16	\$183	\$2,928
III. Honorarium In-Ctry and Travel		14	\$274	\$3,836
IV. Other Costs				
Communications				\$100
Visas, shots, etc.				\$200
Car Rental		10	\$50	\$500
Miscellaneous				\$100
V. DBA Insurance \$2.57 x each \$100 Honorarium				\$99
VI. NASPAA Home Office Backup				
Director (Sal./\$265 - Fringe/\$109)		1	\$374	\$374
Financial Officer (Sal./\$154 - Fringe/\$63)		2	\$217	\$434
Project Secretary (Sal./\$73 - Fringe/\$30)		2	\$103	\$206
VII. Overhead 34% of \$4,850 /Total Personnel Costs				\$1,649
VIII. Total			TOTAL.....	\$13,426

Original Funded Budget:	\$18,563
Add'l Person Budget:	\$13,426

TOTAL BUDGET:	\$31,989

Prepared 8/2/88

C'

TABLE OF CONTENTS

Executive Summary.....	1
Summary.....	1
Lessons Learned.....	3
Part One: Issues in Civil Service Reform.....	7
Introduction	7
Issue 1: Extant Research in the Area of Public Sector Employment	13
Issue 2: Surplus Labor Versus Other Employment Issues	14
Issue 3: Civil Service Reform and the Climate of Reform	17
Issue 4: Administrative and Legal Constraints ...	20
Issue 5: Counting the Numbers of Public Employees	21
Issue 6: Voluntary Early Departures Versus Hiring Freezes: The Efficacy of Alternatives...	23
Issue 7: Alternatives to Central Government Reductions: Parastatal Activities and Privatization	24
Issue 8: Alternatives Approaches to Privatization: Contracting Out	24
Issue 9: Reductions in Size and Improvements in Organizational Efficiency	26
Part Two: Case Studies of Civil Service Reform	30
Civil Service Reform in Somalia	41
Guinea Civil Service Reform	45
Mali's Civil Service Reform Program	54
The Case of Zambia	61
Senegal's Civil Service Reform Efforts	61
Reform Efforts in Latin America: Issues and Examples	64
Bibliography	
Persons Contacted	

EXECUTIVE SUMMARY AND LESSONS LEARNED

This brief study reports on the experiences of a number of countries, principally those in sub-Saharan Africa, in reforming their civil services. Most of the analysis contained in this report focuses on their efforts to reduce the size of the public sector. Given the brief time of this study (20 days), it is not intended to be a complete and definitive study of reform initiatives. Rather, it is a selection of cases with an eye for providing some understanding of lessons learned from various cases.

The purpose of this study is to provide USAID/Liberia and the Government of Liberia (GOL) with a discussion of how similar programs have fared, what approaches have proved viable, and what the impacts of reform efforts have been. The scope of work for the study addressed several questions:

- To what degree have countries resolved the problem of multiple "counts" of civil servants, and how has this resolution affected employment numbers?
- What have been some of the incentives utilized to encourage voluntary departure?
- How have decisions been made to determine who should be released and from what government entities?
- What alternatives to public provision of services have been used?
- What experiences can be noted with regard to the administrative and legal requirements necessary to facilitate both voluntary and involuntary departure of public employees?
- How have efforts at reduction in the labor force been coupled with efforts to improve the efficiency of those who remain?
- How has the climate for reform affected the viability of reform efforts?

While this review does not pretend to exhaust the experiences of other countries the intent is to provide some understanding of the issues involved in these and similar questions.

Most of the sub-Saharan African efforts at addressing the issue of public sector labor redundancy are very recent and few programs are well-developed. In addition, policy objectives within a given donor in different countries and among donors have not always been consistent; many of the early programs have been ad hoc in nature; and systematic policy guidance is yet to emerge. As a result, there is little documentation available to describe the outcomes of these efforts. What does exist is preliminary in nature and somewhat "fugitive" in that systematic

documentation available in one place is non-existent. In addition, what is reported often tends to be anecdotal in nature.

In a number of countries, efforts are being initiated only in this current year or began last year. In other cases, reduction and redundancy programs appear more meaningful on paper than in fact. This is indeed one of the principal problems with efforts to reduce redundancy: there is a wide distance from word to deed, and the implementation of civil service reform efforts has proceeded slowly. Difficulties of implementation have arisen for a number of reasons. In some cases (eg., Zambia, Jamaica, Peru) political resistance to reductions have reinforced political resistance to entire reform packages. The consequences can be the collapse of entire policy reform packages. In other cases, proceeding with reduction programs is highly dependent on job creation in the private sector (eg., Guinea). In virtually all cases, the sustainability of civil service reform and public employee reduction programs requires great financial and technical commitments on the part of donors and governments. The political will to carry out reductions is contingent upon the financial backing of donors.

Evidence of the very preliminary nature of evaluation of labor redundancy efforts and the difficulties of such an evaluation is provided by the World Bank. In May, 1988 the Bank determined that an evaluation of recent efforts at addressing labor redundancy in sub-Saharan Africa was appropriate. An internal concept paper designing such a study was written and discussed. That study, a one-year effort evaluating three or four field based cases studies at a cost of \$320,000, would have been the first major systematic effort to review successes and failures of Bank programs in this area. However, in June, the Bank redesigned the study to focus on pay and employment issues rather than on the redundancy efforts. It was deemed that little progress had been made to warrant a large scale study.

Similarly, a second World Bank study was begun in early 1988 to examine the issue of labor redundancy in the transportation sector. In this case, the study is to focus particular attention on parastatals in the transportation sector, where it is deemed that redundancy may account for some 30% of employment. Again, the study has just begun.

In the case of USAID there are very few systematic evaluations of country level progress in policy reform; redundancy and civil service reform efforts have not been evaluated systematically.

What is important in the above statements is that there is little to guide the efforts of USAID/Liberia and the Government of Liberia in their efforts. Actions by the GOL have proceeded at least at the same pace as many of the other African and Latin American experiences. In a sense, the GOL will be providing

leadership in defining the many issues involved in reducing labor redundancy and designing appropriate strategies for dealing with the impacts of termination and public sector labor force reduction.

In the following section of this executive summary a discussion of important lessons learned from the examination of various cases. These lessons provide some insight into both opportunities and the potential pitfalls of components of various civil service reform and redundancy programs. A more detailed examination of these lessons with evidence from cases follows the executive summary. A third section of this report provides even more detail on a series of specific cases. The author proceeds in this fashion in order to provide both cross-cutting parallels of issue-relevant material and a discussion of specific country experiences in context.

A SUMMARY OF "LESSONS LEARNED"

1. Very little research has been done in evaluating pay and employment policies that have been introduced by various donors in recent years. In part, this is because many of the programs have begun only in the past several years, and even among those implementation has moved more slowly than the mere formal "acceptance" of a policy change. The momentum for implementing redundancy and reform programs for public sector employment has not been strong in many cases. Among various economic policy reform initiatives, retrenchment and redundancy programs show the least effective implementation. Few programs are well-developed at this stage.
2. The implication is that the Government of Liberia may well have to experiment, providing a leading rather than a follower role in the development of public sector employment policies. While there are lessons to be learned from the minimal evaluations and discussions that are available to date, many of the programs themselves are in discussion stage.
3. While surplus civil servants is a major problem in many countries, it is not the only issue that employment policies have diagnosed and addressed. In a number of countries, the issue of the excessive wage bill, erosion of salaries, and wage compression are as important, or possibly more important in some contexts, than the numbers of civil servants. However, there is no single correct approach to the problem.
4. Programs aimed at addressing the issue of labor redundancy in the public sector cannot exist in isolation. Any program of reduction in public sector employment must also address

the various issues of administrative and procedural changes, wage structures, training, the viability of private sector alternatives, etc. Without such consideration, the sustainability of programs focusing on redundancy is doubtful.

5. Redundancy, retrenchment, and redeployment programs are pre-eminently political and organizational issues. While clearly these issues are economic, success and failure are more often a consequence of political acceptability, commitment, and will than simply the economic logic of reform. In addition, these policies may have profound effects on the organizational milieu within which they take place (for example, in terms of morale). Perhaps most importantly, governments must feel "ownership" of reforms for them to be sustainable. Thus, the political and organizational contexts of reform are critical.
6. Policies aimed at reducing the number of civil servants are much less palatable to most governments than policies that expand employment at the expense of wages. This fact is important because it means that strategies recommended by the donor community aimed at reducing the overall size of public sector employment are contrary to the approach that governments often perceive to be the solution to holding the total wage bill down. Ironically, early civil service reform efforts, principally those espoused by the IMF, emphasized wage freezes as short-term stabilization solutions. However, this approach is both short-term and narrow, and fails to recognize the need for more comprehensive approaches sustainable over the medium and longer term.
7. A critical prerequisite to any of the available policy options for revising public sector employment policies is a census and functional review of the civil service. The existence of multiple sources of the count, the existence of "ghost" employees, and the lack of connection between accurate employment census data and policy making are all sources of both ineffectiveness and costs. In some cases, corrections to the simple "count" of numbers of public sector employees may have a profound effect on reducing the wage bill. In addition, accurate and monitored censuses may avoid the problem of rehiring and slippage in employment. Also, this initial approach may prove to be acceptable politically.
8. Recent programs at civil service reform in sub-Saharan Africa reflect a variety of policy approaches. Initial efforts often focused on achieving reductions in the total wage bill by means of freezes or restraints on salaries. This approach, as noted above, is short-sighted and short-term. More meaningful approaches direct attention to employment reforms, and include efforts to eliminate ghost

workers, the elimination of sinecures, termination of temporary workers, redefinition and reinforcement of retirement rules, and changes in recruitment procedures (including absolute freezes). Among the most extreme efforts, efforts fraught with high potential for political volatility, have been those aimed at involuntary and voluntary removal of extant public employees.

9. Among major approaches to reduce employment, two stand out in particular: voluntary early retirement (VED) programs and hiring/recruitment freezes. While there are advantages and disadvantages to each, initial evidence suggests that freezes may be more effective politically, administratively, and economically than VED programs. While a number of reasons are suggested in the cases, several rationales are offered here. The administration of a program to select, process, redeploy, and provide compensation for early retirees is administratively very complex. Opportunities for circumventing the process increase with the number of administrative steps involved. In addition, VED programs reduce the ability of the central government to determine who should stay and go. One effect may be that those who opt for departure may be more risk-prone and talented, perceiving their opportunities to be greater "on the outside." The public sector may be left with the less competent as a result.
10. Reducing employment appears to be more successful in the context of privatization efforts and within parastatals than in central ministries. While it is not suggested here that employment reduction in central governments are not feasible, it is suggested that success stories are less frequent in central ministries. In part, this may be a result of the nature of the "good" produced in central ministries: often "products" are not final goods, but rather intermediate goods consumed in other governmental activities. Productivity measurement, work load measurement, and performance appraisals are often more difficult. Thus, determining who is redundant is more difficult.
11. Alternative approaches to reducing excess direct public sector employment should also consider quasi-privatization schemes such as contracting out for government services. These alternatives may yield additional societal benefits other than simply reducing the wage bill of the public sector. The privatization of specific functions (eg., maintenance and construction activities, cafeteria services, etc.) may not only provide for employment reductions but also may rebound (have multiplier effects) in the economy. While this report focuses on central governmental efforts, examples and lessons from both parastatal privatization and divestiture efforts, as well as contracting out/"contract

plan" proposals are worthy of consideration.

12. The sustainability of reforms in pay and employment policies on the part of governments requires that donors be willing to make strong and continuous political, financial, and technical commitments. These reforms are among the most volatile for any country, particularly when government has been perceived for so long as employer of first resort and not just last resort. In the absence of perceived credibility of commitment on the part of donors governments, faced with instability, are not likely to commit their own fragile political resources after leveraging is gone.
13. The credibility of reform efforts is also an issue for national governments. Thus, the visibility of national commitment to reform is important. One means for achieving this visibility is the location of the locus of reform efforts. The greater the autonomy of the focal point of reform with access to higher governmental authority, the greater the probability of success. For example, in some countries reform efforts are centralized through the Office of the President or in a Cabinet level position, increasing their political visibility and the sense of commitment.
14. Reforms in public sector employment practices are neither easy nor short-term. Thus, these efforts must be phased in carefully and in some logical sequence. A time frame of five years as a minimum is not unrealistic for introducing sustainable employment practice reforms.

PART 1:
ISSUES IN CIVIL SERVICE REFORM

60

ISSUES IN CIVIL SERVICE REFORM

Introduction

As a consequence of concern with severe economic crises throughout the developing world, there has been increased interest and research in the question of how to make the public sector more productive and efficient, and how to reduce the burden of onerous governmental presence in the economy.. Adjustment policies of the Bank, the IMF, and a number of the bilateral donor agencies (principally the U.S. Agency for International Development) emphasize this need for both streamlining public sector activities and making them more productive. Much of the research being conducted and methodological approach(es) taken have tended to be (a) anecdotal, (b) reliant on weak and sometimes non-existent data in the Third World context, (c) oriented toward the creation of systematic budget and financial management systems for purposes of budgetary control rather than organizational efficiency, (d) focused on the privatization and divestiture of state owned enterprises with less concern for the efficiency issue, or (e) concerned more clearly with macroeconomic cost recovery and the financial viability of public enterprises.

One principal issue that lies at the heart of much of the research and action among the donors is concern with the disproportionate share that the public sector has in Gross Domestic Product (GDP) in LDCs. Not only is the absolute size of (central and parastatal) governments perceived to be too large, but the wage burden of the public sector on the financial resources of societies is of concern. Rapid and uncontrolled increases in public sector wages and levels of employment threaten to undermine the various macroeconomic stabilization policies that many governments have taken to heart.

As Heller and Tait note, studies of the burden of the public sector burden utilize several measures as evidence of this burden. Two common measures are the proportion of total expenditures by government to GDP and the proportion of total employment represented by the public sector. What is clear from the evidence is that public sector employment represents a far greater proportion of total economic activity in LDCs than in more developed countries. For example, central government employment as a proportion of (non-agricultural) employment in LDCs averages 23 percent in LDCs; the corresponding numbers for OECD countries is 9 percent. In a number of African countries the differences are even more dramatic, averaging 31 percent for the region as a whole. In the specific cases of Benin, Liberia, Tanzania, Togo, and Zambia, data from the early 1980s indicate proportions of 43%, 53%, 46%, 43%, and 42% respectively! Table 1 provides an

overview of the relationship of public sector employment to total employment by region. Table 2 indicates the rapid growth of the public sector during recent times.

However, central government employment is only part of the picture. A more startling growth in public sector activity in developing countries has been expansion in the nonfinancial public enterprise or parastatal sector. As a proportion of total public sector employment in developing countries, the ratio of parastatal employment has grown to an average of 29 percent. The corresponding numbers for OECD countries is only 16.5 percent of public sector employment. Graphic depictions of these proportions for a number of countries and regions is provided in Figure 1 below.

Together, public enterprise and central governmental employment suggest an even starker reality. In developing countries taken as a whole, the public sector averages a full 44 percent of total nonagricultural employment, while in the OECD countries this proportion is 24 percent. For specific cases in Africa, the numbers are greater still: Ghana (74%), Liberia (60%), Senegal (46%), Zambia (81%), Benin (87%), Tanzania (78%). Clearly, the burdens of employment are overwhelming in the developing world.

Most of the sub-Saharan African efforts at addressing the issue of public sector employment surpluses and labor redundancy are very recent and few programs are well-developed. In addition, policy objectives within a given donor in different countries and among donors have not always been consistent; many of the early programs have been ad hoc in nature; and systematic policy guidance is yet to emerge. As a result, there is little documentation available to describe the outcomes of these efforts. What does exist is preliminary in nature and somewhat "fugitive" in that systematic documentation available in one place is non-existent. In addition, what is reported often tends to be anecdotal in nature.

In a number of countries, efforts are being initiated only in this current year or began last year. In other cases, reduction and redundancy programs appear more meaningful on paper than in fact. This is indeed one of the principal problems with efforts to reduce redundancy: there is a wide distance from word to deed, and the implementation of civil service reform efforts has proceeded slowly. Difficulties of implementation have arisen for a number of reasons. In some cases (eg., Zambia, Jamaica, Peru) political resistance to reductions have reinforced political resistance to entire reform packages. The consequences can be the collapse of entire policy reform packages. In other cases, proceeding with reduction programs is highly dependent on job creation in the private sector (eg., Guinea). In virtually all cases, the sustainability of civil service reform and public employee reduction programs requires great financial and techni-

TABLE 1
PUBLIC SECTOR EMPLOYMENT (PSE)

	<u>OECD</u>	<u>LDCs</u>	<u>Africa</u>	<u>Asia</u>	<u>L.A.</u>
PSE share in non-agriculture employment	24%	44%	54.4%	36.0%	27.4%
FSE wages' share in national income	17%	16.7%	18.5%	N/A	15.0%
Ratio: average central gov't. wage/per capita income	1.7	4.4	6.1	2.9	2.9
Number of PS employees/100 inhabitants	2.4	3.1	1.9	3.1	4.6

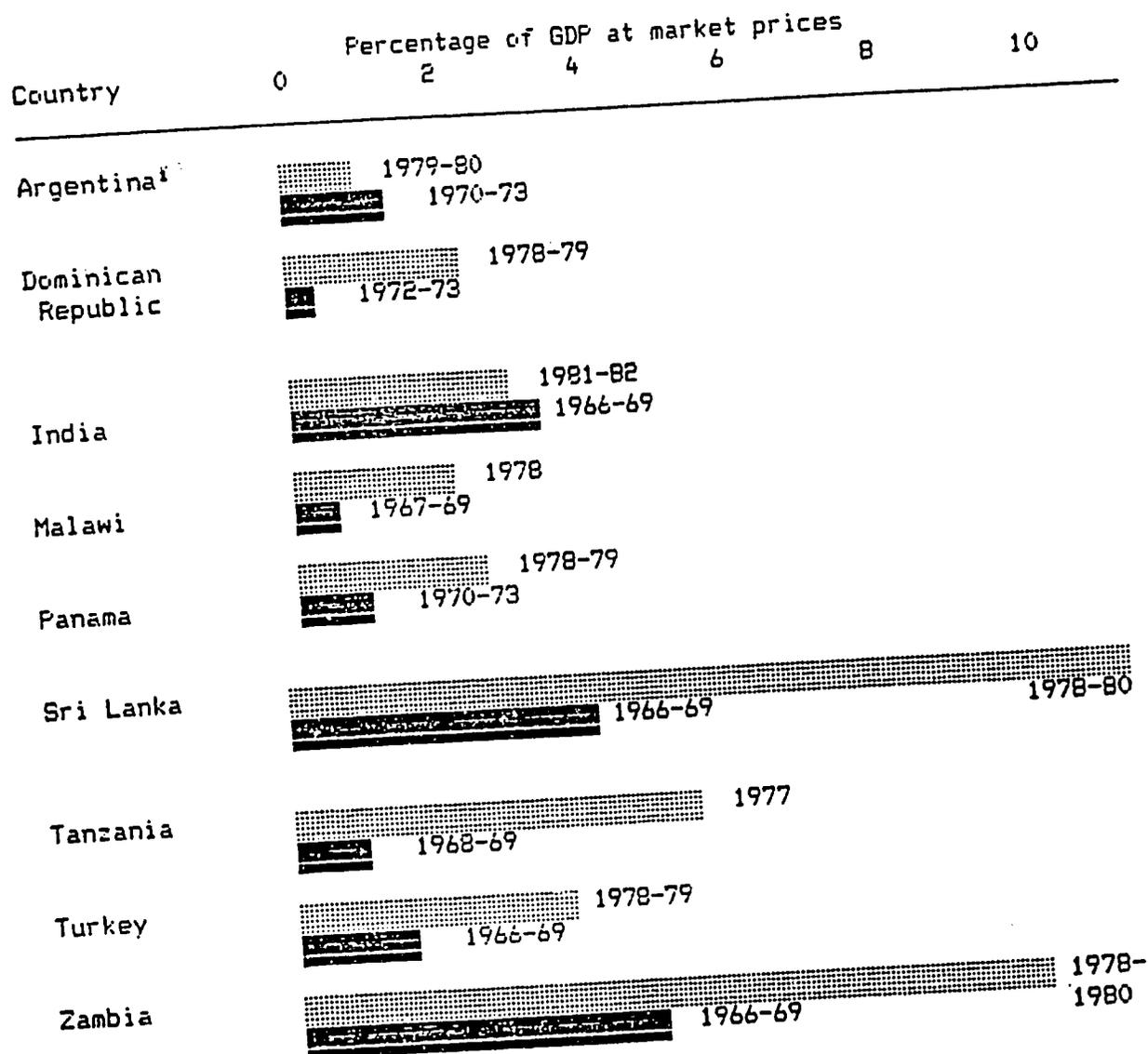
Source: Heller and Tait (1984)

TABLE 2:
GROWTH OF THE PUBLIC SECTOR, 1970-1982

Country	Public Sector Expenditures as % of GDP		Of which, State Enterprises		Proportion of GDP by SOEs (1978-80)	Public Sector Deficit As % of GDP	
	1970	1982	1970	1982		1970	1982
Argentina	33	35	11	12	20	1	14
Brazil	29	32	6	11	39	2	17
Chile	41	36	5	10	13	5	2
Colombia	26	30	6	10	9	4	2
Mexico	21	48	10	26	24	2	17
Peru	25	57	4	32	15	1	9
Venezuela	32	66	17	45	45	3	4
Weighted average (L.A.)	28	42	9	19	29	2	9
Malaysia	36	53	4	34	33	12	19
Korea	20	28	7	4	23	4	3
France	38	48	6	7	13	0.5	3
Sweden	52	66	4	6	11	2	10
Great Britain	43	49	10	11	17	3	6
U.S.A.	22	21	10	9	4	1	2

Source: Balassa, et al. (1986), p. 126.

FIGURE 1:
CLAIMS ON THE BUDGET OF NONFINANCIAL
STATE-OWNED ENTERPRISES
(SELECTED COUNTRIES)



The length of the bars indicates government subsidies, transfers, and net lending to nonfinancial SOEs, less SOE dividends and interest payments to government, as a percentage of GDP at market prices.
¹ Major enterprises only.

Source: World Bank, World Development Report, 1983, p. 75.

political will to carry out reductions is contingent upon the financial backing of donors.

Issues in Civil Service Reform

As is noted above, the issues of labor redundancy, civil service reform, retrenchment, and redeployment are relatively new concerns for national governments and the international donor community. As a result, information about the progress and pitfalls of various efforts is not readily available in a systematic fashion. However, a number of principal issues concerning these efforts can be identified in the extant literature. This section attempts to address these issues drawing on examples from country analyses. A later section attempts to provide more careful discussion of specific case histories.

Issue 1: Extant Research in the Area of Public Sector Employment

One of the principal problems confronting efforts to evaluate programs for reforming public sector employment is the paucity of published material. While there are now a substantial number of projects in developing countries aimed at addressing the employment and wage issues in the public sector, most of these projects are of quite recent origin.

In addition, policy objectives within a given donor in different countries and among donors have not always been consistent; many of the early programs have been ad hoc in nature; and systematic policy guidance is yet to emerge. As a result, there is little documentation available to describe the outcomes of these efforts. What does exist is preliminary in nature and somewhat "fugitive" in that systematic documentation available in one place is non-existent. As a result, even those programs that have begun implementation have not been evaluated in any systematic manner.

Evidence of the very preliminary nature of evaluation of labor redundancy and wage policy efforts and the difficulties of such an evaluation is provided by the World Bank. In May, 1988 the Bank determined that an evaluation of recent efforts at addressing labor redundancy in sub-Saharan Africa was appropriate. An internal concept paper designing such a study was written and discussed. That study, a one-year effort evaluating three or four field based cases studies at a cost of \$320,000, would have been the first major systematic effort to review successes and failures of Bank programs in this area. However, in June, the Bank redesigned the study to focus on pay and employment issues rather than on the redundancy efforts. It was deemed that little progress had been made to warrant a large scale study.

Similarly, a second World Bank study was begun in early 1988 to examine the issue of labor redundancy in the transportation sector. In this case, the study is to focus particular attention on parastatals in the transportation sector, where it is deemed that redundancy may account for some 30% of employment. Again, the study has just begun.

The World Bank has included employment and pay components to a number of recent structural adjustment loans. Since 1981, thirty SALs have incorporated conditions regarding employment practices in the public sector (Nunberg, 1988). Of these thirty SALs, eight countries in sub-Saharan Africa are included, five in Latin America, two in Asia, and one in Northern Africa.¹ Yet, even among these efforts the level of sophistication varies greatly. A number of the SALs include requirements for employment reductions without providing any guidance or discussion of how these reductions are to occur. A similar problem is evident in conditions required by IMF Standby Agreements. Table 3 provides information on the distribution of these SAL programs with employment components. While some preliminary review of these cases has been done by the Bank, country sector and economic work has been minimal at this stage.

Furthermore, many of the reviews that have been done are diagnostic in character, intended to analyze the current conditions rather than prescribe solutions. This is particularly true in efforts to examine the issue of redeployment of released or terminated employees.

In part, this preliminary stage of analysis is the result of the difficulties that have been encountered in the implementation of programs that have been introduced on paper. A number of these implementation difficulties will be discussed in the following pages. What is important to note here is that policy guidance for USAID/Liberia and the Government of Liberia on the mechanics of employment reform and the problems associated with reform is not clear. Reform efforts in Liberia may have to play a leading rather than a following role in the design and implementation of these programs.

Issue 2: Surplus Labor Versus Other Employment Issues

While much of the popular literature and early efforts at reforming public employment practices in the 1980s focused on the absolute size of employment in the public sector and its growth, there are other issues that rank high in the minds of government

¹ The reason that this number does not add up to thirty is that in some cases there are multiple SALs for the same country.

TABLE 3. COUNTRIES WITH BANK OPERATIONS IN
PUBLIC SECTOR PAY AND EMPLOYMENT

<u>Region</u>	<u>Current</u>	<u>Proposed</u>
<u>West Africa</u> -----	CAR Gambia Guinea Mali Mauritania Niger Senegal Togo	CAR Ghana Guinea Bissau Mali Mauritania Senegal Sierra Leone
<u>East Africa</u> -----	Malawi	Sudan Uganda
<u>LAC</u> -----	Bolivia Costa Rica Guyana Jamaica Peru	Bolivia Haiti
<u>FAP</u> -----	Thailand	
<u>EMENA</u> -----	Turkey	
<u>South Asia</u> -----	Bangladesh ^a	Sri Lanka

Source: Nunberg, 1988

TABLE 4. MAJOR DIAGNOSED PROBLEMS FOR COUNTRIES
WITH BANK EMPLOYMENT/PAY INTERVENTIONS

Excessive Wage Bill	Surplus Civil Servants	Erosion	Compression
Bangladesh	Bangladesh	Bangladesh	Bangladesh
Bolivia	Bolivia	Bolivia	Guinea
CAR	CAR	Jamaica	Guyana
Costa Rica	Costa Rica	Mali	Jamaica
Gambia	Gambia	Peru	Peru
Ghana	Ghana	Thailand	Thailand
Guyana	Guinea		
Haiti	Guyana		
Jamaica	Haiti		
Malawi	Jamaica		
Mauritania	Mali		
Niger	Mauritania		
Senegal	Niger		
Sierra Leone	Senegal		
Togo	Sierra Leone		
Uganda	Sri Lanka		
	Togo		
	Turkey		
	Uganda		

Source: Nunberg, 1988

officials and employees. Some of the major considerations that confront efforts at reform are questions of the dramatic erosion of salary levels in government service, the differentials between central government and non-central government pay scales, the retaining of high-level (management) personnel, training of personnel, and the impact of wage compression resultant from wage policies and inflation (Heller and Tait, 1983; Nunberg, 1988).

The erosion of government salaries throughout the developing world has deleterious consequences for the public sector. This problem has been compounded by early IMF efforts to control the wage bill through wage freezes and national government reticence to reduce total employees at the expense of total wages. Declines in real wages affect not only morale, but also have resulted in very high attrition and turnover rates within the public service. One common irony in cases from both Africa and Latin America is that governments have attempted to comply with conditionality by holding total wage bills down while avoiding political repercussions of loss of employment by keeping employment levels up. The consequence is obvious: individual salaries have suffered in the crossfire.

In the case studies that follow several examples are noted. In Somalia, average wages for the period from 1971-1978 increased by only 18 percent. For the period from 1977-1984, average wages increased by approximately 50 percent. During the same period, the Mogadishu CPI increased by over 600%. In the case of Zambia, wage increases for 1982 and 1983 were 6.9% and 3.6% respectively; inflation rates for the two years were 12-13% and 18-20%. In Jamaica, the CPI rose by over 500% between 1972 and 1984, while salaries among upper level civil servants rose only 40-85% (Nunberg, 1988). One consequence of particular importance is the loss of higher level civil servants. In Zambia's case for example, wages declined between 1975-1986 to 19% for Under-secretary level personnel, and to 18% of 1975 levels for Assistant Director level personnel.

A second problem noted in wage policy is the large differential in salary scales between central governments, parastatals, and the private sector for similar activities. This is a common problem throughout Latin America, where public enterprise pay structures are autonomous of central government control (Saulniers, 1986). Heller and Tait (1983) suggest that the problem also extends to inter-ministerial differences in pay scales. Increasingly, governments are attempting to find ways around wage freezes through expansions in compensation packages and other non-wage benefits, the use of different job classifications (eg., temporary workers in Somalia), and selective increases in ministry salaries (eg., Finance in Guinea, Education in Somalia, wage premiums in Senegal, creation of super-grades in the United

states and Peru) to overcome these differentials.

A further consequence of these differentials and the erosion generally of salaries has been "wage compression," a dramatic reduction in salary differences among various levels of employees. In recent World Bank SALs, Sector Adjustment Loans, and Structural Adjustment Credits, explicit concern with wage compression has been identified in the Civil Service Reform components. For example, in a 1986 Structural Adjustment Credit to Ghana, decompression was tied to the agreement. Since that time, a compression ratio between the highest and lowest paid employees has gone from 2.5:1 to closer to 5:1 (World Bank interviews). In Zambia, while very senior level salaries in 1986 represented only 18-19% of 1975 levels, lower level salaries (classified daily employees) declined to only 53% of 1975 levels. In this case, the results are the consequence of a conscious policy to narrow the wage gap, a policy that has resulted merely in the impoverishment of upper level employees. As above, efforts to counteract these effects have begun in a number of countries, including: programs to create super-grades (Senior Executive Services in Peru and the United States) with a pool of funds and non-permanent employment in these grades; programs allowing selective increases in salaries in critical ministries (eg., Finance in Guinea); the "topping" of salaries for those linked to donor financed projects.

What should be noted is that the topic of surplus public sector employment is not independent from these other issues, nor is it the sole issue of concern to many governments. Consideration of these additional dimensions of reform in the context of addressing the problem of surplus labor is necessary.

Issue 3: Civil Service Reform and the Climate of Reform

There is perhaps no issue that can affect the viability of reform efforts more than the climate of reform. However, it is not simply the general social climate that should concern those engaged in reform efforts. The political and organizational milieu within which reform efforts are initiated and implemented are of equal importance. The degree to which a government can exercise effective authority in the execution of stringent reform initiatives is critical. Similarly, the degree of organizational and bureaucratic support for reform efforts must be understood.

Part of the establishment of a positive climate can be accomplished through donor support and sensitivity to the perceived "appropriateness" of the reform package. The converse can also be true: negative climates can be generated or exacerbated by donor intransigence and short-sightedness in the pursuit of pre-established reform packages and goals. Flexibility and collabora-

tion are often the key to the creation of a successful climate for reform.

In Zambia, for example, efforts to reduce public employment were only part of a much more (overly?) ambitious reform effort. These efforts did not proceed, even during the period in which the larger, rather impressive, reform package was being implemented. However, failure to take into account strong opposition to Kaunda's apparent support for reform resulted in limited efforts on the part of the donor community to pace reforms or to generate a broader support base. Meetings called in Livingstone in November, 1986 by the World Bank were intended to generate this broader support but resulted in increased acrimony and public media attention to opposition demands. The events of late 1986 and early 1987 (food riots, formal declarations of opposition by important stakeholders, suspension of the auction) were not heeded carefully as signs of a changing climate (Moore, 1988). My own work in Zambia with the redesign of a major HIRD project exemplified some of these problems. While we attempted to generate greater support and legitimacy for the HIRD effort by suggesting a change of venue for the coordination of HIRD efforts (from Planning to Cabinet), it appears that these efforts may have generated greater hostility and inter-ministerial conflict (Moore, 1988; White, 1988). In May 1987, this changing climate culminated in the suspension of the entire reform package.

In Peru, opposition to reforms in the SOEs was enhanced by the more general climate of apprehension with World Bank and IMF conditionality requirements. Strong opposition by APRA (one of the major political parties), continuing political terrorism, and a fragile democratic political coalition eventually resulted in more apparent than real reform efforts. President Garcia's decision to limit debt repayments (to 10% of export earnings) expressed both exasperation with the financial crisis as well as an effort to appease strong domestic opposition (Ortiz de Zevallos, 1987; Saulniers, 1986).

A positive climate in Jamaica in the post-1980 period emerged with the election of Seaga and a strong liberalization platform. The encouragement of the United States with the passage of the Caribbean Basin Initiative (CBI) did much to support early reform efforts. However, again the pace and degree of reforms in recent years, coupled with the re-emergence of the Manley forces, threatened to overwhelm the entire reform package. One result has been the stalling of a major World Bank project aimed at employment reductions and organizational efficiency improvements.

The need for an appropriate organizational climate is exemplified in the case of Panama. Recognition of the need to build a climate for reform was incorporated into USAID/Panama's restructuring of

the Ministry of Commerce and Industry. In mid-1986, I conducted a series of organizational development workshops with the entire professional staff of the Ministry. This was done in advance of a major effort to restructure the Ministry, an effort which would have led to reductions in employment within the Ministry (Moore, 1986). The purpose was to "get the staff on board" with the restructuring and to encourage positive collaboration with the restructuring effort. However, a second project occurring at the same time suggests the potential for exacerbating anxieties with reform. A project to identify "candidates for privatization and liquidation" led to highly visible opposition. Failure to consult adequately with Panamanian officials and the untimely release of the privatization report resulted in bombastic criticisms in the local press, criticisms that did not encourage meaningful collaboration with the government.

NASPAA's recent work with the Ministry of Agriculture in Guinea is another clear example of efforts to encourage an appropriate climate within an organizational context as part of restructuring initiatives. The design of longer-term restructuring initiatives and the introduction of financial and budgetary reforms were conducted in collaboration with the Minister both in Guinea and in a subsequent workshop of the technical assistance team and the Secretary General in Washington.²

In addition, the climate of reform is affected by the timing of initiatives. As noted above in the case of Zambia, too much too soon affected the capacity of the government to maintain the political will necessary for reform. In Brazil, reforms and reductions in the parastatal sector became politicized increasingly, in part because they have coincided with debates establishing a new constitution. In Mexico, the recent presidential elections have resulted in a climate, already negative due to the severe economic crisis, which will not be propitious for rapid movement forward on the proposed reductions in SOEs and personnel.

It is incumbent upon both USAID/Liberia and the GOL to consider carefully this issue of climate given the magnitude and the pace

² NASPAA has been working with the Ministry of Agriculture in Guinea for approximately two years. Over that time period, NASPAA has been engaged in a series of technical assistance interventions carefully planned and staged to assist the Ministry with reorganization, training, and management improvement. NASPAA working documents on their Guinea activities provide a clear example of the need for careful design and staging of initiatives. Much of the effort has focused on creating an organizational environment for reorganization.

of reform initiatives in that country. Appropriate climate must precede dramatic structural changes. Inappropriate political and organizational climates, unheeded, can derail even the most realistic reform initiatives. To establish this climate and to encourage it requires close collaboration and consultation with national governments, affected bureaucratic interests, and political forces in the country.

Issue 4: Administrative and Legal Constraints

A number of the cases reviewed for this document suggest the need for careful consideration of existing administrative and legal bottlenecks to civil service reform efforts. In virtually every case, changes in hiring practices and recruitment criteria require alterations in the Civil Service Law. In the case of Somalia, for example, the passage of the 1980 Civil Service Law was intended to correct problems in earlier administrative practices such as hiring ceilings. However, the new law did not address issues such as poor definitions of remuneration and job categories, promotions in grade, and specifications of job requirements. Another issue uncorrected in the 1980 law is the practice of forward establishment of "positions" which were intended to retain hiring flexibilities in ministries. While some of these problems can be remedied through simple administrative action (eg., job classifications), others require amendments to the law itself.

In the case of both Latin America and Francophone Africa, the problem of needs for change in law are perhaps more vexing. In particular, the codification of law in both regions disallows flexibility in interpretation such that modifications are not easy. In the cases of civil service codes in Latin America this has come about historically as an effort to both strengthen the authority of government as well as to protect the rights of public servants. As I note in the case material attached, one result has been dramatic distinctions in law as to the rights and benefits of employees of central governments as opposed to employees of public enterprises. Under the Labor Codes of many countries stringent requirements and protections for public employees result in extremely expensive termination packages. Also, distinctions between Labor Codes and Administrative Codes mean that much more scrutiny of coverage of individual employees is required.

Resolving labor legislation and standardizing coverage under different codes may often be necessary prior to the determination of the appropriate disposition of the labor force.

Perhaps the best evidence of the need to take legal codes into

account comes from examinations at privatization attempts. A recent overview study of the employment issues in privatization notes that the constraints of labor legislation must be resolved before any action can proceed. Often, protection of individuals may require that government cover the full extent of an individual's employability! In one country, the report notes a law that decrees : "individuals cannot lose the benefits they had as government employees when an entity is privatized; when employees are absorbed by the private sector it must be on terms not less favorable than those previously enjoyed" (The Hay Group, 1986).

In the case of Peru, one of the major stumbling blocks of reforming public enterprise consisted of the need to classify the legal status of different types of government entities, prior to privatization (Ortiz de Cevallos, 1987). Each of the different classifications were subject to different regulations regarding disposition of the entity.

Again, the need for prior resolution of the legal and legislative dimensions of civil service reform or other restructuring programs is a critical input into the policy-making process. One recent consultant report on privatization opportunities in the Gambia recommended that research on the legislative dimensions of the privatization of one public enterprise, the Gambia Produce Marketing Board, would require \$85,000 of a total of \$255,000 for investigations into the viability of privatization of that enterprise (Crouzet, 1986).

Issue 5: Counting the Numbers of Public Employees

Reasoned decisions regarding the choice of reform techniques in the civil service require information. Information on the numbers of public employees is often one of the principal obstacles to effective reforms, whether these reforms are reductions, redeployment, or simply organizational efficiency. One of the most promising first cuts at reductions in the numbers of civil servants in the central government sector is the creation of an accurate count of numbers of employees and the reconciliation of different counts of employees. The elimination of "ghost" employees as a first step drives many of the efforts to reconcile counts of payrolls, Civil Service Commission counts, and personnel record counts that often coexist in a country. Also, the lack of connection between accurate employment census data and policy making are a source of both ineffectiveness and costs. In some cases, corrections to the simple "count" of numbers of public sector employees may have a profound effect on reducing the wage bill. In addition, accurate and monitored censuses may avoid the problem of rehiring and slippage in employment. This initial approach may prove to be more acceptable politically than

many of the more demanding reform efforts, and can pave the way for continued efforts.

An accurate count of central government employment often requires that a simultaneous functional review of government ministries take place. In the case of Ghana, the 1986 World Bank SAC incorporated such a review along with the attempt to coordinate the count. The accounting firm of Coopers and Lybrand was contracted to conduct a functional review of the entire central government. Simultaneously, long-term technical assistance was provided for the Civil Service Commission to strengthen its capacity to reconcile payroll and personnel counts. Part of that SAC contained the condition that Ghana reduce its civil service rolls by 5% per year over a three year period, or approximately 15,000 per year. In the first year, some 12,000 were actually removed, and one estimate is that a significant portion of the reduction came simply from removal of ghosts (World Bank interviews). The functional review is also intended to serve as a means for rationalizing the targeting and the selection of potential reductions.

A consistent problem in a number of countries is the coexistence of several different and unreconciled counts. In Guinea, three separate counts exist: one for payrolls, the census count, and a count through the personnel records system (White, 1987; NASPAA internal documents). While a World Bank project to improve financial accountability currently is in process, resolution and merging of the counts has not yet occurred.

One reason for the difficulty in resolving the count is that "ghost" employees serve a functional purpose for supervisors. The obvious rationale is increasing salaries for low-paid individuals through multiple salaries. However, other reasons of a more bureaucratic nature obtain as well. For example, one source suggested a rationale in the case of Liberia. The permanent hiring for a new teacher requires 29 distinct bureaucratic approvals and as much as one year to secure. In those cases where a teacher resigns, retires, or is removed, a replacement may prove too time consuming to justify. Thus, it is not uncommon for principals to continue payments on a "ghost" employee to provide a paycheck for a replacement, in accord with legal statutes that allow this continuity in payment. For the supervisor, ghosts are functional; for the potential employee, who is likely to be less senior than the person he replaced, receiving the paycheck is the equivalent of a "promotion." No one is encouraged to report the ghost (Chapman interview).

Functional reviews and accurate counts often face bureaucratic resistance. Rationalization is seen as a direct assault on the clientelism that exists in bureaucracy. In Senegal, attempts to

conduct functional reviews within ministries were met with strong political reaction. Even counting is not perceived to be a neutral political act!

Issue 6: Voluntary Early Departures Versus Hiring Freezes: The Efficacy of Alternatives

While there are advantages and disadvantages to each, initial evidence suggests that freezes may be more effective politically, administratively, and economically than VED programs. A number of reasons are suggested in the cases. The administration of a program to select, process, redeploy, and provide compensation for early retirees is administratively very complex. Opportunities for circumventing the process increase with the number of administrative steps involved. In the discussion of Mali below, even the calculations of the economic costs and benefits of VED programs are complex. In many (most) sub-Saharan African cases, these calculations may prove impossible in the absence of accurate data.

Determinations of the appropriateness of VED program, the selection of individual candidates, and the targeting of specific ministries or offices all require prior functional reviews of bureaucracies. In the absence of rationale reviews, the decisions as to who might be retired often becomes a game of favoritism and one more source for potential clientelism.

In addition, VED programs reduce the ability of the central government to determine who should stay and go. One effect may be that those who opt for departure may be more risk-prone and talented, perceiving their opportunities to be greater "on the outside." The public sector may be left with the less competent as a result.

In several of the individual case studies below (Mali, Panama) compensation packages for retirement programs have proven to be extremely expensive, and have not necessarily resulted in large reductions. As is noted in both cases, VED programs have been coupled with other efforts. In the case of Mali, hiring freezes have resulted in greater reductions; coupled with a VED program, actual lowering of the number of central government employees has occurred. In the cases of Panama and Peru, VED programs in the central government have been combined with similar efforts or forced retirements in the parastatal sectors, with individuals in the latter entities sometimes transferred to central government employment.

Issue 7: Alternatives to Central Government Reductions: Parastatal Activities and Privatization

This report does not deal with the issue of parastatal reforms in the public enterprise sector; however, it is important to note that much of the reduction in government employment that appears throughout the world has come about because of privatization of SOEs (Cowan). In the case of Latin America, the potential destabilizing effects of confrontation with central government bureaucracies and public sector unions by fragile new democracies has led those governments to focus attention on public enterprise reductions. One reason for this focus is that much of the growth in public sector employment and public sector cost has come about as a result of growth in SOEs in the 1970s.

Much of the effort of the World Bank has focused attention on the liquidation of inefficient and costly public enterprises (Nellis, 1987; Shirley, 1987; The Hay Group, 1986).

Issue 8: Alternatives Approaches to Privatization: Contracting Out

Privatization has numerous guises other than simply complete divestiture of state-owned and managed activities. Recent "quasi-privatization" schemes provide possible alternatives for both restructuring government activity and reducing the cost burden and employment of government. Among these recent alternatives, we note the following types: contracting out/purchase of services; franchises; grants and subsidies to the private sector; voucher systems; voluntarism and self-help; and the application of user-fees and charges (Savas, 1980; Hatry, 1983).

One recent trend in the effort to reduce the cost burden of government has been the contracting out of public services. While numerous examples exist in the context of advanced industrial nations (particularly the U.K., the U.S., and France), little research or evaluation of the viability of this scheme are available in the context of developing countries. What does exist tends to be highly anecdotal or single case studies (Rose; Dei; Nolan; Moore; Roth).

Approaches to alternative institutional arrangements for the delivery of collective or public goods and services began to emerge in the contract state of the post-war period in the United States. The argument for contracting out for publicly-financed goods and services was not based on a critique of governments. Rather, it was seen simply as pragmatic to use the private sector for certain activities in a country which had faith in markets and technology. At the national level, this approach was most widely adopted in the area of high-technology, particularly in

the defense industry.

At the local level, contracting out for services gained popularity in the United States with the growth of suburban jurisdictions which favored spatial and fiscal separation from central cities. These suburban units were usually too small in most cases to produce efficiently an acceptable array of municipal services themselves, but were able to consume these services cost-effectively by contracting with producers elsewhere.

As Hatry (1988) points out, contracting out for services assumes that the private sector is able to deliver the service at lower cost than government, principally because of competition, the pressure to utilize newer technologies, and lower compensation costs. Principal among the advantages associated with contracting out are:

- a reduction in cost or improvement in performance;
- the flexibility to incorporate specialized skills as appropriate;
- a reduction in government size and activity;
- the avoidance of large initial costs for service packages;
- flexibility in adjusting program size to meet demands that change;
- the potential for better management.

Contracting out at the local level has a thirty year history in the United States. A recent study of cities shows that the service contracting is prevalent in a variety of service activities:

- 42 percent of cities contract out the operation and maintenance of local transport (bus) systems;
- 35 percent of local governments contract out residential garbage collection; 44 percent contract out commercial garbage collection;
- 80 percent contract out vehicle towing and storage;
- 35 percent contract out the operation of day care facilities;
- 30 percent contract out the operation and management of hospital services.

The list of areas where contracting out has proven effective is quite extensive and includes most public works and transportation functions, public safety activities, health and human services, parks and recreation facilities, as well as a number of support functions of government.

One recent study of the experience of the Government of Honduras' efforts to reduce the cost burden of government explores contracting out experiences in various construction activities that

had been transferred from force accounts to private sector contracts (Mocre, et al., 1987). The central question of the study sought to answer is the following: To what extent have any changes in the institutional arrangements--the shift to a system which encourages delivery by the private sector of publicly financed goods and services--succeeded in stimulating private sector activity, in improving quality and speed of delivery, and in reducing costs of the public sector? The study attempted to compare systematically the delivery of goods and services of different institutional arrangements in each of the three sectors examined: housing, primary schools and roads.

While the individual circumstances varied by sector and even among projects within sectors, the overall conclusion of the analysis was that contracting out did not lead to the outcome commonly predicted by the proponents of privatization. It did not reduce the overall cost of construction in most cases and actually increased the direct cost to the government in the construction of rural primary schools, where community self-help, both with regard to construction and maintenance, and been a part of the government's previous directly administered program. In this later case the project activities suffered both increased overall costs and a significant long term loss in terms of sustainability of results, in order to realize a short-term gain in the form of a speed-up in school construction. The private contracts appeared to be slightly faster and to produce a bit higher quality than the public sector, but overall the differences were rather insignificant.

The major reasons for the above outcome were a lack of competition in the market and several institutional barriers such as government regulation of contract period, the pricing system, employee compensation rules and specification codes. As already noted contracting out increased the direct cost to government in some projects. Also, contrary to a common thesis about privatization, contracting out did not in the Honduran case reduce the size of employment in the public sector.

Two important policy implications emerge from this study of contracting out as an alternative. First, if policy makers are indeed interested in advancing efficiency in the provision of public services through privatization, substantial institutional reform in markets and government regulation is necessary. Second, policy makers need to consider the multiple objectives at the national level carefully, since trade-offs exist among various political and economic objectives.

Issue 9: Reductions in Size and Improvements in Organizational Efficiency

Too often attempts to control public expenditures has focused on reductions and financial control without careful consideration of the issue of organizational efficiency and productivity. It is critical to remember that ultimately there will still be a public sector! Efforts to reduce government should also incorporate efforts to make the state "lean and mean:" smaller and more efficient. Yet, few conscious efforts exist to incorporate performance appraisal systems or productivity measurement into efforts to reorganize.

The Public Sector Management Unit for Latin America in the World Bank has begun an effort to include productivity studies in adjustment reviews (Moore, 1988). One possible model for incorporating productivity measurement has been the experience of the United States.

Attempts to reduce the number of civil servants in the federal government of the United States have been pursued constantly since World War II, all with little success. The advent to power of Ronald Reagan and his declared concern with reducing the size and cost of the civil service resulted in an early program of Reductions in Force (RIF). However, the actual numbers of employees released from government service under the program were minuscule and focused primarily on early retirement efforts. Thus, in spite of strong political commitment at the most senior levels of the federal government the program was not successful.

More successful have been efforts in the United States at improving the efficiency within the federal government. The following discussion describes recent efforts to improve government efficiency through productivity measurement.

The federal government of the United States has been conducting annual productivity measurement since Fiscal Year 1972, and has developed a statistical time series dating from 1967 to the present. The Federal Productivity Measurement System (FPMS) coordinated through the Bureau of Labor Statistics in the Department of Labor collects data to produce labor productivity indices expressed as ratios of the amount of work accomplished to the amount of employee-years. Sixty federal agencies, over two million federal civilian employees (approximately 70% of all federal civilian employees), and over 3000 different output measures are covered in the time series. Indices are maintained on output, labor input to produce output, output per employee year, compensation, and the unit labor cost. These data are used to measure changes in labor productivity across time and are not focused on dollars expended, although unit labor costs can be derived from the original data.

The measures are indicators of functional activities performed in

an agency or organization. Indices are developed for 28 different functional activities (as opposed to the 17 in the OMB series), ranging from audit of operations to records management to traffic management. Within each of these functional groups, data on specific activities for elements of organizations which contain these functions are collected. For example, for the Veterans Administration Department of Medicine and Surgery, 26 distinct activities are monitored and reported ranging from inpatients treated to pharmacy prescriptions dispensed. The determination of appropriate activities and output descriptors for each organizational element is made primarily by the organizational element. These measures are derived from the mission of the unit, activities that comprise the mission, and descriptions of the activities expressed as output measures of the activity. These same descriptions could be related to, or drawn from, job classifications or line-items in the budget.

Unfortunately, data available for the public on the change in productivity for specific activities within specific elements of organizations are not provided. These data are returned to the specific organizational element for their own use. What is provided are aggregate indicators of the change in productivity by functional group.

While the statistical series collected by the BLS has improved since its inception, many actions to improve Federal productivity were discrete, ad hoc efforts with little exchange among managers about what was learned. Furthermore, data collected by BLS served little real purpose: the sole function of BLS was to collect and analyze the data. Little monitoring occurred, either within BLS or within the office or agency itself.

However, Executive Order 12522, which established the President's Productivity Improvement Program (PIP) in February 1986, was an effort to provide a comprehensive program to improve productivity, quality, and timeliness of government programs. This effort is coordinated, monitored, and centrally managed through the Office of Management and Budget. One important change in the recently inaugurated productivity program is the shift away from singular efficiency measures to emphases on quality, timeliness, and efficiency in service delivery. In the words of Circular A-132, the goal is the timely delivery of high quality cost effective products and services.

During 1987, agency officials compiled an inventory of program functions providing services to the public. Approximately 700 functions have been placed in the inventory, covering slightly less than two million federal employees. These 700 program functions have been grouped into 17 categories, similar although not identical to the categories established in the Bureau of

Labor Statistics series. In most cases, OMB measures focus on more clearly definable functions and activities.

According to officials at the Office of Management and Budget, the ultimate aim is to link productivity measurement to the budgetary process and to individual performance appraisal systems. What is ironic, however, is that even though the productivity data have been collected and analyzed for more than fifteen years at the federal level, the use of these data in programmatic efforts to improve system wide productivity is not evident.

In the following section these issues are reviewed in the context of individual country cases of civil service reform. The purpose of the following section is to provide a context for the discussion of these issues. In each of the cases different issues become apparent and different lessons can be extracted.

PART II:

CASE STUDIES

CIVIL SERVICE REFORM IN SOMALIA

Somalia's efforts to restructure its public sector, including the civil service, is a very recent endeavor. The Government of the Somalia Democratic Republic (GSDR) has made several initial efforts to achieve reform, most particularly in 1985. However, progress to comply with IMF and World Bank conditions has proceeded very slowly. While some reduction in public sector employment occurred in 1985, in compliance with Standby Agreements, since that time little progress has been made. However, recent approval of USAID funding to assist in the effort will provide added impetus to action. In addition, there has been a careful study of the civil service and alternatives (1984) which has been approved by the GSDR, and will serve as the basis for new efforts under the USAID project. A detailed description of that civil service reform and redundancy program is provided below. However, it is very important to note that the implementation of this program has not occurred to date. I report on directions that the reform will take in this analysis.

As part of the Somalia Economic Rehabilitation Sector Grant (SECOR) of \$60 million over the five year period from 1988-1993, AID is involved directly in the reform of the civil service. If the SECOR project proves successful in reaching specified targets, this money will be supplemented by up to \$25 million for the five year period in local currency generated through the AEPRP as an addition to the annual ESF program (of annual supplements of \$5 million). The Government of the Somalia Democratic Republic (GSDR) is considering major public sector reforms aimed at rationalizing the GSDR budget, increasing tax revenues, restructuring the civil service, and expanding private sector investment and services in the economy. Policy reform targets under this agenda include: (a) creating a unified budgeting system; (b) raising taxes equivalent to 8% of GDP with a wider range of revenue sources; (c) restructuring the civil service; and (d) improving incentives and opportunities in the private sector. Through its public sector component, SECOR will support the establishment of a Civil Service Commission and testing and monitoring practices in personnel systems, among other things. A private sector component supports civil service reform through the creation of opportunities within the private sector for ex-civil servants. This component consists of a managed fund to assist small and medium size firms. A local currency component of the program will be used both as a salary supplement fund and for redeployment of departed civil servants.

Background

Somalia's economy is in deep crisis, with an external debt estimated at \$1.9 billion, the equivalent of over one year of

GDP. Annual debt service payments exceed the country's exports by fifty percent. Trade imbalances are staggering, with the value of imports exceeding exports by a ratio of 4 to 1. Thus, the country finds itself in the now typical condition of most sub-Saharan African countries. The causes of the current malaise are numerous, including the recent war with Ethiopia in the 1970s, drought, huge numbers of refugees, and the withdrawal of assistance from the Soviet Union. In addition, Somalia's efforts to extricate itself from an earlier legacy of experimentation with socialism has been difficult. The consequences of that legacy are clear in the public sector which is both ineffectual and virtually bankrupt.

As part of the effort to extricate itself, the GSDR has reached an agreement with the IMF, one of the components of which calls for a 22% increase in the salaries of civil servants. Structural adjustment, including a civil service reform component, has been endorsed by the GSDR but negotiations with IBRD and other donors not completed.

Somalia's Central Government employs an estimated 45,000 persons, virtually all of them seriously underpaid. For this reason alone, there are few incentives to work for the public sector or for productivity in the public sector. In 1984, a serious budget crunch led to the end of policy of hiring all secondary school graduates. Also, as part of a 1981 IMF Standby Agreement, the GSDR has not raised salaries, although a token 20% increase is planned under this year's Agreement. However, civil servant salaries are a mere 20% of what they were in 1982, and a fraction of what is needed for subsistence. One result has been that public servants often have second and third jobs. If this employment were not at the expense of fulfillment of their public sector responsibilities, the problem would be less serious. However, in this case, the consequence is virtually automatic ghost employees.

Somalia's efforts to reform the administrative structure of government date from independence with initial efforts to modify existing colonial administrative structures to the needs of a post-colonial society. However, unlike many of the post-colonial African experiences, Somalia's first task was to reconcile the co-existence of two colonial administrative systems: British and Italian. Efforts to merge the two systems culminated in the passage of the first civil service law in 1962. The current Civil Service Law No. 5, passed in 1980, is a modification of this initial law.

Significant impacts on the conduct of administrative reform came as a result of a bloodless coup in October of 1969 which established "scientific socialism" as the ideological base for Somalia's development. A number of administrative characteristics of that period are worth noting:

- 1) Administrative reform was a major thrust of the new regime in an effort to reduce corruption and clientelism in the public sector;
- 2) The goal of Somalization of the civil service was quite successful. The manpower survey of 1975 found only 50 expatriates who were permanent direct employees in the central government; by 1983, that number was 40;
- 3) The growth of the central government during the period was very rapid and resulted in a series of confusing reorganizations of ministries and constant subdivisions within ministries. This fluid organizational structure made rationalization of ministries and personnel increasingly difficult;
- 4) The growth of the central government was paralleled by the growth of autonomous agencies. The manpower survey of 1975 identified 40 parastatals with 16,000 employees. Forty seven parastatals responded to the Manpower Survey of 1983 with 18,500 employees; however, independent studies in 1984 identified 60 parastatals with 32,000 employees, a growth of 100% in eight years.
- 5) As the result of a law in 1973, employment in government was guaranteed to all university graduates, to all intermediate graduates, and to all secondary school graduates ("leavers"). While the law was soon modified to exclude intermediates, secondary school graduates were guaranteed public employment through 1983. The resultant bloating of the rolls quickly became problematic.

Table 5 provides data on the growth of the public sector (central government) from the period of independence through 1983, the date when efforts to reduce public sector employment began. Data for the Ministry of Education are provided separately because of the overwhelming importance of that Ministry as employer. Fully 50% of the (non-military) employment is in the Ministry.

This rapid rate of growth in the employment of the central government does not include public employees in parastatals (estimated at 32,000), local municipal government (11,000-12,000), nor the military.

A number of deleterious consequences have resulted from this rapid growth. The most notable of these is that the rate of growth clearly has outstripped growth in the economy and in the financial capacity of the government to provide appropriate pay, supplies, and equipment. Simply stated, the processes of budget planning and control do not allow for a mechanism to prioritize among competing claims. Other consequences include:

TABLE 5:

GROWTH OF THE CENTRAL GOVERNMENT WORK FORCE

<u>Year</u>	<u>Estimated number of employees</u>			<u>% Change Education</u>
	<u>Total</u>	<u>Ministry of Education</u>	<u>% Change Total</u>	
1962	9,500	-----	-----	-----
1969	18,000	2,900	94.4%	-----
1971-2	13,300	3,100	-26.1	6.9%
1975	20,600	6,050	54.9	95.2
1978	33,100	15,800	60.7	161.2
1984	45,100	22,650	36.3	43.4

Source: Adapted from Windham (1984: 3-15)

1) Dramatic impacts on the total wage bill. Between 1981 and 1984 the wage bill increased by 51.6%, in spite of the declining purchasing power of individual wages, hiring ceilings, and limits on pay increases. More will be said about the wage bill below;

2) Partially as a consequence of low wages, rates of attrition and turnover are very high. In the 18 ministries that formed the basis for the Manpower Survey of 1983, 40.5% of all employees had worked less than three years. For the entire government the figures were slightly less, yet still very high: 30-35% of all employees had been in government less than three years;

3) Further consequences of both of the above have been:

- morale and productivity among workers is affected strongly by the low levels of compensation, levels that do not keep pace with the cost of living;
- supervisors are confronted with the task of providing constant on the job training to new employees. As a result of their frustration with training unskilled workers who may not stay, they often resort to performing the work tasks of those who they should be training, neglecting supervisory tasks; and
- for those who do work the recognition that many are receiving (albeit minimal) pay without having to work means even lower morale.

Recruitment and Hiring

The passage of the 1980 Civil Service Reform Law and its subsequent amendments was intended to address a number of the problems resulting from earlier administrative practices. There was a clear recognition that major reorganization of the administrative codes and conditions of employment were necessary. Under the new law, hiring ceilings were introduced for the first time. One immediate consequence of new ceilings was a reduction of the rate of addition of new employees. In 1981, 4,427 new employees were added; in 1982, the number was 1,738; and in 1983, the number was 1,475. Yet even these rates of increase exceed the growth rate of the economy's labor market. In addition, compliance with a 1981 IMF Standby Agreement encouraged reforms and amendments to that law. However, success has been limited. Even under the revised law, there remain the problems of poor definitions of remuneration, of job requirements and classifications, of promotion and in-grade pay raises, etc.

One problem, uncorrected by the 1980 law, has been the pattern of recruitment for the civil service. Common practice had been for ministries to "establish" positions in advance that were perceived to be needed over a forecasted 10 year horizon. The

rationale was that if positions were established then as needs arose the posts would be available. As a result, it was not uncommon to find high vacancy rates in ministries. The potential for growth, however, became endemic.

A related problem resulted from the 1974 recruitment law providing employment for university and secondary school graduates. Often because the individuals had to be hired, positions were "filled" before positions were "established." That practice flies in the face of standard personnel practices and manpower forecasting techniques. One clear result was the lack of definition to job tasks for those individuals "filling" posts that were equally undefined. A second perverse effect was that many more individuals were assigned to ministries and "posts" than had been requested by the ministry. In 1982, for example, 592 persons were assigned, much higher than those requested. Revisions to the guaranteed hiring practices occurred in 1983. In that year the practice of hiring secondary school "leavers" was abolished, and competitive examinations for new secondary school recruits were enforced more stringently. This exam is administered by the Board of Recruitment within the Ministry of Labor and Social Affairs.

The introduction of hiring ceilings, however, did not resolve the problem of numbers or the cost burdens of the wage bill. In part, this is the result of the practice of hiring "temporary employees," employees of less than 90 days of duration. The practice of employing temporary staff was intended as a means for increasing short-term employment to fill emergency needs. Since these employees could be hired without fulfilling skill requirements, without testing, and subject only to the availability of budgeted funds, the practice was a means for rapid response to needs. One consequence had been the growth of this category of employment. However, with the passage of hiring ceilings and as a means for avoiding low wage ceilings imposed in the new law on permanent civil servants, this category of employment has grown dramatically. In 1980, the wage bill for temporary employment was (Somali shillings)\$26.4 million. In 1982, the wage bill was so.sh.35.6 million, an increase of 34.8%. In 1984, the bill increased to so.sh.483.2 million, an increase of 16 times over the previous year! By the end of 1983, temporary employment represented 45% of the total wage bill, exclusive of pension contributions, but only 4% of the total number of employees. At the end of the 90 day period, temporary employees were simply reappointed.

The Wage Issue

Nowhere, however, are the consequences of the irrational and ineffectual civil service law and administrative reform practices to date more evident than in the effects on the wage bill. Without careful consideration of the wage structure and the wage

problems in Somalia's civil service, most personnel management solutions, including removal of redundant labor, can not be effective. It is unlikely that any effort to increase the effectiveness of the public sector while reducing its costs will be sustainable without careful attention to the issues of the wage bill.

Wages have not kept up with inflation by any stretch of the imagination. As is noted above, the total wage bill increased by 51.6% between 1981 and 1984, with a large portion of that increase accounted for by increases in the wages for temporary employment. While it is difficult to judge the accuracy of these numbers, the range would appear to be a reasonable approximation. A recent ILO study suggests that average wages increased a total of only 18% from 1971 to 1978. For the period from 1971-1981, average wages increased only 38%, in spite of a strong pay increase in 1980. A third cut at wage increases is even more indicative of the discrepancy between wages and cost of living: between 1977 and 1984, wages to central government employee increased by 50%. During the same time period, the Mogadishu CPI increased by over 600%. Recent data (1988) suggest that between 1982 and 1988, salaries of civil servants have declined such that current salaries are 20% of the 1982 value in real terms. This decline is even more dramatic when one considers that the amount needed for a Somali family for basic living costs averaged 2.7 times a government worker's compensation, and was seven times the modal wage. The effect of this erosion in the value of wages is particularly penurious to those at higher levels in the pay scale, causing increased wage compression. Consequence often include moonlighting, corruption, and flight from public service among the most skilled managers.

In addition to dramatic declines in the relative worth of a central government employee's wage, there are equally dramatic differentials among various categories of workers. These differences are among ministerial workers, employees of autonomous agencies, and employees who are working either for the donors or on donor funded projects. In the case of employees whose salaries are "topped" by donors, wages are approximately five times those of government employees. Thus, the need to focus on wages in central ministries along with reducing government employment is important. Efforts to address this discrepancy in a targeted manner were begun in 1983 with a one time increase of wages within the Ministry of Finance (by 50%) to levels correspondent to wages in the Central Bank and in the autonomous agencies.

The importance of consideration of this issue in conjunction with redundancy programs can be demonstrated. Consider the following scenario. Most redundancy and underemployment exists within the ranks of the temporary employees, the unskilled, and among recent school leavers. On average, the wage of this group in late 1984 was approximately so.sh. 600 (as compared to an average of so.sh.

1500 for all other central government employees). As these employees are the lowest paid, a reduction in their presence would have, at best, a minimal impact on wage increases available for remaining civil servants. For example, if the work force were to be reduced by 9,000 (20%), consisting of those of the lower income group, the annual savings would be so.sh.64.8 million (9,000 employees x so.sh. 600 x 12 months = so. sh. 64.8 million). This sum would be enough to raise the income of the remaining 80% (whose average income is so. sh. 1,500) by only 10% (36,000 employees remaining so.sh.1,500 x 12 months = so.sh. 6.48 billion). And even this number presumes that no compensation for termination would be offered. However, if all government and economic services were reduced in 1986 to the 1983 level, then the yield would have been sufficient savings to the remaining 80% of employees to offer 100% increases.

The conclusion is evident. Wage policy is contingent on reductions elsewhere in the budget. However, since those reductions are unlikely (and probably unwarranted) there are two choices. Either increases in income should be targeted to specific elements within the civil service or donors must increase the level of subsidy. Both will be necessary.

Recent GSRD Efforts at Reform

In April, 1984 the GSRD began efforts to address the issue of redundancy in the civil service. On May 1, a notice was sent to all ministries from the Secretary of the Political Committee and the Council of Ministers:

The Government's meeting on 19 April 1984 has decided to shift those under-employed staff and retired personnel into other sources of production such as Agriculture and Fishing. In order to make that decision successful, we request from the Ministries to submit those under-employed people in their Ministries as soon as possible and list them according to the above mentioned.

However, that early effort lacked adequate planning. No plan as to how to determine who was under-employed was devised. No target figures were established. Few members of the civil service have reached retirement age (60 for men and 55 for women). And there is no provision for separation in the current civil service law for reasons of redundancy or lack of funds! Thus, in spite of estimates suggesting rates of redundancy in various Ministries from 5-50%, no methodology for determining redundancy was proffered.

In early 1985, the Somali government showed some initial commitment to the efforts of reform, in spite of inadequate planning, by terminating nearly 5,000 civil servants through either

retirement or reduction in force. As an incentive, the GSDR offered individuals either a boat and a fishing net or one hectare of irrigated land to leave government service. Ironically, in spite of a 3,000 kilometer coast line, Somalia has not been a major fishing force in the region. Less than 10% of the potential fish harvest is realized, partially because Somalis are not traditionally fishermen.

Since that initial action, however, the GSDR has not pursued additional areas of the reform program. The hope is that the current SECOR program, coupled with AEPRP funding, will provide the level of commitment necessary to sustain these efforts. The goals of the civil service reform package are laudable, although none have been achieved to date. The establishment of a Civil Service Commission is critical, as are the other two goals of: (1) assessment of the levels of redundancy and a strategy for reallocating employees; and (2) a comprehensive examination of the wage/salary/compensation system within the civil service with a plan for its improvement.

As a continuation of that early commitment the GSDR approved a major Civil Service Reform study in late 1984. As I note above, the careful study results were approved by the GSDR and now will serve as the basis for renewed efforts at addressing reform issues.

A number of recommendations emerged from the study (virtually all "adopted" by a subsequent 1984 colloquium sponsored by the GSDR and the Somali Revolutionary Socialist party). A brief analysis of these is warranted because they will serve as the basis for the current effort. In addition, the recommendations and description provide valuable guidance for similar efforts. The positions and major recommendations of that study include:

1. Reductions in the numbers of civil servants cannot occur in isolation. There is a need to coordinate redundancy programs with other components of civil service reform, such as the restructuring of procedures for promotion, job classifications, pay scales, training, etc.;
2. Thus, there is an urgent need to create a Civil Service Commission (CSC) to coordinate and carry out reforms in an authoritative and rational manner. In addition, a unit should be established within the Ministry of Labor and Social Affairs to provide guidance, advice, information, and procedures for the implementation of findings of the newly created CSC;
3. Given current estimates of redundancy in various Ministries, the goal should be a 20% reduction to a total of 36,000 public employees in the central

government. However, there should not be an across-the-board reduction. Rather, reductions should be targeted by needs;

4. The following steps for reductions are appropriate:
 - a) Postponement of most new appointments (excluding university graduates and some others) which will yield a reduction of from 5-7%;
 - b) Non-reappointment of a significant portion of temporary employees at the end of their (90 day) term;
 - c) The Government should select from the current Civil Service when selecting employees for foreign emigration for employment;
 - d) As part of a voluntary early departure (VED) program, some bonus needs to be offered. Initial suggestion is that a bonus of from 3-6 months salary be provided for resignations. In fact, the current effort provides for the boat and net or one hectare of irrigated land;

5. Involuntary departures pose serious problems and need to be considered carefully:
 - a) The current Civil Service Law No. 5 needs to be amended because currently separation without either prolonged absence or for disciplinary reasons is not allowed. Amendment should specify needs and lack of funds as rationales;
 - b) Determining who should be terminated requires a better understanding of work loads, individual performances, and production rates. Termination should not be across-the-board percentages by Ministry. Formalized and explicit procedures need to be in place to avoid favoritism and clientelism.
 - c) Some post-employment assistance system needs to be established.

6. Subsequent to the redundancy program, there needs to be a program of pay increases for those remaining of at least 400%. Again, the pay increases will likely be targeted. One suggested target is the Ministry of Education because:
 - a) it employs 50% of the non-military civil service;
 - b) improvements there can simultaneously attack the problem of functional illiteracy; and
 - c) targeting can complement existing World Bank and UNDP curriculum development programs.

7. Training for those who remain is paramount. Create a National Training Council and training offices within each of the Ministries, as well as a Department of Training and Staff development within the Ministry of labor and Social Affairs. In particular, there should

be a focus on action training and participatory training approaches.

8. The heavy demands of wage improvements requires first, that wage scales among donors be standardized, and second, that meaningful financial and technical assistance from the donors be forthcoming. Without this commitment, sustainable reforms will not happen.
9. Finally, that the entire reform package should be phased over a five year period, beginning with reductions in force (See Chart Schedule attached).

Thus, even though progress has been stalled in the case of Somalia, the existence of a reasonable coherent plan for action, coupled with current funding efforts by USAID, suggest that country may well be back on track. What is especially important in the case of Somalia is the obvious commitment by donors (i.e., USAID, in particular) to the reform initiative. The level of funding and the understanding of the need for continued commitment are important lessons to be drawn from this case.

The attached schedule for phasing in various components of the Somalia reform effort is instructive. Clear recognition that timing, continuity, and phasing of various components can serve to inform efforts in Liberia. While the particular phasing suggested in the attached chart was not carried through to fruition in Somalia when it was proposed, it may well serve its purpose during the current renewed initiative.

SUGGESTED SCHEDULE

NO	RECOMMENDATION	YEAR					
		1	2	3	4	5	6
FIVE	Reduction in Force	←---*		→			
THREE	Create an Organization and Management Unit	←---*		→			
FOUR	Improve Promotion/Assignment Procedures		←---*		→		
ONE	Establish a Civil Service Commission		←---*		→		
TWO	Reorganize the Ministry of Labour and Social Affairs		←---*		→		
SIX	Improve Civil Service Compensation		←---*		→		
SEVEN	Improve Structure for Training			←---*		→	
NINE	Management Training in Supervision				←---*		→
EIGHT	Conduct Action training in Somali		←---*		→		
—	Train Somali cadre for Personnel Mgt and Management Units	←---*		→			

Note: Plan: ←-----→

Period of initial Implementation: ←————→

GUINEA CIVIL SERVICE REFORM

Following more than 25 years of economic decline, Guinea adopted an ambitious program of adjustment in 1985. The reform package adopted involved a series of far-reaching reforms, including a 13-fold initial devaluation of the currency followed by exchange rate flexibility; the liberalization of most prices and external trade; the establishment of a new banking system; the privatization or liquidation of most state commercial and industrial enterprises; the restructuring of many other governmental bodies; and an administrative reform program that involved substantial reductions in the size of the civil service.

The civil service reduction program was a cornerstone of the 1986 adjustment package. While part of the program was administrative reform in the form of evaluations of staffing needs, the introduction of competitive examinations, and the laying off of employees who failed the examination, a key component was reduction of additional numbers of public employees. This reduction was to be accomplished through a combination of a mandatory retirement policy, an early retirement program, and an incentive program to encourage voluntary early departure.

In addition, privatization was intended to reduce public sector employment in the parastatal sector. As the process of liquidation or privatization occurred existing public employees were to continue to receive their salary from the Central Government, but only for a period of one year. They were to be placed in a special job status category ("disponibilité spéciale"). Twenty one commercial and 48 industrial enterprises were to be liquidated in the nonfinancial sector (excluding the transport and public utility sectors). However, since 1985, only four industrial enterprises and no commercial enterprises were to be liquidated or privatized. While some 3,400 employees of parastatals had been placed in the special status, none had been removed, and in fact the public wage bill was temporarily inflated because of their new status (as paid through the Central Government).

The overall aim of the program was to reduce public sector employment from an approximate number of 82,000 by 15,000-20,000.⁷ However, the determination of "how much" is unclear.

⁷ This is of a total population of 5.9 million with a 2% growth rate. The number of public employees is by no means certain. The census enumeration came up with only 59,300 public employees. In part this reflects the count of only central government employees. SOEs employ approximately 28,000 persons. One serious problem in the case of Guinea, and other countries, is that three separate and uncoordinated counts occur: one for

White notes that USAID sought a goal of 30 percent reduction, the World Bank sought 20 percent, and the World Bank accepted that a reduction of 10 percent would fulfill requirements for the release of the first tranche of funding.

One unique feature of the Guinean program was the concern with educating the public about the program. French technical assistance financed the hiring of a public relations consultant to assist in creating a public education campaign via radio and television broadcasts. Again, the ambitious nature of the effort is evident.

Yet, this ambitious program was not to happen. By the end of 1986, no employees had left the government payrolls except in the Central Bank as a result of the new qualifications testing. Even among those who would have reached the mandatory retirement age between November, 1985 and December, 1986 (approximately 6,000), none were mandatorily removed. The government failed to enforce its own mandatory retirement policy. As a result, by December 1986 the total number of employees on the Government payroll had actually increased by from 3,000-4,000 persons. Much of this increase was due to the transfer of parastatal special status employees to the Central Government payroll. Thus, even in those cases, civil servants who had been laid off were still being paid.

By the end of 1987, data suggest that reductions from 88,000 to 60,000 had occurred. However, most of this was paper reductions and not removal from the payroll. The following table suggests the nature of reductions (on paper!):

Table 6:

Civil Service Reductions

Census of December, 1985:	88,100 staff
Reductions as of 12/87:	
Retirements	3,581
Early retirements	4,619
Mining company staff removed	5,617
Special status employees	5,758
Voluntary departures	615
On contract, on payroll	11,658

payrolls, the census count, and a count through the personnel recruitment records. The need for merging these is paramount.

This "slippage" in the achievement of projected goals through 1986 and the first two quarters of 1987 left the government and economy in a weaker position than before the introduction of the adjustment program. The program for 1987/88 continued the emphasis on civil service reform with four elements to the package:

(a) The strict application of measures to reduce the civil service through enforcement of the retirement program. All employees over 55 or who have completed thirty years of service were to be placed in automatic and effective retirement;⁸

(b) Introduction of an early retirement program for certain classes of employees. All employees with from 25 to 30 years of service were given the option of continuing to receive full salary until the mandatory retirement age or a one time lump-sum payment;⁹

(c) Reducing the special reserve status from one year to six months for all members of that class as of April 15, 1987;

(d) Encouraging voluntary departure with an associated premium. Any savings on the GF 6.5 billion budgeted for departing civil servant incentive schemes will be retained for this purpose.

All of these programs were in addition to the completion of evaluation/selection tests for the civil service. For those who failed the evaluation tests (and would therefore not be retained) there would be a severance pay related to the length of service, but they would not at that stage be able to opt for the more lucrative package offered those in voluntary departure. Recruitment in subsequent years would be determined according to the new qualifications testing, and the promotion of employees retained would follow a logical procedure coupled with training.

Indications are that the progress of reductions improved in the last half of 1987. In part, renewed progress comes as the result of perverse reasons: inflation has eaten civil service salaries to such a degree that even rice rations in non-wage compensation have become less significant as an inducement to stay in the civil service. As of 1985 salaries of civil servants were estimated to be one third of the living requirement of a family in

⁸ One key problem with retirement programs is that its impact on employment reduction is minimal since the mean age of civil servants in most African contexts is under 40.

⁹ One recent Bank study suggests that a three option plan has been adopted. Voluntary retirees may: (a) draw a salary with accompanying rice rations for 60 months; (b) take 40 percent in cash and the remainder in regular salary payments; or (c) take a share of the severance allowance as a down payment on a new private sector business venture.

the capital city (where 95% of public employees reside and consume).

Some 4,000 public sector employees had submitted their applications for early departure, approximately 1,214 cases had been processed, and 612 former employees had received disbursements of the premium associated with departure. Qualifications testing had proceeded in some ministries (eg., Industry), while in others this process continued (and in fact is being completed currently in the Ministry of Economy and Finance). Recent interviews with consultants who have worked in Guinea suggest that not only is the qualification testing well behind schedule, but that testing is only occurring for those below the level of Director General.

Finally, the Government recently has set up a special office to assist departing civil servants in applying for bank loans to finance viable private businesses and to assist in the transition (the "Bureau d'aide à la reconversion des agents de la fonction publique"- BARAF). It is expected that the establishment of this office should accelerate the process of redeployment for two reasons. First, assistance will make the issue of departure more palatable. Second, and perhaps more important, the credibility of the Government's sincerity to assistance and redeployment is raised by the mere existence of the office. One consequence of its creation has been to raise the level of discussion about the redeployment issue. This issue has rarely been addressed in donor efforts to reduce the burden of the size of the public sector. Alternatives are not readily evident. In the Guinea case, recent discussions have focused on the possibility of a short-term labor intensive public works program. However, no action has yet been taken.

One immediate consequence of this package of programs has been an increase in budget costs associated with subsidies and transfers--bonuses for voluntary departures, pensions, and severance payments. It was expected that these increases will be a one-time event for 1987, reversing itself in 1988. However, recent informal discussions with experts acquainted with the current scene suggest that this expectation is at best optimistic.

MALI'S CIVIL SERVICE REFORM PROGRAM

The overall structural adjustment effort in Mali has not proceeded at the expected rate. Several characteristics of this economic context are worth noting. First of all, the IMF and World Bank programs had slowed or stopped by late 1987. Mali has not complied with the IMF requirements since late in 1986. Efforts to push forward the World Bank program for privatization had made little headway, in large part a result of GRM fears of rising unemployment. Second, rising levels of public sector deficit continued in spite of a 10% rise in GNP for 1986. In large part, this was the result of large in-step pay raises and expansion of benefits for public employees in 1986. In fact, more than 50% of the increase in personnel costs is accounted for by pay raises.

This social and political milieu of rising fears of unemployment, falling real wages, and the need to placate public employees is not conducive to sharp reversals of program and policy trends. Yet, the GRM has instituted two major efforts to reduce the employment levels of the public sector. Before proceeding to a discussion of these efforts, some background on public sector employment policies is warranted.

Background

At the time of independence, the French Soudan's underdeveloped economy coupled with the complete domination of the modern private sector by the French meant that the public sector was the principal outlet for employment for the small but growing number of western-educated Africans. The state as employer of first resort became the common bias of educated Malians, a bias that was reinforced by the strong influence of different variants of socialist ideology. As one author notes, the legacy of the end of the colonial era included: a small French dominated import-export sector, virtually no modern industrial sector, a limited private sector, a highly regulated and centralized economy and administration, a very small number of university-educated Malians who quickly became civil servants at high levels, and a strong bias toward viewing positively the role of public sector employment.

The early 1960s witnessed the rapid growth of an inefficient state enterprise under the Modibo Keita socialist experiment. It is during this period that a dramatic increase in the numbers of Malians in the civil service became evident, in part due to changes in the statutes reflecting the new independence and in part as a result of the expansion of higher education. At independence, there were only 350 Malian university students. The burden of this number entering the civil service was not great. However, between 1961 and 1964, the number of civil servants

expanded at annual rate of 18.6%, rising from 10,534 to 17,582. This pattern is typical of Francophone African trends during the period.

While the military regime that ruled from 1969-1978, under Moussa Traore, offered promises to liberalize and reform civil service, there was still expansion of state enterprises and employees. The number of public employees rose from 16,340 in 1969 to 19,329 in 1974. Also during this period, there was an incredible expansion of rural development agencies (ODRs) such that by 1980, 20,000 people were drawing a salary from the ODRs on a full-time, part-time, and seasonal basis.

Civil service expansion was very rapid from 1975-1980 when rates increased again to an average of 7.5% per year. The total number rose from 31,783 to 45,733, including both civil servants and conventionnaires (assistants). In large part, this was due to the expansion of services, educational levels, and fears by the government of the consequences of high levels of unemployment.

With the second Traore civilian regime (1979-1985) Mali witnessed the beginning of the first effort at the reduction state enterprises. By the end of 1984, a year in which 1300 public employees in enterprises were laid off, the total number had shrunk to slightly more than 10,000 from 16,000 a decade before. This is also the year in which initial World Bank efforts to liquidate or privatize began. As will be discussed below, 1983 also saw the beginning of reforms within the civil service: competitive exams begin for entry level civil servants, ceilings on new recruits were placed, and the GRM began to think about privatizing services of ODRs and in the health sector.

Fears with the uncontrolled expansion of the civil service had been expressed as early as 1975. Studies have suggested that with the rapid growth of higher education, coupled with hiring practice, the ratio of higher level to middle level civil servants would decrease from 1:3 to 1:1. This expansion was due to the growth of higher education: in 1970-71, 801 students were in higher education, and only 350 in the Ecole Nationale d'Administration. Between 1973-78, ENA turned out 552 graduates; between 1970-78, the number of A level civil servants increased from 1331 to 3243. In 1984, there were more than 8700 post secondary students, a tenfold increase in a decade.

Further pressures resulted from the expansive scholarship program: even as late as 1984, the set aside for scholarships was 3.55 billion CFA, 10% of total personnel expenditures of 32 billion CFA. This amount continued to grow in 1985, when the set aside was 250 million CFA more than the year before.

The year 1983 is a critical turning point in the effort to control the number and quality of civil servants. In that year ,

TABLE 7:

SALARIED EMPLOYEES IN MALI IN 1981

CATEGORY	NUMBER	% OF TOTAL WORK FORCE
1. Civil Servants	32,080	20.6%
2. Conventionnaires	<u>15,206</u>	<u>9.7</u>
Total Civil Service	47,286	30.3
3. Municipal and Communal Employees	1,000	0.6
4. State Enterprise Employees	13,189	8.5
5. Agricultural Project (ODRs) and Office du Niger Employees	25,304	16.2
6. Other State and Parastatal Employees	<u>10,900</u>	<u>7.0</u>
Total Public Sector	97,679	62.6%
7. Organized Private Sector Employees	17,000	10.9
8. Domestic and Informal Sector Employees	<u>41,321</u>	<u>26.5</u>
Private Sector Total	58,321	37.4%
Total Wage Employment	156,000	100.00

a resolution of the UDFM to reduce the number of civil servants was passed. While much of this effort stemmed from pressure from the IMF and the World Bank, the realization within the GRM that there must be new policies to deal with the burdens of personnel expenditures on the budget was evident. Nowhere does the picture of the overburdened public sector come clearer than in a simple presentation of the numbers of employees (Table 7). However, it is important to point out from the table that the civil service is not the only source of large numbers of public sector employees, these other areas are viable targets of reductions as well, either through privatization or contracting out for services.

Mali's Civil Service Reform Package

Mali's EPRP has two major objectives under the budget restructuring component: (a) to reduce the rate of expansion of personnel expenditures by gradually reducing the rate of growth of the public work force, and (b) to use the savings from (a) for increasing levels of spending on maintenance and materials. Because of the severe limitations on financial resources, the GRM is faced with the constant trade-off between financing of labor costs or financing of investment budgets or operations/maintenance budgets. By choosing the former (and therefore by cutting the relative weight of operating costs, overall efficiency is reduced.

Yet even with this recognition, control of the personnel budget has proven relatively intractable. Between 1985 and 1987, a period after the beginning of adjustment programs, expenditures on personnel costs rose from 39 billion CFA Francs to (a forecasted) 44.7%. This amounted to 66.9% of total expenditures in 1985, 67.0% in 1986, and a forecasted 63.6% for 1987. The wage portion of that personnel expenditure averaged over 90% for the period. Thus, even though personnel expenditures slowed over the period, in absolute terms the level of expenditures increased. USAID/Mali and the GRM have agreed to target ratios of non-personnel operating costs.

The Voluntary Early Departure (VED) Program

Personnel expenditure reductions are to be accomplished through the Voluntary Early Departure (VED) program. This program is designed to encourage civil servants to leave government service and to assist them in redeployment into the private sector. A survey conducted by the government in 1984 indicated that there would be great promise in support of this program: fully 65.1% of those polled indicated favorable or somewhat favorable reactions to reconversion to the private sector with appropriate remunera-

tion.1 While this program was authorized under the EPRP in September 1985, and supported by that authorization, it was only in mid-1987 that the first group of participants became involved.

The EPRP supported the design and the implementation of the VED, and disbursements in five tranches are tied to enactment of budget reforms. \$7.45 million of EPRP funding originally was programmed for budgetary restructuring (of which the VED is a principal component); this represented more than forty percent of the total funding for the EPRP (\$18.0 million of which \$16.7 million are ESF tranchéd program grants). However, a detailed recalculation of the cost of the VED program at current exchange rates showed that phase one cost \$4.0 million, and that the second phase will cost some \$6.718 million, for a total cost of \$10.687 million. Thus, the actual cost of the program will be approximately \$3.6 million more than originally estimated, and additional funding required will be some \$3.2 million.

AID's contribution are to be used to generate local currency. Thus, the GRM will be able to devote its own funds to severance payments and to capitalize the VED lending program activities. The four components of GRM funding for the program will go to funding an incentive package which includes:

- (a) provision of severance pay (estimated to be approximately five times annual base pay for all categories of participants);
- (b) pension guarantees for departing civil servants (for those with from five to fifteen years of service);
- (c) a credit loan guarantee program to reduce the risk of commercial banks providing credit to program participants wanting to start business enterprises in the private sector after retirement. Approximately two-thirds of the first group expressed their intent to use this facility; and
- (d) a feasibility study fund to aid participants in financing professional feasibility studies for new enterprises. However, as of July, 1987, no participant had gone through the entire process of proposal preparation, proposal review by the coordinating unit, approval for the loan, and actually receiving the loan.

Not all participants are eligible for the study and loan guarantee funds. Individuals are required to seek commercial bank

1 The conditions that those who would be willing to depart emphasized wee sizable severance pay, retirement pensions, assistance in transition via business loans, and an improvement in the tax situation for private sector employees and businesses. Considerable variance was expressed as to how much severance pay and loan guarantee monies would be necessary to get started.

funding first. Those that obtain bank credit are required to repay 50% of the cost of their feasibility studies. For those unable to obtain bank credit, the full cost of their studies will be borne by the program. As a result, the fund will be depleted in the second round by at least as much as 50%, possibly higher dependent upon repayment of loans by first phase participants. Clearly, additional funding will be required if this fund is to survive.

Originally, an ambitious target of 600 participants was suggested for the first phase of the program. However, the first phase included only 352 applicants who met basic participation criteria and even that number exceeded the funding level available.² Clearly, incentives were adequate for the program. In the original pool of applicants, sixty seven were upper (18%), two hundred and nine were middle (57%), and eighty nine were lower level civil servants (24%). Estimates of total GRM employment ranges from 40,000 - 50,000, although the actual number is believed by the mission to be closer to the 40,000 number. These numbers are based on an initial payroll audit to establish "ghost" employees. Thus, the actual departures as a proportion of total employees is minimal.

The VED program began its first phase in July, 1987 when 212 participants were selected from the three civil service grades--upper, middle, and lower. Since the number of applicants was in excess of available funding, an effort was made to expand the numbers covered by selecting disproportionately from junior grades (where pay levels were lower). Forty five (21%) were from the Upper category, one hundred (47%) from the Middle category, and sixty seven (32%) were from the Junior category. The average number of years left until retirement in this first group was 15. Thus, not only were savings had because of lower salary levels, but pension and severance pay burdens were reduced in the first phase. However, the issue of whether these participants are the appropriate target for reduction is important.

In this first group many already had begun small businesses while still government employees.³ Thus, their participation in the

² Part of the funding problem is the result of delays in the disbursement of the first two tranches which, in turn, was affected by changes in the effective exchange rate of the dollar. The mission argued that the decline in the value of the dollar would require \$4.45 million in additional funding. Here is a clear case of "time is money," as the costs of delay resulted in less value to available funding

³ In the earlier 1984 poll 44% of those polled indicated that they already carried on some business activity outside of their public sector employment

private sector was more assured than for those with little or no experience in starting a business. While no data are available at this stage on the failure rates of businesses by this group, one might suggest that the rates for those with prior experience or existing businesses would be lower.

A second phase, scheduled for 1988, is to involve approximately 400 participants. Thus, the total number of VED participants at the end of 1988 will be a mere 600 persons. While the optimistic estimate is that an average rate of 400 per year will ensue, I would emphasize that this rate of departure does not even cover new recruits under the current hiring ceilings.

The mission has conducted a benefit/cost study to determine the value of the VED program in quantifiable terms. Several findings of the study are important. This study was done in constant price terms with conservative assumptions regarding changes in wages for civil servants. Various scenarios, ranging from 0 percent to 3 percent growth in wages annually, were utilized to estimate costs and benefits of the VED program. Expressed in constant price terms and discounted at 10%, the benefit/cost ratio is approximately, 1.085, suggesting that benefits exceed costs by some 9%, a positive but not overwhelming figure. The internal rate of return on the investment was calculated at 12.2%. Again, a positive though not phenomenal figure. Part of the reason for the lower-than-expected rates of return and benefit/cost ratios is that the first group of participants were drawn from a salary level and pension/service level lower than the average for the civil service as a whole. With more selective and higher criteria (participants above the average salary level, for example) these figures would improve to some degree.

The Hiring Ceiling Program

A second program aimed at the long-term reduction of the personnel expenditure portion of the budget holds much greater promise at this stage. In addition to the VED, the GRM has introduced hiring ceilings on new recruitment both for the civil service and for replacement personnel in the conventionnaire ranks.

Prior to 1983, it was the government's policy to hire all graduates of secondary schools and universities. This practice is not unusual in the African cases, where strong humanist and socialist traditions encourage this employment role of the government. Beginning in 1983, the number of new recruits was reduced gradually in compliance with an IMF stand-by arrangement.⁴ This hiring ceiling, coupled with the implementation of

⁴ The hiring ceilings were to be introduced in the larger context of administrative reforms that would identify manpower needs and the computerization of payrolls and counts. This need

competitive examinations for new recruits has had a major effect on civil service employment numbers.⁵ The agreement placed a (financial) ceiling on new recruits. In 1985 USAID's EPRP adopted a parallel numerical ceiling to support the IMF requirement.

In March or April of each year the Ministry of Finance sets a limit on the amount of budgetary funds available for filling new positions. This figure indicates tentative allocations for each ministerial department. The Interministerial Commission for Determining the Number of Posts then meets to determine the definitive number of posts based upon departmental requests, numbers of requests for each grade, and assessments of correspondence to the manpower needs assessment of the Ministry of Planning. The competitive examination determines the actual filling of new posts and advancements.

Data from the mission suggest that this program has been much more successful in generating reductions in the overall wage bill, and that in the long-run this program has a greater benefit/cost ratio. In 1985, the recruitment budget was one billion francs and the number hired was 1,857. In 1986, the equivalent numbers were 750 million francs and 1,138; in 1987, the numbers are 500 million francs and 746 persons hired. For 1988, the projected numbers are 350 million francs and 350-500 persons, depending on rank level. Thus, over the four year period, total reductions in potential hiring was some 3,000 (if 1985 is used as a standard base year of recruitment). The budget savings estimated by the mission (in constant prices and discounted at 10%) would be 7.1 billion francs over the period.

This number should be compared to the estimated savings from the VED program of the first 212 participants of 1.1 billion francs! As one mission document suggests, every year that the ceiling is kept at 1986 levels, 1,000 fewer civil servants are hired; the VED program will result at best in 400 departures annually. Thus, this program will affect the size and costs of personnel expenditures much more rapidly. In addition, if the normal retirement and separation rate is 600-700 persons per year (1987 figures), then the net increase of personnel through the hiring ceiling alone is minimal. If coupled with the projected VED program, net declines in the numbers of civil servants may be possible. The VED program alone will not reach these levels in anywhere close to the medium-term.

One of the drawbacks to the hiring ceiling freeze, and conversely

to identify manpower requirements for the future is perhaps most evident in the fields of health services and education.

⁵ See the attached Appendix on the procedures and cycles implemented under the 1984 recruitment plan.

one of the advantages of the VED program, is political acceptability. The VED program is seen as a political bonus to the political interests of the GRM.⁶ While there is some issue of continued credibility in the face of the early delays in getting the program off the ground, still the GRM receives positive marks from those who voluntarily have been allowed to strike out on their own. While little data exists on whether striking out on your own has been successful, there is still a positive image to the program. Not so for the unpopular hiring ceiling program, which is perceived as a threat to the livelihood of new members of the work force and a possible source for rising unemployment. In this context, it is important to keep in mind the historical tradition of the country; the post-independence years of "socialist reform" imbued the public with a different sense of what the state's responsibilities should be. Among these responsibilities, the state's role as employer looms large. In a sense, while the benefit/cost ratio of the VED is low (but positive) the political benefit/cost ratio is probably much higher in terms of offsetting the political costs of the hiring ceiling program.

Estimates on the overall impact of the VED and the hiring ceilings are premature at this stage. There has been no systematic study of the results of the first tier departures. In fact, more generally the problem of reliable data from which to make appropriate judgments is an issue. It has been noted in several reports that reliable estimates of even current hiring rates (much less counts of existing employees) from either the Civil Service Bureau or the Central Pay Bureau are insufficient. Estimates of contractual hiring, of total number of paid employees, of total salary arrears, and of procurements are so weak as to make their use invalid at this stage. A clear priority is to improve the "counting" procedures.

⁶ Again, the survey conducted in 1984 prior to the initiation of the program indicated this political acceptability of the VED program. Two-thirds thought the program was favorable, while only 7% thought negatively about the program.

ZAMBIA

Zambia is a classic case of policy reform gone awry. From an initial exuberance with the progress of reform initiatives, and with the willingness of the Kaunda regime to support these initiatives, Zambia has come full circle. As of May 1, 1987, the structural adjustment programs of the World Bank and the IMF were ended. Many of the policy initiatives that had been in place were rolled back. USAID policy reform initiatives were put "on hold."

Although responsibility for this decision to terminate policy reform initiatives does not lie solely with the efforts to restructure the civil service and to reduce the public employment rolls, clearly these policies exacerbated an already tenuous situation.

Growth of public sector employment in Zambia has followed the pattern of most African nations. The state is seen as having the responsibility of "filling the gap" between the absorptive capacity of the private sector and full employment needs. Coupled with President Kaunda's Humanist Socialism philosophy, it is not surprising to see the growth in public sector employment.

Zambia's employment grew at an annual average rate of 3.2% between 1970 and 1986, while the labor force grew at a annual average rate of 3.3%. More significant, over the same period, these rates have been increasing for the population and labor force and decreasing for the rate of employment. For the period 1980-1986, population and labor force rates have been growing at average of 3.4%, and for 1986, 3.6%. The need for new jobs is evident.

Most growth in employment occurred in the public sector. Formal sector employment barely grew at a rate of 0.3% per year from 1970-1986, and from 1980-1986, the average growth rate declined annually 1.3%. The end result has been that over the period, formal sector employment as a proportion of the total labor force has declined from 27% to 17%. Unemployment and informal sector employment now account for 26% of the total labor force.

The policy reform package was intended to respond to these deteriorating conditions and, at the same time, to reduce dependence on the state sector as employer of first resort. The 1970s witnessed not only an incredible expansion of the central government administrative structure in an ad hoc fashion, but also phenomenal growth in the parastatal sector. By 1980, the parastatal sector was the largest component of the Zambian economy, generating well over half of GDP and providing a third of all wage employment. Table 8 shows this growth during the 1970s.

TABLE 8:
EMPLOYMENT BY SECTOR

	Private	Parastatal	Public	Total
June, 1975	137,420	133,150	128,270	398,840
June 1976	113,330	134,220	131,850	379,400
June 1977	103,050	138,370	131,050	372,470

Source: Fincham, 1980: 304.

As early as 1980, efforts to reorganize and streamline the public sector had begun under an initial IMF standby arrangement. Most of the effort, however, was oriented toward skill training, management improvement, civil service regularization, and budget control. Much of this initial activity occurred under the auspices of the British ODA. Much of this activity was intended to correct severe manpower training shortages that had resulted from a long history of expatriate presence in the civil service and the inability of Zambianization to fulfill manpower needs.

In the early 1980s reform efforts generally began to pick up speed. By 1983, a full package of reforms was put in place, including efforts aimed at decontrolling prices, reducing subsidies, opening maize marketing and distribution systems, introducing a more flexible exchange rate, place a freeze on government salaries, and attack parastatal inefficiency. In the following three years these reforms would be extended. In effect, by 1986, Zambia had the most far reaching reform effort in sub-Saharan Africa. Much of it, however, was on paper and not in deed. The issue of the potential reversibility of efforts loomed on the horizon in this situation.

As a result, fears of unemployment and of negative politicization meant that reforms oriented toward reducing the civil service were the last to receive real attention. A chronology of initiatives and responses relevant to civil service reform follows.

The IMF Standby Agreement of 1984 stipulated that expenditure growth would not exceed 7.3%; that personnel expenditures would be limited to K437.4 million (60% of total expenditures), with a freeze on net employment except in the Ministries of health, education, and agriculture; and that there would be a study on employment aimed at freezing or reducing public sector employment.

In 1983, employment in the formal sector consisted of: civil service=37%; parastatals=38%; private sector=24%. Formal sector

employment was only about 22% of total employment. The growth of the informal sector throughout the period resulted from the lack of absorptive capacity in the formal sector.

In May, 1983 the Lavu Commission recommended that there be the abolition of some posts and the redeployment of workers from those positions. However, no guidelines were offered and no implementation occurred.

IN 1984, a new IMF Standby Agreement placed a 10% ceiling on wage increases and a freeze on net levels of employment. These limits were apparently met, according to IMF. However, most of "net" reduction on paper was a shuffling and a rehiring of employees under various less formalized guises.

Undaunted by the limited success of this portion of an otherwise successful reform package, the IMF 1985 Standby Agreement placed a freeze on wage increases and on net employment in all but three sectors. It was at this stage that cracks in the civil service reduction effort began to show. The GRZ was unable to meet these requirements in spite of pressure from the donor community. In one sense this resulted, in part, in the decision to end the IMF reform package. Yet in an effort to show good faith, in December, 1985, the GRZ announced that CDEs (classified daily employees, the lower ranks) should be reduced by 40% over next three years. Political reaction ensued as the unions protested strongly.

In January, 1986, increased visibility of the civil service effort occurred when a Cabinet Office Circular recommending no new posts, no position upgrading, and a freeze on unfilled posts was issued. By that stage, the creation of an entity to supervise civil service reform within the Cabinet had occurred. Whether this raised credibility or political volatility is not clear in the Zambian case. What is clear is that the recommendations of the Cabinet Circular went unheeded and the targets were not achieved.

Yet, efforts continued. In April, 1986, the GRZ reduced the retirement age for men from 60 to 55, and for women from 55 to 50. While the actual impact of this change on reductions was minimal, the symbolic commitment to reductions remained. According to the retirement plan benefits and pensions were to accrue after 20 years of employment. The result of these changes was a mere reduction of one percent in staff. Ironically, those few that did depart were often among the better qualified. In addition, the allowance of full retirement benefits began to impose stringent financial claims on GRZ budget because pensions were increased substantially during that year. The decision to allow lump sum departure packages effectively quadrupled a person's salary, as well as the immediate burden on the state.

It is difficult to extrapolate from the Zambian case what the

real cause for the failure of reduction efforts were. Because of the complexity of the reform "package" and the heavy claims on the state that the reforms entailed, the civil service reforms were just one more demand raising the political "ante" of reform. However, what is clear from this case is that careful consideration of the context within which public sector employment and pay policies are to take place is critical. There is no doubt that these efforts targeted directly at workers exacerbated the tense political atmosphere and added to the ultimate demise of the program.

As can be seen from the attached tables, other factors that mitigated against the reform and reduction package were the tremendous wage loss in real terms, the compression of wages across job classifications, and that efforts to "narrow the wage gap" among job classifications merely meant the impoverishment of public employees at the upper levels.

Table 9

Numbers and Wages of Public Employees, 1978, 1983

	1978	1983
Civil Service Employees		
Number	65,470	69,537
Personal Emoluments (millions K)	154.3	303.3
Average Wage (K)	2.357	4,362
Classified Daily Employees		
Number	41,809	50,831
Total Wages (millions K)	31.1	83.4
Average Wage (K)	744	1.641

C. Wage Increases and Inflation, 1982, 1983

	1982	1983
Wage Increase	6.9%	3.6%
Inflation	12-13%	18-20%

Source: Oey Meesook, and Parita Suebsaeng, "Wage Policy and the Structure of Wages and Employment in Zambia," World Bank, July 1985. Based on GRZ figures and a Manpower Wage Survey conducted in 1983.

Table 10: Central Government Operational Expenditures.
1980-1987
(k Million)

	1980	1981	1982	1983	1984	1985	1986	1987 (budg)	1987 (prel)
Personal Emoluments	251	327	356	403	451	536	661	824	1009
Recurrent Dept. Charges	148	181	236	203	220	416	568	712	900
Transfers, pensions (a)	72	90	142	136	137	179	397	357	530
Capital Expenditures	123	135	101	150	121	181	511	940	809

	(annual growth rates)								
Personal Emoluments		30	9	13	12	19	23	25	53
Recurrent Dept. Charges		23	31	-14	8	89	37	25	59
Transfers, pensions (a)		25	57	-4	1	31	122	-10	34
Capital expenditures		10	-26	49	-19	49	183	84	58

(a) Finances complementary government services, such as District Councils.

Source: IMF, Recent Economic Developments, May 1988.

Table 11

Wage Scales for Public Sector Employees, 1980-1986

	Jan. 1980	Jan. 1982	Jan. 1983	Nov. 1983	Oct. 1985	July 1986
Undersecretary	10,176 (68)	10,176 (59)	10,176 (51)	10,176 (45)	11,536 (29)	12,216 (19)
Assistant Directors	7,440 (62)	7,440 (53)	7,440 (46)	7,440 (41)	8,680 (27)	9,300 (18)
University Grad- Entry level	3,852 (63)	3,870 (53)	3,876 (46)	3,992 (41)	4,931 (29)	5,400 (19)
Diploma- Entry level	3,264 (67)	3,300 (57)	3,336 (50)	3,465 (44)	4,283 (31)	4,692 (21)
Lowest Paid Salaried Employee	984 (89)	1,164 (89)	1,324 (87)	1,470 (83)	2,146 (70)	2,484 (49)
Unskilled CDEs	840 (85)	1,056 (90)	1,236 (91)	1,382 (88)	2,060 (75)	2,400 (53)

Notes - Figures in Parentheses are an index of constant salaries, in which 1975 = 100.

Source: United National Development Programme, Restructuring and Development in Zambia: Roles for Technical Cooperation. New York: 1986, pp. 19, 20. Based on data from GRZ, CSO and World Bank.

SENEGAL'S CIVIL SERVICE REFORM EFFORTS

The Government of Senegal (GOS) has launched several attempts at improving the efficiency and cost effectiveness of its administrative structure. A first effort in 1972 aimed at extending the authority of the central government over the entire territory of the country and to create local level administration responsive to local needs. The efforts were reasonably successful in extending the power of the central government but not as successful in strengthening local capacity.

A second administrative reform program was initiated in 1976 aimed at reorganizing all central ministries in an effort to gain control over and eventually reduce the wage bill. Again, however, the reform initiative failed to achieve the desired results. In both cases Ministries were slow to respond, demanded more staff, or failed to agree on the analyses of the progress of the reform. It is worth noting that this second reform initiative was supported by the current President of the Republic.

Thus, current efforts at reducing the size of government, increasing its efficiency, reducing overall costs, and improving morale, competence, and accountability confront an administrative structure conscious of the failures of the past reform efforts.

Yet, the need for administrative reform is evident in the following problems:

- high levels of concentration and centralization of authority;
- a large civil service with high levels of redundancy in some areas and shortages in others;
- highly regulatory environment with haphazard rule systems; and
- a system unable to retain quality and skilled public employees because of low pay.

Under the World Bank's SAL II (May, 1987), the GOS has introduced a series of actions in line with civil service reform, including:

- reducing the percentage of tax receipts accounted for by the wage bill;
- reducing the number of personnel by a strictly adhered to program of non-replacement of retiring employees;
- encouraging early retirement;
- reducing the number of candidates entering professional training schools;
- improving management information systems that keep account of public sector employees; and
- improving productivity incentives through bonuses based on performance.

Results to date are few and those that can be monitored are mixed. The few areas where some success can be noted are in the

hiring ceiling on new employees/recruitment and reasonable stability in the overall wage bill.

One negative consequence has been the irony that early reform efforts have had exactly the opposite effect of the perceived long-term goal. While the goal is to reduce not only the size of the administrative structure (and wage bill and employment levels), but also the heavy centralization evident in the system. Yet these early reforms have placed greater demands on senior level officials and have created yet greater centralization of control.

Several specific features of Senegal's experience offer important object-lessons for other efforts.

Despite concerted efforts to control wage and employment policy, structural wage drift has occurred. While the country introduced a wage freeze (in compliance with IMF conditionality) in 1981, the total wage bill has increased at an annual rate of 7% in real terms. This has occurred because the wage freeze only affected those who remained at the same level. Yet, automatic promotions and advancements, with correspondent wage increases, were left in place.

The Senegalese experience points to one of the key issues in reform efforts: reform, particularly drastic efforts such as termination, is made more difficult where dependence on the benefits of public sector employment is high. In many countries, wages are not the real test of the importance of public sector employment; rather, non-wage benefits (eg., health benefits, housing allowances, pension programs, etc.) must be considered. In Senegal, these non-salary components play a significant role. For example, premiums are paid for each individual job category, often with little relationship to functional review and justification. In addition, public employment carries with it a degree of political influence that would be lost with termination. Data on these non-wage components is weak, in part as a result of intentional policies to keep them undisclosed.

Senegal has made valiant strides to improve an accurate count of employees. In addition, the GOS has attempted to go one step further: incorporate functional reviews with the census count. The importance of these reviews is self evident. They allow for merging counts with task/objectives for policy planning. However, even counting has a political overtone: resistance to functional reviews among ministries is high.

Finally, further evidence of the recognition on the part of governments of the need for legitimating the reform effort is evident in the case of Senegal. Concerned with the poor coordination and reconciliation of procedural and substantive initiatives, the government created an autonomous entity for

system-wide coordination, which was then attached to the Office of the Prime Minister. Similar coordination and legitimation efforts have been pursued in the cases of Mali, Guinea, and Zambia.

REFORM EFFORTS IN LATIN AMERICA: ISSUES AND EXAMPLES

Efforts to deal with the problem of the size of the public sector in Latin America have met with considerable resistance in the 1980s. In spite of increasing loss of confidence in state-led developmental policies and state expansion, the issue of reduction of central government public employment numbers continues to be intractable. That this is so may seem surprising in the face of the phenomenal growth of central government deficits and public debt in the post-1982 period. What becomes evident in this intractability is the great power and influence of state bureaucracies and the historical power of public employee unions throughout the region. This power has become even more notable in a period of democratization of the region in the 1980s. Fragile civilian electoral regimes, dependent upon coalitions of public sector employees in many cases, are wont to undermine their very support base.

Thus, even with the advent to power in a number of countries of forces oriented toward the expansion of the private sector, efforts to reduce central government employment has not proceeded apace. Because of the high political costs associated with retrenchment and redeployment, governments have sought to find alternatives to direct confrontation with central bureaucracies.

The principal avenue for the expression of this interest in reducing the size and cost burdens of government has been in the areas of employment reductions, divestment and destatization of public enterprises. Privatization efforts, in transportation, in sectoral parastatals, and in utilities, have involved major reductions in the public sector work force burden in several countries. For example, in the transport sector, it is estimated that Argentina has reduced railway staff from 145,000 in 1970 to 103,000 in 1985 (WB, 1988). Yet, employment in the railway is still close to 8% of total public sector employment. In Chile, the state railway has reduced employment by almost three-quarters.

However, the record for privatization as a whole in Latin America is less dramatic than popular newspaper accounts would suggest. For example:

- In Chile, large scale reversals in the earlier trend toward expropriation have been impressive. Some 260 expropriated properties and businesses of the Allende years have been reprivatized. Other companies with a value of \$400 million have been sold. The Chilean State railway alone has reduced employment over the period since 1974 by 20,000 employees, from 27,000 to 7,000. In the public enterprise sector, employment was reduced from a high of 60,000 in 1974 to 35,500 by 1979, a 40 percent reduction (Marshall, in Glade, 1986). However,

even in this most extreme case, 66 companies still remain in public hands and account for close to 20% of GNP (Shirley, 1983; Coburn and Wortzel in Glade, 1986);

- As of the end of 1982, Brazil had sold ten relatively minor SOEs, yet hundreds of state owned companies remain in public hands. Brazil has attempted to privatize through a number of schemes or modes in the late 1970s and 1980s, including privatization through service contracts, joint public/private ventures, devolution, and liquidation of assets. All of these efforts have formed part of a major governmental thrust at "debureaucratization." In 1979, the GOB established a separate National Debureaucratization Program, coordinated across several ministries. However, most efforts under the program met with stiff resistance, and, as a result, actions pursued relatively short-term interests aimed at placating national and international economic and monetary authorities (Abranches, in Glade, 1986);

- Jamaica has sold three small SOEs (an airline food service company, and two agricultural companies) and has leased several transportation routes and sugar mills to private hands, yet recent efforts by the World Bank to encourage reductions in central government employment have resulted in a stalemate in a large public sector reform project. Statization during the Manley years (1972-1980) has been slowed dramatically since the advent to power of Seaga (in 1980). Yet, even in the case of this strong advocate of liberalization, most divestitures and planned divestitures have been in those enterprises demonstrating consistent public losses (Kennedy in Glade; WB interviews);

- Efforts in Peru demonstrate the intransigence of many political forces in the reform programs. There are approximately 150 SOEs in Peru, not large by Latin American standards. Yet they account for 15-20% of GDP, account for half of public investment, and employ 125,000 workers. In May, 1981, in response to pressures from the World Bank and the IMF and support from the United States, President of the Council of Ministers and Minister of the Economy, Manuel Ulloa, declared at the Consultative Group meeting in Paris that: "We have rejected the past strategy of exaggerated state control." (Ortiz de Cevallos in Glade). A new law was enacted with extraordinary powers granted by Congress that called for a redefinition of SOEs and the divestiture of some. CONADE, the state National Development Corporation was established to direct state activities to reduce state enterprises and to reform their or-

ganizational content. Five months later the newly appointed chairman of CONADE resigned in frustration over inaction and conflict. By 1986, political conflict over liberalization, debt service burdens, reductions in SOEs, and employment reductions had created a crisis for the new President, Alan Garcia. Strong reaction by government bureaucracies, a major political coalition (APRA), and major segments of the intellectual community have slowed much of the effort to a standstill. (Saulniers, 1986; Ortiz de Cevallos);

I offer here a relatively typical example of efforts to reduce employment in the public sector, although the thrust of the effort is in the parastatals. However, numerous object lessons can be gleaned from this example.

Panama has developed a severance program of some interest in the context of their divestiture of state-owned enterprises. While this paper does not focus attention on SOE divestitures, the severance program is of some comparative interest. Divestiture efforts in many countries are hindered by the labor settlement issue resulting from closure, liquidation, and privatization of SOEs. This example is one that applies to SOEs, but also is a model for Panama's own attempts to facilitate reductions in central governmental activities.

The Panamanian economy experienced relatively rapid growth throughout the 1960s, averaging 8% annually. Most economic indicators reflected this expansion:

- private domestic savings averaged 15% of GDP annually;
- private investment increased at a real rate of 12.5% annually;
- total employment grew at annual rates of 3.5%, much in excess of population growth rates of 3.0%.

Most of this expansion in the 1960s occurred in the private sector, primarily in the urban areas of the country. Not as positive were signs of slow growth in the agricultural sector and an increasing skewing of income distribution in the country, conditions that would come back to haunt the country during the stagnation of the mid- and late 1970s.

With the increasingly adverse external economic developments of the 1970s, the state sought to ameliorate the social and political impacts of policies and conditions through a dramatic expansion. This story need not be expanded upon here; conditions familiar to specialists in African development will recognize the conditions and responses of the Panamanian government. One clear consequence was rapid expansion of state generated employment, both in the central government and in the rapidly growing parastatal sector.

By the mid-1970s, government was the main source of new employment in the economy. Of a total increase in employment of approximately 83,800 persons, over 61,000 found employment in the public sector. Public sector employment grew at an annual average rate of 7.6% for the period, while private sector employment averaged 0.6%. Not only did employment in the public sector expand, but the public sector's share of total investment expanded as well as the government moved into the direct production of goods and services. From a share of total investment of 20% in the 1960s, expansion of government activity in the late 1970s resulted in a 52% share of total investment. By the mid-1980s the government's share of total employment had expanded to 140,000, or 25% of the total of 600,000 employed. Of that number, some 25,000 are employed in the parastatal sector. The total population of the country is approximately 2 million people.

These are the conditions that have prompted efforts to reduce both public (central governmental) employment and parastatal activity. However, resolution of the labor issues provide one of the major threats to the successful implementation of politically acceptable reductions strategies. The problem is compounded by the fact that some employees are covered only by an Administrative Code (most of the public sector), which allows for their dismissal with payment only for accumulated vacation. Political costs in these actions are much more problematic. However, the real thorn in the labor settlement issue is coverage of employees under the Labor Code (which covers many employees in the state owned enterprises). In the latter case, the costs of termination are financially very high. For example, the dismissal of an employee, covered under the Labor Code, who started work in 1968 and was terminated in 1986 would entitle him to 49 weeks of severance pay (valued at average current monthly salary plus overtime for the last six months) plus a seniority premium or bonus of seventeen weeks salary based on average earnings over the past five years. In addition, the employee has the right of appeal which can increase dramatically the total severance cost.¹⁰

In the words of one USAID document:

¹⁰ The costs of compliance with these legal regulatory requirements of severance can effectively terminate a program. For example, World Bank documents suggest that in the case of Guyana the termination of 13,000 redundant employees in 1981-82 (24% of total public sector employment) in both central government and parastatal sectors resulted in actual increases in the wage bill for several years. In order to provide compensation for terminated employees, and under significant union pressure, the government borrowed heavily. IN 1985, one consequence of this was a debt service of 65% of expenditures!

Panama's existing labor legislation, overstuffed Central government and state enterprises, large accumulated labor liabilities, together with resistance to divestiture by state employees and unions, make the solution to labor disposition the crucial first step to implementing a program to divest state enterprise.

In addition, it is important to note that it is typical in Latin American countries to have very powerful union interests explicitly expressed in the political system. Ignoring organized labor's demands and needs in many countries is political suicide. Panama's unions are not atypical of this power relationship.

Evidence of the importance of this political dimension has been the stalling of reform efforts in Jamaica, Guyana, and to some degree, Peru. While reforms were initiated because of extreme conditions of economic deterioration, political factors effectively blocked progress. In each of these cases, high dependence of political elites on the support of unions caused a backtracking on reforms.

To resolve this dilemma, the GOP is adopting a severance plan, or resignation bonus plan, similar to efforts underway in Peru, Ecuador, and Venezuela. The plan involves the payment of accumulated labor liabilities in addition to a bonus plan of between 25 and 30% of annual salary. While most civil servants can be dismissed readily in a legal sense, the political costs make such a move unlikely. Thus, the GOP is adopting a compromise solution for reducing employment in both the SOEs and the central government which involves:

- voluntary resignation with a 25% annual salary bonus for central government employees;
- a transfer of a portion of the SOE employees to central government posts at a rate less than the vacancy rate caused by departing central government employees. This latter effort is in preparation for the closure of a given parastatal; and
- full payment of the remaining separated SOE employees at severance plus seniority plus bonus.

A similar compromise solution for balancing departures for central government and parastatal employees, each subject to different labor codes, has been attempted with some success in Peru. However, in the Peruvian case, the focus was almost exclusively on buy-outs from state owned enterprises. As a result, the costs of the program were substantially higher. In one Peruvian case, for example (PescaPeru, a fisheries enterprise), costs were estimated at US\$24,000,000 for the buy-out; yet, yearly losses of this same faltering parastatal were estimated at US\$35,000,000, yielding a net savings.

The key to the Panamanian, Peruvian, and other Latin American cases is that some element of voluntary departure was incorporated in the effort, thus reducing the potential hostility of the employees and the unions. However, clear evidence of the intractability of reduction efforts can be seen in the above examples. Even when political will has existed at the top, the inability to generate active and continued support among relevant and critical stakeholders (eg., the unions, the bureaucracy, and even major political parties) has meant that efforts to reduce the burden of public employment and the costs of government have proceeded very slowly indeed.

BIBLIOGRAPHY OF MATERIALS FOR LIBERIA
CIVIL SERVICE REFORM PROJECT

Guinea:

- IMF, "Guinea: Staff Report for the 1987 Stand-By Arrangements and Request for Arrangements under the Structural Adjustment Facility." June 30, 1987
- Marston, Lance, et al A Review of Privatization in the Republic of Guinea. Washington, D.C.: Center for Privatization, 1986.
- Shugart, Christopher, "Report on Seminar on Guinea's Economic Development: Key Issues for Future USAID Assistance." (August, 1987).
- USAID/Guinea, Country Development Strategy Statement, FY89. March, 1987.
- White, Louise, "Strategies for Implementing Policy Reforms: Towards a Theory of Institutional Analysis." NASPAA Draft Working Paper (March, 1988).
- World Bank, Guinea: Policy Framework Paper. July, 1987.

Mali:

- Hermann, Chris and Edgar Gordon, "Mid-term Evaluation of Mali's Economic Policy Reform Program." July, 1987. (USAID 688-0240)
- Gellar, Sheldon, "Public Sector Reform and Private Sector Expansion in Mali." (June, 1985).
- USAID/Mali, "Economic Policy Reform Program" (USAID 688-0240) PAAD Amendment, August, 1987.

Senegal:

- Bloch, Peter, Wage Policy, Wage Structure, and Employment in the Public Sector of Senegal. World Bank Discussion Paper, May, 1985.
- World Bank, Senegal: Country Economic Memorandum. (November, 1984)
- World Bank, Staff Appraisal Report, The Republic of Senegal, Development Management Project, April 25, 1988.
- Nellis, John, An Assessment of the Senegalese Administrative System, World Bank Working Paper/Report No. 7. September 1986.

Somalia:

- USAID, PAIP, Somalia Economic Rehabilitation Sector Grant (SECOR) (649-0143), May 6, 1987.
- Windham, Douglas M., Somali Civil Service Study. USAID (Improving the Efficiency of Educational Systems) July, 1984.

Zambia:

- USAID, Zambia: CDSS, FY1989. April, 1987.

White, Louise G., "Report on Trip to Zambia." NASPAA, June, 1988.
Moore, Richard J., "Policy Reform and Implementation: A Zambian Case Study. NASPAA Working Paper #16, March 1988.
IMF, Recent Economic Developments, Zambia. May, 1988
World Bank, Zambia: Public Expenditure Review, October, 1987.
Meesok, Oey, and Parita Suebsaeng. Wage Policy and the Structure of Wages and Employment. World Bank Report No. 5727, May 1986.

Latin America:

Balassa, Bela, and Geraldo Bueno, Pedro-Pablo Kuczynski, and Maria Henrique Simonsen, Toward Renewed Economic Growth in Latin America. Washington, D.C.: Institute for International Economics, 1986.
Boneo, Horacio, ed. Privatización: Del Dicho al Hecho. Buenos Aires: SADEI, 1985.
Edwards, Sebastian, "Stabilization with Liberalization: An Evaluation of 10 Years of Chile's Experiment with Free-Market Policies, 1973-1983" Economic Development and Cultural Change 33:2 (January, 1985) pp.223-254.
Glade, William P., State Shrinking: A Comparative Inquiry into Privatization. Austin: University of Texas Press, 1986.
Moore, Richard, "Report on the Seminar on the Restructuring of the Ministry of Commerce and Industry, Panama." (August, 1986).
Moore, Richard J., et al, Contracting Out in Honduras. Report Prepared for USAID/Honduras, June, 1987.
Moore, Richard J., "Productivity Measurement and Productivity in the Public Sector: A Review and Appraisal for Application to Latin America." Prepared for the World Bank, June, 1988.
Saulniers, Alfred, "Public Enterprises in Latin America: Their Origins and Importance." International Review of Administrative Sciences, No. 4 (1985).
USAID, "FY87 Concept Paper: Panama." (June, 1986)
USAID, "Project Paper: Financial Stabilization and Economic Recovery II, Panama." (July, 1986)

General:

Butler, Stuart, ed., The Privatization Option: A Strategy to Shrink the Size of Government. Washington, D.C: The Heritage Foundation.
Cowan, L. Gray, "Privatization: A Technical Assessment." Prepared for the Office of Policy Development and Program Review, USAID/PPC, September, 1987.
Crouzet, Jean G.R., Privatization Opportunities: Republic of Gambia. Washington: Center for Privatization, Center Report No. 5, March, 1986.
De Hoog, Ruth Hoogland, Contracting Out for Human Services: Economic, Political, and Organizational Perspectives: Gainesville: University of Florida Press, 1984.

- Hanke, Steve H., "Privatization: Theory, Evidence and Implementation." The Annals of the American Academy of Political Science, 1985, No. 2., pp. 101-113.
- Hatry, Harry, A Review of Private Approaches to the Delivery of Public Services. Washington, D.C.: UrbanInstitute Press.
- Heller, Peter S. and Tait, Alan A. Government Employment and Pay: Some International Comparisons. IMF, Occasional Paper No. 24, 1983.
- Lamb, Geoffrey, "Managing Economic Policy Change." World Bank Discussion Paper #14. ((June 1987)).
- Moore, Richard, and Gill Lim, "Privatization in Developing Countries: Myth and Reality." International Journal of Public Administration (forthcoming, 1988).
- Morgan, E. Philip and James Perry, "Reorienting the Comparative Study of Civil Service Systems." Review of Public Personnel Administration (Forthcoming, 1988).
- Nellis, John, "Public Enterprise in Sub-Saharan Africa." World Bank Working Paper, June, 1985.
- Nolan, Amy, "A Growing Role for the Private Sector in the Provision of Public Services in Third World Cities." (mimeo, 1986)
- Nunberg, Barbara, "Public Sector Pay and Employment Policy Issues in Bank Lending: An Interim Review of Experience." Prepared for the Public Sector Management and Private Sector Development Division, Country Economics Department, World Bank. (February, 1988).
- Paul, Samuel, "Privatization and the Public Sector." Finance and Development (December, 1985).
- Pirie, Madsen, Dismantling the State: The Theory and Practice of Privatization. Dallas: National Center for Policy Analysis, 1985.
- Roth, Gabriel, Private Provision of Public Services in Developing Countries. Washington, D.C.: The World Bank, 1987.
- Savas, E.S., Privatizing the Public Sector. Chatham, N.J.: Chatham Publishing, 1982.
- Shirley, Mary, "Guidelines for Bank Lending for State-Owned Enterprise Sector Reform." Prepared for the Public Sector Management and Private Sector Development Division, Country Economics Department, World Bank. (January, 1988).
- The Hay Group, "Privatization and Employment Policy: Issue Analysis." Prepared for USAID/Washington, PPC/PDPR. (June, 1987).
- Tait, Alan, and Peter Heller, International Comparisons of Government Expenditures. Discussion Paper No. 10. Washington, D.C.: IMF, 1982.
- USAID, "Concept Paper, FY1990: Ghana." (March, 1988).
- World Bank, "Initiating Memorandum: Public Sector Pay and Employment Reform." June, 1988.
- World Bank, "Initiating Memorandum: Minimizing Costs of Redeployment." April, 1988.
- World Bank, "Initiating Memorandum: Study of Labor Redundancy in the Transportation Sector." January, 1988.
- World Bank, World Development Report, 1987.

PERSONS CONTACTED FOR REPORT

Yvonne John, Gambia desk officer, AID/W
Shirley Erves, AFR/DP
Ms. D. Williamson, Gambia country officer, World Bank
David Chapman, Liberia Country Coordinator, IEES/State University
of New York at Albany
Prof. Fran Kemmerer, University of Massachusetts, Somalia Civil
Service Reform Project
Carter Brandon, Project Officer/Liberia Project, Louis Berger
International
Fred Berger, Vice President, Louis Berger International
Rita Parrilli, Jamaica Project Officer, WB/LAC/PSMU
Shahid Chaudhry, Acting Director, WB/LAC/PSMU
Dr. Jerry Silverman, PSMU/Africa, World Bank
Dr. Barbara Nunberg, WB/PSMU
Helen Vaitaitis, AID/W, Senegal desk officer
John Lewis, Office of the Sahel/West Africa, USAID
Prof. Barbara Lewis, Rutgers University, Livingstone Campus
Mr. Ford Brown, Experience, Inc., Sahel Regional Financial
Management Project, USAID
Dr. Philip Morgan, Indiana University, School of Public Affairs
and Environmental Studies
Dr. Ashok Subramanian, Public Sector Management Unit, World Bank
Don Fisk, Director, Office of Productivity and Technology, Bureau
of Labor Statistics, U.S. Department of Labor
Jeff Manthos, Federal Productivity Resource Center, U.S. Office
of Management and Budget
Dr. Hassum Cessay, Africa Bureau, UNDP