Civil Service Reform in the Context of Structural Adjustment: A Triangular Relationship

In Africa, civil service reform is often related to structural adjustment programmes (SAPs) introduced to address deteriorating economic circumstances. A main concern of these programmes, administered by ministries of finance, is to reduce public expenditure. In practice, this has led to attempts to reduce the cost of the civil service, generally by reducing its size. Responsibility for civil service reform, meanwhile, lies with the Ministry of the Public Service and is directed towards developing effective public management capacity. This, it must try to do within the context of budgetary constraints and the pressure to down-size.

Without careful consultation at the policy formulation stage between the two ministries, measures taken by each may come into conflict. Yet, experiences in Africa indicate that mechanisms for such consultation are often weak, leading to the formulation of inconsistent and even contradictory policies.

In Africa, structural adjustment also introduces an external dimension. Multilateral agencies such as the World Bank and the United Nations Development Programme have become increasingly involved with public service reform. So too have a growing number of bilaterals. Because these agencies bring in urgently needed resources, they can and do influence national policy. However, their own lack of co-ordination can further impede consultation and communication among the national ministries with which they deal, thus increasing the risks of policy conflict.

What is the balance of power in this triangular relationship between ministries of finance, ministries of public service and external agencies? Drawing on the experience of four African countries as well as a number of external agencies, this brief considers the tensions that arise, it identifies some of the institutional constraints that must be overcome, and it suggests steps to address these.
Inter-relationships between Economic and Institutional Reform

Disappointing experiences in the 1980s with the impact of structural adjustment programmes (SAPs) underlined the fact that policies, however good, will only work if the necessary institutional capacity to manage them is available.

The challenge facing many African governments today, after more than three decades of independence, is therefore to (re-)establish strong and effective institutions that can manage public policy and deliver economic, financial and social services within very constrained economic circumstances.

The need for this institutional capacity has recently been explicitly recognised by senior politicians both from Africa and the major industrialised states. The June 1996 summit meeting of the G7 - major economically advanced countries - concluded that good governance was essential for development. African Heads of State and Government meeting at a France-Africa Summit in Burkina Faso in December 1996 agreed that sustainable development requires both economic development as well as political and institutional reforms to achieve good governance. The importance of institutional capacity is also stressed in the report of the African Governors of the World Bank to the Bank’s President in September 1996, and in the October 1997 report of a Working Party on Partnership for Capacity Building in Africa.

Creation of institutional capacity is a feature of most civil service reform programmes. But, attracting and retaining it has a price tag and, thus, has implications for public expenditure. Since most SAPs aim to reduce the cost of the public service as part of reforms to control public expenditure, tensions between financial and institutional reform are almost inevitable.

Tensions In The Policy Environment

Between policy measures

Reducing the cost of the public service was generally translated into retrenchment measures to reduce its size. It was hoped that the resulting savings could be used to increase the salaries of those who remained, and to attract and retain sufficient numbers of able people, thus providing better capacity for discharge core functions such as policy analysis.

In the event, cost savings fell short of expectations. This arose from two miscalculations: overstaffing tended to be at the more junior and, thus, lower paid levels and the cost of severance packages had been under-estimated. Added to this, poor control of recruitment and pay-roll led to significant re-recruitment. Absence of institutional provision for cooperation between the two ministries involved - Finance and the Public Service - aggravated this situation.

Thus, neither financial nor institutional reform objectives were satisfied. Fiscal savings were not secured and conditions of public service employment were not improved. Moreover, reforms came to be seen as synonymous with retrenchment and cuts in services and encountered stronger resistance than might be expected in a normal process where change is introduced.

Development of the private sector - another policy measure of SAPs - is another potential source of tension. A vibrant private sector may, indeed, provide possibilities for employment for retrenched civil servants but it also becomes a significant competitor for already scarce management capacity.

Between differing time frames

Another serious tension between the two reform programmes has been the shorter-term perspective of financial reform measures and the longer-term perspective of institutional reform. Management capacity takes time to develop or enhance. It is a process, not a series of distinct ‘stroke-of-the-pen’ actions such as changes in exchange or interest rates. When reform programmes involving changes in
people’s attitudes and working environment are imposed, they rarely work. The commitment of those affected, or at least key persons among them, must be secured. This takes time, and a longer-term process of consultation and constituency building.

Time is also needed for staff to adjust to new organisational structures and procedures and to develop the required skills. Skills acquisition can sometimes be accelerated, but there are areas - especially at senior policy management levels - where real expertise can only be acquired over time. In scientific disciplines such as medicine, the time required to secure a qualification is recognised. The time dimension may not be so easy to demonstrate in areas of management and administration which often do not have a discrete qualification requirement, but it is, nonetheless, real.

**Between accountability needs of external agencies and national capacity development needs**

Many funding agencies set high value on effective disbursement of funds and project completion. The performance of operational officials in these regards influences their in-house appraisal and, thus, their career prospects. These officials will not be likely, therefore, to favour more time-consuming (and sometimes less resource-consuming) capacity building measures. For example, where local capacity is insufficient, there is a strong temptation to deal with short-term deficits by supplying external personnel or by setting up externally supported project management units. These latter, it is true, recruit local staff but, because of their higher salaries, they inevitably draw off some of the existing capacity. Also, being externally financed, they are unlikely to survive their associated project and so add little to the national reservoir of sustainable capacity.

**Towards More Effective Consultation**

The importance of effective public management in achieving development goals, and the limitations imposed by economic reality on the process of capacity building put the spotlight on the need for sustained consultation between the Ministry of Finance and the Ministry of the Public Service. To minimise tensions and to avoid policy clashes, each needs to have insights into the operating circumstances of the other. Regular consultation also helps to ensure that agreements with external agencies take account of both economic and institutional capacity considerations.

The need may be obvious but there are, in reality, constraints to attaining desirable levels of consultation. Three categories of institutional constraint - two arising from internal circumstances and a third from the involvement of external funding agencies - are of particular relevance.

**Contrasting Perspectives**

Different Roles and Responsibilities of the two portfolio areas lead to different perspectives on the issues and how to deal with them. Ministries of Finance have a particular responsibility to maintain financial discipline with regard to public spending. Much of a government’s capacity to borrow depends on the way this Ministry can establish and maintain financial discipline. It must focus on the short (as well as the longer) term. It usually has the lead role in negotiations with external agencies in relation to securing funds. Consequently, it must take account not only of its own perception of the degree of discipline needed but, also, the likely attitudes of external funding agencies.

The Ministry of the Civil Service, on the other hand, has primary responsibility for organisation and management within the civil service. It is presumed to be best informed on the capacities required to secure an operationally effective organisation, the changes needed to secure these, and the likely political implications of proposed changes. It normally takes the lead in detailed preparation of civil service reform components of structural adjustment programmes.

In times of economic crisis, immediate financial concerns are likely to give the Ministry of Finance a dominant role at consultation meetings at all levels. The early structural adjustment programmes were worked out between the ministries of finance and external agencies with very little consultation with agencies responsible for the civil service. Yet the costs of this service constitute an important part of government spending commitments.

But times of crisis are not the times to try to establish complex internal consultative processes. In practice, the experience of the four African countries involved in the study shows that the level of consultation between Finance and the Civil Service has often been inadequate. Even where formal arrangements were made to bring together key organisational actors, they were used more for communication than genuine consultation, often came late in the policy formulation process and often did not help in avoiding policy conflict. The consultation culture is weak in many administrations. Indeed, the difference between consultation and communication may not be fully appreciated by either side, who often see the problems to be with the other side.
The Ministry of Finance generally has a major say in deciding who gets how much. It must be persuaded of the importance of the role of an effective civil service in the overall economic development programme to be likely to give the required priority in fund allocation. Otherwise, there is the risk that Finance officials will agree financial measures with their external partners - whose prime concern is often exclusively financial - and these measures will conflict with those aiming to achieve an effective public service.

The Ministry of the Civil Service, for its part, must prepare well analysed and supported policies for reform which take full account of economic realities and show how the reforms can be realised within the constraints of the prevailing economic situation. In reality, their plans are often short on adequate information on the likely costs of the reforms and indications of how costs may be met. In effect, each ministry often seems to lack awareness or understanding of the concerns and constraints facing the other. There has even been a tendency for each to act as if the other did not exist!

*The systemic issue - Communication and consultation in bureaucracies*

The inadequacy of consultation leads to the systemic (and well documented) phenomenon of compartmentalisation and confidentiality within and between government departments. This provides poor incentives for communication and consultation. This, together with the long tradition of the power of the purse, has led other civil servants, including those of ministries of the public service, to view their colleagues in ministries of finance as unwilling to consult and only prepared to give information on a 'need to know' basis.

Finance staff, for their part, overwhelmed with both the immediate economic crisis and with the concerns and pressures of external donors, can consider officials of the Ministry of the Public Service to be advocates of the special interests of civil servants, (especially of senior civil servants), and showing little appreciation of economic reality. The different foci of the two ministries provide all the ingredients for misunderstanding between civil servants who should rather see themselves as colleagues jointly committed to addressing the country's difficult short and long term economic problems.

These perceptions and the weak culture of consultation mean that systems and procedures which exist or may be developed to enhance policy co-ordination risk being under-utilised.

Communication on routine administrative matters takes place through both formal and informal channels. But well-developed institutional provision for consultation on policy matters at a technical level between the two ministries is often lacking. The tradition of confidentiality within the civil service is seen as a factor that acts against more open interaction. Overcoming this requires a significant change in attitude of personnel in both ministries. Even where information is shared, securing timely feedback can present a problem leading to a breakdown in the consultative process.

Contributors to the study on which this brief is based suggested that the amount and quality of inter-ministerial communication is influenced by a variety of factors including the particular management style of the departmental head, organisational (and possibly even personal) rivalries, and even lack of awareness of the need for and value of such contact.

*An unbalanced relationship*

Many of the countries of sub-Saharan Africa are still dependent on external funding for much of their national development programmes. The economic crises which they have experienced and the recovery programmes which followed, compelled governments to adopt policies prescribed by the Bretton Woods institutions. These introduced greater conditionalities to their loans and had their own 'enforcement' procedures. Their counterparts in the African countries were primarily ministries of finance.

Both the external and the internal agencies involved thus considered the issues from a financial perspective. Ministries of finance came under strong external pressure to give top priority to measures to deal with the difficult and persistent financial crises. No one doubted the urgent need to address these. However, the attendant institutional requirements for a sustainable and sustained recovery were until recently put on the ‘back burner’. Even now, when ministries of the public service contribute to negotiations with external agencies, the weight of their two partners in the triangular relationship creates an imbalance.

*Management capacity requirements of programme ownership*

Ownership of reform programmes is now widely recognised as essential to their success. Ownership implies being party to the determination of policy. This, in turn, brings responsibility for its outcome. Here there is a somewhat ‘chicken and egg’ situation. The country is short of capacity to meet its management needs, a situation which affects both the policy formulation and policy implementation
processes. International funding agencies come with proposals based on their best economic analysis. Their counterparts in the country consider that these are not feasible in the local political or social environment. But, often, they do not have any properly-prepared alternatives. Thus, the external proposals prevail. While political and social considerations are now factored in to some degree, management capacity required for implementation of the proposed programmes is often under-estimated (or, worse still, disregarded) during policy formulation. A contributory factor here is undoubtedly the lack of information on the process of capacity building.

Civil service reform programmes are organisationally complex. They pose serious management challenges for all countries - industrialised as well as developing. Sometimes they have evolved on a piecemeal basis. In other cases, they are comprehensive programmes with ambitious goals to be achieved within time frames which prove to be too short. The former lack a coherent policy and organisational framework. The latter may have the framework but lack the means to implement the whole programme at once.

*Lack of effective coordination of external agencies*

Governments and external agencies recognise the need to coordinate involvement of the latter, but each party faces constraints in doing so. Differing disbursement, reporting and monitoring procedures of donors, different conditions and criteria for funding development activities and different national political views complicate the situation.

There is also the reality that special relationships have developed between external agencies and some individual sectors or ministries. Access to foreign currency is still attractive to developing countries. External agencies have their own areas of preferred involvement in capacity development. All involved are likely to have a powerful interest in defending what they see to be their territories.

Lack of sufficient management capacity devoted to the management of the reform process within the recipient country has resulted in initiatives which duplicate ongoing work or clash with one another, often undermining attempts at capacity enhancement. It and lack of coordination have also led to a failure to capitalise on possible synergies between separated but related programmes.

Sufficient at national level, its development should be an explicit element of all institutional reform programmes. External involvement should contribute to this end so it is necessary to examine how possible tensions between the shorter term horizons of lending agencies and the extended time requirements of capacity building can be accommodated.

*Enhance policy analysis capacity at national level*

There is general agreement that ownership of reform policies - economic as well as institutional - needs to reside with the concerned country. Ownership brings attendant responsibilities. Politicians and officials must have the capacity to prepare and present agreed government positions which can stand up to rigorous analysis in negotiations with external agencies. In circumstances where the supply of this capacity is not

*Enhancing the working of the triangular relationship*

*Recognise the interdependence of economic and institutional reform*

This interdependence is recognised in theory both by African governments and the external agencies working with them. Yet for a variety of reasons, including some of the tensions and constraints already mentioned, practice lags behind theory. Partly this may be due to our having insufficient knowledge of how to enhance institutional capacity in countries with young, often weak, institutional infrastructures which also face large economic problems and, in several cases, the demands of newly introduced democratic political systems. Recognition of the importance of this capacity to development in general has already directed attention to the need to get more and better understanding of the nature of the capacity need and of how it can be secured on a sustainable basis.

*Establish effective and transparent monitoring and evaluation mechanisms*
Policy analysis requires good information on, at least, the current situation. Effective systems for programme monitoring and evaluation of ongoing programmes can contribute significantly here. The information yielded from such systems provides a base for consultation and coordination between all parties, allowing them to review progress, determine constraints and identify where action needs to be taken. Finding appropriate impact indicators with which to assess the effect of capacity building activities is still difficult, but it increases rather than reduces the need to have them.

This Brief

Policy Management Briefs are intended for policy-makers concerned with aspects of development. Drawing from work of ECDPM, its partners, and its associates, the aim is to provide succinct and readable summaries of current issues in the management of development policy.
Promote a culture of consultation within the public service and create institutional mechanisms to facilitate consultation

The introduction of a new management culture as part of reform programmes has helped to improve attitudes towards consultation within the administration. Both ministries of finance and the public service need good and up-to-date information on personnel issues such as numbers in employment, and actual salary levels. This suggests the need for better mechanisms for exchange of views and information. Several developments in this context were cited in the course of the study.

- In Ghana, the Management Services Division of the Office of the Head of the Civil Service (responsible for CSR in Ghana) is a member of Budget Improvement working groups established by the Ministry of Finance. It also participates in the annual public expenditure review.
- In Uganda, a Payroll Monitoring Unit has been established within the Ministry of the Public Service to strengthen coordination between that ministry and the Ministry of Finance.
- In Tanzania, the position of payroll manager has been created with responsibility to monitor and control the growth of the establishment. Cooperation on a practical level has resulted in the integration of personnel and payroll information. This now provides an improved information base to meet needs of the two ministries.

Ensure that institutions provides for effective internal and external consultation

Implementation of reforms will continue to need support from outside agencies. But this must be a different kind of support from what is provided now. The role of the national ministries must be recognised, as well as the pre-eminent need to ensure that external involvement helps to develop national capacities. Furthermore, national ownership of reform programmes requires effective consultative processes between all the agencies involved. This requires:

- relationships in which the respective roles, responsibilities and levels of accountability of the different parties are clearly defined including the need of donors;
- regular dialogue as a basis for better understanding, and as a way to dispel mistrust and suspicion between the parties.

A word of caution here: Consultation should not be an excuse for inaction.

Enhance co-ordination of external agencies

Ultimately, the responsibility to coordinate the inputs of external agencies rests with African governments. Increasingly, this is being done. Ghana, for example, hosts donor meetings on a monthly basis to review programmes. But there is also a role for the donors to better coordinate their own policy agendas. In this context, the work of the SPA Working group on civil service reform in preparing a set of guiding principles for donor involvement in programmes of civil service reform in Africa, is a valuable step. The Development Assistance Committee of the Organisation for Economic Co-operation and Development and, most recently, the World Bank, in the context of its Partnership for Capacity Building are also working to ensure that the interactions between these three partners in the triangular partnership are effective.