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PROGRAMMATIC ANALYSIS OF CIVIL SERVICE REFORM APPROACHES REPORT OUTLINE

Fiscal Accountability and Sustainable Trade (FAST)



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ACRONYMS

BPR	Business Process Engineering
COR	Contracting Officer Representative
FAST	Fiscal Accountability and Sustainable Trade
GDP	Gross Domestic Product
ICT	Information Communication Technology
IMF	International Monetary Fund
NPM	New Public Management
OD	Organizational Development
PDIA	Problem Driven Iterative Adaption
PERS	Public Expenditure Reviews
PFM	Public Financial Management
PPP	Public-Private Partnerships
TCB	Trade Capacity Building
USAID	United States Agency for International Development

INTRODUCTION

OBJECTIVES

The Fiscal Accountability and Sustainable Trade (FAST) task order supports rapid, sustainable, and equitable economic growth in USAID-assisted countries by enabling USAID to bring a systems approach to addressing Public Financial Management (PFM; public revenue, budget, expenditure, and debt), trade capacity building (TCB), macroeconomic planning and policies, and other economic governance issues, such as regulatory reform, and by supporting missions to improve: a) host-country capacity to mobilize revenue and provide public services; b) host-country policy climate for investment that generates more productive employment and inclusive growth, including issues specific to women and disadvantaged populations; c) host-country ability to recover from, prevent, and/or mitigate the impact of conflict, natural disasters, or fiscal crises; and, d) host-country institutional capacity to identify, design, advocate, and implement better economic policies to enhance inclusive growth and gender equity.

The “Programmatic Analysis of Civil Service Reform Approaches” task under FAST draws from real world economic and political experiences of countries to inform USAID of effective approaches that improve the performance, accountability and cost-effective management of the public sector.

The analysis will provide USAID with a set of practical options that its staff can consider in their efforts to assist host countries in improving their public sector operations as an element of the broader aim of promoting sustainable and equitable economic growth. In developing this set of options, the research will draw mainly from real world experiences in implementing successful civil service reforms under varying political systems and constraints, while also reflecting upon promising, yet untested, approaches identified by academia or other interest groups.

FROM PUBLIC ADMINISTRATION TO CIVIL SERVICE MANAGEMENT – A HISTORICAL PERSPECTIVE OF THEORY AND PRACTICE

Objectives: This section will provide a historical perspective on civil service reform efforts, starting from early 19th century, covering reforms in both developed and developing countries. This will include varying objectives of the reform efforts in different times and how early reforms paved the way for subsequent improvements in reform principles, coverage, and objectives.

Content: The content of this section, which will provide a brief introduction to the history of Civil Service Reform, will include: (i) the underlying problems that prompted the need for reforms, including an analysis of the socio-economic environment; and (ii) the lessons learned from both developed and developing countries in reforming civil service.

TRADITIONAL AND EVOLVING PRINCIPLES OF CIVIL SERVICE MANAGEMENT

Objectives: The traditional model of civil service management was controlled by political leadership, and can be characterized by the following features:

- a) Hierarchical and bureaucratic structures;

- b) Permanent, non-partisan and anonymous staff;
- c) An ethos of serving the public interest based on formal structures and procedures; and
- d) Administering but not contributing to policy formulation.

The traditional model served to professionalize the civil service, however it required adjustments to take into account expanded public services, technology advancements and growing demand for results all over the world. Over the past three decades, civil services have shifted towards improving service delivery by strengthening the effectiveness and performance of government while simultaneously ensuring that structures and operations are flexible, affordable, and sustainable. The key tenets associated with this shift include political and technical leadership and commitment; adequate governance arrangements; focus on performance management; well-designed programs; appropriate funding arrangements; policy dialogue with stakeholders; flexibility; and continuous learning and innovation. These principles have helped in shaping reform efforts to both reduce pressure on public budgets and provide for the politically demanded level of services in an efficient and transparent manner.

Content: This section will include evidence-based research reflecting how the traditional principles of civil service management have evolved through the time and how modern civil services are managed. Analysis will account for the changing legal frameworks, organizational requirements, functional requirements, increasing use of information technology in the business process, and streamlined reporting.

IMPLEMENTATION ISSUES IN CIVIL SERVICE REFORM IN DEVELOPING COUNTRIES

Objectives: The implementation of civil service reform is often hampered by several factors, since approaches vary in countries due to different contexts, particularly economic and political constraints. This includes the ability of an administration to pass legal amendments (i.e., negotiation with subnational levels of government, political interests, labor unions etc.); the degree that the economy is structured in a centralized or decentralized manner; the cultural divide in the country (often determined on geographic lines, between urban and rural areas); the potential for the private sector to participate in traditionally public service provision; and the impact of isomorphic mimicry, whereby the experiences of other countries, especially those geographically close, can influence reforms.

Content: There are implementation issues in any approach to civil service reform, whether it stems from the more traditional fiscal driven approach, which is dominated by fiscal sustainability considerations, or the service delivery improvement approach, that looks at efficiency of service provision. The analysis will look at the relative importance of these cross-cutting issues across the reform approaches based on country experience and how to best address the most salient issues to maximize the effectiveness of civil service reform implementation under the given political constraints. The analysis will also look at the experience of donors in their successful civil service reform programs and aggregate those successful cases to create lessons learned from these experiences.

Notwithstanding these implementation issues, countries have addressed civil service reform from various approaches, depending upon the areas of reform that are needed. Rarely has just one approach addressed all the civil service issues in need of reform and rarely have all the

approaches resulted in the same level success. Moreover, the approaches are often mutual reinforcing which suggests an optional timing in the implementation of each approach.

Below are some of the common approaches that have been used to address civil service challenges. A combination of these approaches may prove most effective depending on the circumstances and specific developing country context.

SERVICE DELIVERY IMPROVEMENTS APPROACH

Objective: The objective of this approach is to focus on timeliness, efficiency, and effectiveness in the delivery of basic social services to citizens by minimizing, if not eliminating, bureaucratic and technical bottlenecks, and addressing the political difficulties encountered from entrenched interests.

Content: The research will explore initiatives to improve services delivery through: (i) productivity improvements; (ii) business process re-engineering and automation; and (iii) institutional pluralism in service delivery.

PRODUCTIVITY IMPROVEMENTS

Content: Productivity improvement initiatives seek to obtain necessary outputs from available and often fewer resources as well as promoting increased service orientation. The research will cover initiatives such as:

- Strategic planning as a means of encouraging public sector organizations to be proactive, action-oriented, and practical in setting medium-term objectives and priorities.
- Client service charters which communicate standards of service that clients can expect. They are considered to form part of the drive for total quality management.
- Quality models such as the European Foundation for Quality Management's Excellence Model for managing continuous improvement.
- Benchmarking exercises to measure and identify performance of processes and outputs between organizations.
- Performance measurement and evaluation to measure the extent of progress and achievement of objectives and to determine their relevance and whether they have been fulfilled.

BUSINESS PROCESSES RE-ENGINEERING AND AUTOMATION OF SERVICES

Content: The research will review the extent to which public sector institutions have applied business process engineering (BPR), which has increasingly been accompanied by automation, to achieve substantial improvements in contemporary measures of performance, such as cost, quality, service, and speed. The scope will include the use of BPR in de-bureaucratization; establishing alternative service delivery mechanisms, such as one stop centers (e.g., Huduma Centers in Kenya); and generally exploiting ICT/digital technologies, including electronic government.

INSTITUTIONAL PLURALISM IN SERVICE DELIVERY

Content: Institutional pluralism responds to fiscal constraints as well as non-financial capacity limits of the public sector in-service delivery. The research will explore the extent to which governments have enabled and facilitated multiple state and non-state actors (i.e., civil-society organizations, faith-based organizations, and the private sector) to contribute to the delivery of public goods and services.

CAPACITY BUILDING APPROACH

Objective: The capacity building approach aims to increase the civil service’s capacity in organizational functions and to meet service delivery targets. This approach begins with identifying mandates and functions and determines the appropriate institutional environment for performance by public sector institutions at aggregate and individual levels. The approach then maps out the organizational (includes structures, systems, and facilities) and human capital capacities required to achieve the service delivery targets.

Content: The research will explore capacity building from four perspectives:

- I. The pursuit of a developmental state model;
- II. Institutional development;
- III. Organizational development; and
- IV. Problem driven iterative adaptation initiatives.

Building on (ii) and (iii), the research will reflect upon the challenge of maintaining staffing and limiting turnover as the public sector workforce gains human capital that could be attractive to both the private sector and government agencies. The research will also explore the effect of capacity building initiatives on the political economy environment in terms of changes in beliefs, values, behaviors, and practices.

PURSUIT OF A DEVELOPMENTAL STATE MODEL

Content: The developmental state model is the antithesis of the minimalist model, which advocates for the new public management favor. For low- and middle-income countries, the state development model advocates for state investment and service delivery in any strategic areas that the private sector does not cover. Accordingly, government policies take into account the national vision and strategic goals. The research will explore States that coordinate national planning and ensure that their civil services have the capacity to promote growth and development. Botswana and Mauritius in Africa, and the South-East Asian Tigers may provide useful illustrations.

INSTITUTIONAL DEVELOPMENT

Content: The institutional development model evolved on the notion that institutional weaknesses are often a key determinant of poor service delivery. These weaknesses include organizational structures, systems, and human capital deficiencies. This model gained popularity when the World Bank first published “Institutional Development: Incentives to Performance” by

Arturo Israel in 1987. FAST will explore institutional development activities undertaken to strengthen the capacity of civil services to deliver results.

ORGANIZATIONAL DEVELOPMENT

Content: This approach recognizes that organizational culture and systems are the critical valuables to improved performance of any organization. Organizational development (OD) is a continuous process aimed at promoting public sector organizations' capacity to assess how well it functions and ameliorate any gaps. OD covers interventions targeted at staff and stakeholders, human resources, structures, systems, and change. The research will explore the use of OD tools in civil service reform and the results they delivered.

PROBLEM DRIVEN ITERATIVE ADAPTION (PDIA)

Content: PDIA recognizes that development challenges are complex and therefore does not specify pre-packaged solutions. Rather, through a participatory process, experts assess problems by looking at their root causes (e.g., politics, policy, technology, training, implementation, communication and so forth). This approach aims to resolve specific issues within a local context; promote 'positive deviance' and experimentation; encourage action-based learning; advance inclusive participation; and is increasingly used to tackle bottlenecks in civil service reforms. The research will explore the practical use of PDIA in building capacity to undertake civil service reforms.

GOVERNANCE APPROACH

Objective: Civil service reform under a governance approach aims at improving transparency and strengthening institutions both in the integrity and accountability. This specifically requires an additional element of bolstering public sector management, which is noted in the previous sections and will go beyond improving the efficacy of internal operations in ensuring that these operational actions are consistent with society's understanding and needs.

Content: All donor groups including the IMF and World Bank support such reforms and have taken the lead in quantifying the impact of such reforms on growth and investment. The research will look at country experience with such a reform approach and report on evidence of such reforms on increased investment and growth. The research will also detail the political-economy factors that are present and possibly hinder the implementation of such reforms. In addition, FAST will explore the scope for feasibility of the governance approach in the context of a failed state with specific country examples.

ALIGNING DEVELOPING COUNTRY AND DONOR EXPECTATIONS

Content: A key element of the governance approach involves implicit societal values. The research will focus on how to manage situations where such values and norms might clash between donors and reform-minded governments. The research will review country and donor experiences in improving governance, with an emphasis on identifying the most contentious areas and the successful strategies, especially those that donors have used to deal with these issues.

IMPROVING PROCUREMENT AND REDUCING CORRUPTION

Content: Anti-corruption efforts constitute a major part of good governance, and corruption in government operations can take many forms. At a micro level, an inspection officer may be seeking bribes to hide health code violations. It also occurs on a more macro scale, for example in large government procurement processes where vendors pay bribes to win contracts. The research will look at best practices in government operations to minimize the impact of corruption and the resistance such reforms is likely to encounter. Key considerations will include identifying the appropriate government agencies and how best to avoid cultural and societal clashes when the donor and recipients might not see corrupt practices in the same way.

IMPROVING THE BUSINESS ENVIRONMENT

Content: A largely ignored but an important aspect of the governance approach is the design and implementation of reforms that explicitly improve the investment climate and promote sustainable and inclusive growth. On the surface, this appears to be an easy area for reform, however there may be entrenched interests, such as local monopolies and labor unions that may lose from specific reforms that generate competition among firms or improve labor mobility. The research will begin with the World Bank's "Ease of Doing Business" initiative to assess the different types of reforms being carried out in developing countries and how the World Bank and partner countries overcame obstacles to their implementation. This section will include a summary of best practices, including specific tips, for both areas of reform and its implementation.

DECENTRALIZATION

Content: This section will explore the hypothesis that decentralizing public service delivery to sub-national governments can enable the state to improve services while reducing administrative control in the central government. More specifically, the study will assess how de-concentration, delegation, and devolution have resulted in reduced administrative controls, increased citizen participation in governance, and improved services.

DIVERSIFYING PUBLIC SECTOR EMPLOYMENT

Content: A public sector employment system that is more inclusive, diverse, and equitable increases the legitimacy of a government. This research area will look at how governments have been successful in promoting equity, diversity, and inclusiveness in its workforce, while addressing possible political backlash from more conservative sectors of society.

SERVICE BENEFICIARY ASSESSMENTS

Content: Service Beneficiary Assessments provide an objective measure of whether public sector institutions are delivering results. used to obtain primary information on service beneficiaries' needs, perceptions, and satisfaction levels. The research will explore the extent to which such assessments are used to adjust service levels.

PERFORMANCE CONTRACTING

Content: As means of promoting efficiency, effectiveness, accountability, and responsiveness, some governments have introduced performance contracts for all or key public sector institutions. Performance contracts cascade down from top leadership and management in public sector institutions. An oversight body or peer reviewers usually evaluates contract performance on a biannual and/or annual basis. The research will investigate whether performance contracts have facilitated improved governance and organizational performance.

FISCAL DRIVEN APPROACH

Objective: Civil service reform under a fiscal driven approach has been in the public eye the longest time and was almost the sole focus of civil service reform until the 1990s. In this approach, the adequacy of budget and resource envelope generate the need for reform. This approach inevitably involves a reduction in the government wage bill while ensuring the provision of public services.

Content: Civil service reforms under a fiscal driven approach typically involve a broader structural adjustment program that is supported by the IMF, World Bank, and regional development banks. The key research aim will be to identify the strategies employed in fiscal driven approaches (in practice) that have been successful in both containing costs while minimizing adverse impacts of service provision, while noting the political conditions that make such reforms easier or more difficult to implement. The research will also look at the special and extreme case of such reforms in a failed state.

RIGHT SIZING THE GOVERNMENT EMPLOYMENT

Content: A key part of fiscal driven civil service reform is often a need for retrenchment and include developing strategies to carry out the downsizing while ensuring adequate service delivery. The research will review country experiences who were able to implement reforms including identifying ghost workers in the civil service. A key pre-requisite is that retrenchments need to accompany improved payroll management, elimination of ghost workers and introducing electronic payments to ensure accountability. In most cases, there are some systems of layoffs (e.g., voluntary retirement programs, organizational reforms etc.) are necessary to meet the desired reduction in staffing while avoiding political economy constraints, such as the threat of strikes by civil service labor unions. In some of the voluntary retirement schemes, the government often loses its most productive workers as they have greater chance of finding work in the private sector. FAST's approach will take into account these considerations and will ensure to assess reforms that have been carried out with retrenchments and also minimal damage to the efficacy of the public sector labor force.

PUBLIC EXPENDITURE REVIEWS (PERS)

Content: To aid in improving fiscal policy formulation and management, PERs analyze the causes of fiscal strain and assist in pinpointing the trade-offs that need to be made by policymakers. The research will assess how tools such as budget rationalization (e.g., balancing operations and maintenance expenditure with new investments, and capital versus recurrent expenditure allocations etc.), expenditure tracking surveys, cost-efficiency and effectiveness reviews, and value-for-money assessments have informed policy choices.

REORGANIZATION AND EXPENDITURE CONTROL

Content: This section will aim to understand the extent to which improvements in the structure of government, management, and data information systems can generate savings for the fiscal driven approach while also minimizing the costs to government efficacy from retrenchment. The research will investigate the experience of countries that implemented retrenchment as part of the broader reform agenda and its impact on service delivery.

OUTSOURCING AND PUBLIC-PRIVATE PARTNERSHIPS

Content: Advocates of outsourcing and public-private partnerships (PPPs) claim private sector engagement in the delivery of some public services both reduces the costs of government operations while improving the efficiency of service provision. The research will look at: (i) country experiences with outsourcing and PPPs to see if either or both policy actions were implemented and under what conditions (e.g., is the effectiveness of outsourcing impactful in a private sector where competition is limited); and (ii) the underlying conditions that make private sector participation in public service provision effective. This will include the structure of the economy, type of government, the strength of civil society and labor unions, and the population density (rural v. urban geographic factors).

NEW PUBLIC MANAGEMENT (NPM) APPROACH

Objective: The objective of the New Public Management (NPM) approach is to minimize the role of the state and introduce private sector management practices into the public sector.

Content: The research will cover three aspects of NPM: They include

- (i) divestiture and corporatization;
- (ii) lower taxation vis-à-vis services delivery; and
- (iii) private sector management ethos and practices.

Such a strategy inevitably generates resistance from within the public sector and the research will investigate how governments can be successful in addressing this political battle.

DIVESTITURE AND CORPORATIZATION

Content: The primary objective of the corporatization model is to encourage the use of private sector management practices (e.g., competition), and move away from bureaucracy, and abate corruption. Several countries in Africa and Latin America used this model while transferring functions to newly formed institutions that are not constrained by civil service rules, such as

parastatals, executive agencies, and specially formed corporate bodies. There is also divestiture through privatization and outsourcing. The research will explore the benefits, drawbacks and impacts of these arrangements on public service delivery.

LOWER TAXATION VIS-A-VIS SERVICES DELIVERY

Content: One of the basic challenges that governments in developing countries face is balancing taxation with service delivery. In other words, governments continue to aim for minimum while still maintaining the needed fiscal space. In such circumstances, governments promote and facilitate the maximum delivery of social services, such as education and health, through privately-owned institutions by offering them incentives and voucher schemes. The research will establish the extent to which this model has been used and its effects on service-delivery.

PRIVATE SECTOR MANAGEMENT ETHOS AND PRACTICES

Content: NPM seeks to introduce managerialism in the public service delivery. The research will analyze the benefits and conflicts faced by public sector organizations while adopting a set of ethos and practices. The primary objective of adopting such practices include encouraging efficiency, effectiveness, and innovation, while also maximizing profit, and ensuring quality. The adoption of these values and methods has implications for civil servants, including the spirit of accountability, social responsibility, and fairness. This section will analyze the behavioral effects NPM on civil service.

SUMMARY AND CONCLUSIONS

The research will conclude with a summary section that enables readers to understand civil service reform approaches, country experiences across the continents and factors that inform governments' choices for reform approaches and will set the background for guiding the design of a civil service reform strategy that is detailed in Annex I.

ANNEX I. A GUIDE TO DESIGNING A CIVIL SERVICE REFORM STRATEGY

Objectives: This annex will provide USAID staff with an effective decision-tree ordering of the issues and questions that need to be addressed and answered in designing a civil service reform strategy for a client country.

Content. The content of this annex will include a mix of key elements from the five (5) approaches necessary for a robust design and implementation of civil service reform with a focus on developing countries' context. The annex will also guide USAID staff in designing a client-specific civil service reform agenda by: (i) establishing a list of questions that need to be asked to identify the areas of civil service administration and organization that are in need of reform; (ii) providing information on the measures that have been successful in addressing the previously identified areas in need of reform under varying underlying conditions in the country client; (iii)

suggesting a methodology for sequencing the needed measures; and (iv) enumerating a strategy to monitor progress in the reform effort. Finally, this section will also focus on how various reform measures outlined above could assist in improving performance management of civil servants and what strategies and organizational and administrative policy reforms will need to accompany the reform measures.