

New Lending for Civil Service Reform approved in FY 99 and FY 00¹

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SUMMARY

This note examines lending operations for Civil Service Reform (CSR) approved by the World Bank in FY 99 and FY 00. It examines the *volume, distribution, structure* and *objectives* of those new lending activities. As most of the projects approved during FY 99 and 00 are still active, the projects have not been rated by OED and so this note does not examine the *impact* of those new lending activities.² This summary refers to lending operations only and does not cover Economic and Sector Work (ESW).

The principal observations of this note are:

- This present summary takes as given that civil service reform deals with employment arrangements for the staffs of central and state governments. Therefore, it does not capture the full extent of World Bank activity in reforming public employment arrangements, particularly in the social sectors, in local or district governments and in state owned enterprises.
- During FY 99 and FY 00 there were 45 projects that had a CSR component. Most CSR interventions were designed as components of larger operations. Only 3 projects out of 45 could be classified as stand-alone and these were all investment loans.
- The largest proportion of new loans was committed to AFR countries (16 projects), with ECA region being the second largest recipient (8 projects). SAR continued to host the lowest percentage of CSR-related operations. However, the proportion of CSR projects in Africa has dropped from 74% in 1987-93, to 36% in 1999-2000, and the proportion of CSR in other regions has increased significantly, very particularly in ECA.
- During 1999-2000, the objectives of CSR projects in LAC were different from those in other regions: fiscal imbalances and CS pay and structures were highlighted in LAC projects, while accountability and service delivery were emphasized elsewhere.
- The proportion of investment loans was higher than that found by the 1999 OED review. If representative, this shift towards civil service investment loans might indicate that more intensive technical support and closer scrutiny of reform implementation is being provided alongside some moves towards programmatic operations.
- Downsizing is more frequent in adjustment operations than in investment operations, but is usually accompanied by improvements in accountability and service delivery and pay and career structures for civil servants.

¹ This is an informal summary note and does not represent any official views of the World Bank or its executive directors. It was prepared by Ranjana Mukherjee and Nick Manning, with valuable comments on earlier drafts from Cheryl Gray, Navin Girishankar, Mike Stevens, and other members of the Administrative and Civil Service Reform Thematic Group in the World Bank.

² The Operations Evaluation Department (OED) evaluated Bank-supported civil service reform during 1980-1997. That review, based on 124 Bank-supported lending operations, found that Bank-supported CSRs were largely ineffective in achieving sustainable results, in part due to significant political difficulties in implementation (OED 1999).

- The profile of investment operations during FY99 and FY00 indicates that the emphasis is on accountability and service delivery, but always in tandem with other structural reforms, and that management training and provision of IT and other office equipment is rarely undertaken unless it is supporting a larger structural reform.
- All programmatic loans with CSR components had interventions targeted at improving accountability and service delivery.
- Questions that require further consideration include:
 - Are the trends observable in these two years representative?
 - Programmatic adjustment operations are being used to create political incentives for long-term reforms. Does the high proportion of investment loans for CSR indicate that this is a strategy for providing hands-on support for the technical components of civil service reforms in parallel with larger programmatic adjustment operations?
 - This note only looks at new lending. Many operations approved prior to this period were still active during FY 99 and FY00. What is the composition of the overall portfolio?
 - If the portfolio is changing, is effectiveness improving?

DEFINING CIVIL SERVICE REFORM

Civil Service Reform (CSR) in World Bank operations usually refers to interventions that affect the organization, employment conditions and performance of employees supported by the central and provincial/state government budgets, but excludes reforms that affect the employment arrangements for professional health personnel³ and primary and secondary public school teachers. Administrative employees of the Ministries of Health or Education and other school administrators are included. CSR operations do not include the armed forces, police or the staff of State Owned Enterprises.⁴ By tradition, the definition does not generally cover interventions that affect employees paid from the budgets of local or district governments.

It is important to note that this traditional definition of civil service reform serves a useful purpose in focusing attention on the employment arrangements for the staffs of central and state government. However, it does not capture the full extent of World Bank activity in reforming public employment arrangements more generally. The Bank supports many reforms in the health and education sectors that affect the employment arrangements for these staffs and the majority of civilian central government staff are in these sectors. The Bank is also increasingly supporting decentralization and “community-driven” approaches that work with local or district governments and seek to stimulate better quality services from central government.

DATA SOURCES

Project information for this note was obtained from the Bank’s Overview of World Bank Lending Projects provided at <http://www4.worldbank.org/sprojects>, project documents

³ Professional health personnel refers to medical and paramedical staff (doctors, nurses, and midwives) and laboratory technicians employed in government hospitals and other government health institutions

⁴ See <http://www1.worldbank.org/publicsector/civilservice/cross.htm#1> for more details of employment categories within the public sector.

including Memorandum and Recommendation of the President (MROP) and Project Appraisal Documents (PAD) for individual projects, and a separate PRMPS review of public sector components of Bank projects.⁵ The projects examined in this note are summarized in Table 11 in the Appendix.

Data from the Operations Evaluation Department review of civil service reform during 1980-1997 (OED 1999) are used to provide a benchmark against which to compare the distribution and structure of these new operations.

Data on the total volume of new Bank lending was obtained from the Business Warehouse.

VOLUME OF NEW LENDING ACTIVITIES

The challenge in assessing the volume of lending activities is to isolate specific civil service reform components from the larger project of which they form a part. Available data on the Bank's operational activities are primarily at the project level, and most projects supporting CSR also had components addressing reforms in other sectors such as economic policy, agriculture and transport. The Bank does not report commitments by project components.

Most CSR interventions approved during FY 99 and FY 00 were designed as components of larger operations. This review found only 3 projects out of 45 that could be classified as stand-alone. These were all investment loans.⁶

Table 1 Major sectors of projects with CSR components	
Major sector of project	No. with CSR component
Public Sector Management	17
Economic Policy	7
Health	6
Education	4
Transport	4
Private Sector Development	3
Agriculture	1
Stand-alone CSR project	3
Total	45
Source: Overview of World Bank Lending (http://www4.worldbank.org/sprojects)	

CSR appeared most often as part of a Public Sector Management (PSM) reform project – with financial management, decentralization, legal reforms, and procurement reforms as the other components. Projects in which civil service reform was one component of an operation to improve economic policy comprised 16% of the portfolio. Significant CSR also appeared in health, transport and education sector projects.

Number of projects: During FY 99, the Bank approved lending support to 279 projects, and during FY 00 to 223 projects. In that period there were 45 projects that had a CSR component (24 in FY 99 and 21 in FY 00). These ranged from the 3 stand-alone CSR projects to those in which CSR was a small component.⁷

⁵ See World Bank. 2000b (Table 5, Annex 1)

⁶ OED 1999 reported a trend since the late 1980s of a growing number of stand-alone projects

⁷ To assign a project to a particular year of Bank accounting, its date of Board approval has been considered.

Monetary value: New Bank lending in all operations declined from \$29 billion in FY 99 to \$15.3 billion in FY 00 as many IBRD borrowers emerged from financial crisis (World Bank 2000a). The exact money value of lending for CSR is difficult to determine because adjustment credits and loans do not distinguish the amount to be spent on CSR from that intended for other reforms. Even investment loan documents do not fully separate the cost of CSR components from other interventions.

Table 2 New projects with CSR components as proportion of total lending

Bank operations during FY 99 and FY 00	# of projects		Billion \$	
	FY 99	FY 00	FY 99	FY 00
Total new World Bank lending	279	223	29.0	15.3
New lending in projects with CSR components	24	21	1.4	1.8
New lending in projects with CSR component as % of total new Bank lending	9%	9%	4%	9%

Sources: OED 1999, World Bank 2000, Overview of World Bank Lending (<http://www4.worldbank.org/projects>)

DISTRIBUTION OF NEW LENDING ACTIVITIES

During FY 99 and FY 00, the regional location of new lending operations with CSR components displays the same broad pattern noted in the OED review. The largest proportion of new loans was committed to AFR countries (16 projects), with ECA region being the second largest recipient (8 projects). SAR continued to host the lowest percentage of CSR-related operations. However, it is significant that the proportion of CSR projects in Africa has dropped from 74% in 1987-93, and to 36% in 1999-2000, and that the proportion of CSR in other regions has increased significantly, very particularly in ECA.

Table 3 New Bank projects with CSR components by region

	Year of Board approval			
	1980-86	1987-93	1994-97	1999-2000
AFR	50%	74%	59%	36%
EAP	0%	6%	14%	11%
ECA	18%	2%	5%	18%
LAC	27%	12%	11%	13%
MNA	5%	5%	8%	13%
SAR	0%	1%	3%	9%
TOTAL	100%	100%	100%	100%
	n = 21	n = 65	n = 38	n = 45

Source: Annex 5 of OED 1999, authors' calculations

As is noted below, the objectives of CSR projects in LAC are distinctly different from those in other regions: fiscal imbalances and CS pay and structures are highlighted in LAC projects, while accountability and service delivery are emphasized elsewhere.

STRUCTURE OF LENDING ACTIVITIES

	Programmatic	Non-programmatic
Investment	<ul style="list-style-type: none"> •Adaptable Program Loans 	<ul style="list-style-type: none"> •Specific Investment Loans •Sector Investment and Maintenance Loans •Learning and Innovation Loans •Technical Assistance Loans
Adjustment	<ul style="list-style-type: none"> •Programmatic Structural Adjustment Loans •Poverty Reduction Support Credits 	<ul style="list-style-type: none"> •Structural and Sector Adjustment Loans •Special Structural Adjustment Loans •Structural Adjustment Loans

The Bank has two basic types of lending instruments: investment loans and adjustment loans. Investment loans have a long-term focus (5 to 10 years), and finance goods, works, and services in support of economic and social development projects in a broad range of sectors. Adjustment loans have a short-term focus (1 to 3 years), and provide quick-disbursing assistance to countries with external financing needs, to support structural reforms in a sector or the economy as a whole. They support the policy and institutional changes needed to create an environment conducive to sustained and equitable growth.

Loans can be arranged programmatically, so that a series of operations supports a medium term government program of policy reforms and institution building. Programmatic Structural Adjustment Loans (PSALs) are the Bank's primary instrument in programmatic adjustment lending, although the new Poverty Reduction Support Credits will be largely programmatic. These are used when the country needs incremental policy changes over several years, focusing on step-by-step capacity building. Each individual adjustment loan under a PSAL typically supports a one-year program tied to a specific target measure. Adaptable Program Loans (APLs) are the Bank instrument for programmatic investment lending. They are used when sustained changes are key, and usually support a phased program of sector restructuring. Progress in each phase of the program is reviewed and evaluated before the subsequent phase is initiated.

Type of instrument	No. of new operations
APL	6
LIL	1
SAL	8
PSAL	2
SECAL	1
SSAL	1
SIL	15
SIM	1
TAL	10
Total	45

* in FY 99 and FY00
 Source: Overview of World Bank Lending
<http://www4.worldbank.org/sprojects>

	Programmatic	Non-programmatic	Total
Adjustment	6	27	33
Investment	2	10	12
Total	8	37	45

The 1999 OED review found that during 1980-97, 55% of CSR interventions had been designed as components of adjustment operations. By contrast, during FY 99 and FY 00, 27% of new CSR-related lending operations were part of adjustment loans. This should be seen within the context of the broader trends in public sector operations towards programmatic adjustment operations that can help create incentives for medium term reforms. It is possible that FY 99 and 00 are not representative and that other trends might dominate in time. However, if

representative, the high proportion of investment loans for CSR might indicate that this is a strategy for providing hands-on support for the technical components of civil service reforms in parallel with those larger programmatic adjustment operations.

The 15 new Specific Investment Loans (SILs) made these the most common instruments in investment lending with civil service reform components (45%), followed by Technical Assistance Loans (TALs), which formed 33% of the new lending.

Programmatic adjustment and investment operations in Bolivia

Among recent projects in Bolivia that address civil service issues, the most significant is the Institutional Reform Project (APC) (approved 6/15/99). This project supports an agency-by-agency approach to civil service reform. Performance evaluation and organizational restructuring are central to the program. Performance measures for the project include the percentage of staff incorporated into the new Civil Service Regime, hired through competitive processes, and paid market related salaries. Within the limits of the Government's budgetary capacity to fund increased civil service pay, these reforms would be extended to the other pilot agencies. The total number of civil servants in these agencies is not a key concern, but an increase in proportion of professional and managerial staff is a target. A new Asset and Income Declaration system will help in the fight against corruption.

In parallel, the Government's decentralization reform agenda is to be supported by a Programmatic Structural Adjustment Credit (PSAC)

OBJECTIVES OF LENDING ACTIVITIES

This note categorizes CSR objectives under three broad headings: correcting fiscal imbalances, improving civil servants' pay and grading structure, and improving accountability and service delivery.⁸

Adjustment lending supports policy changes and investment lending aim to create physical and social infrastructure.

Adjustment operations have an impact on government policy by requiring that significant policy actions are taken either prior to approval of the loan or as a condition of subsequent tranche releases. Investment lending

funds specific activities. Therefore, the same objectives are pursued somewhat differently depending on whether the intervention is part of an adjustment or investment loan. Table 12 in the Appendix provides details of the method of classification.

Conditionality in the Fiscal and Administrative Reform Special Structural Adjustment Loan in Brazil, FY 99

- Limits on personnel expenditures—50% for the federal Government and 60% for states and municipalities. Non-complying governments would be unable to obtain federal financing or guarantees, and would not obtain voluntary transfers.
- Allowing retrenchment when employee performance is inadequate.
- Allowing salary reductions to tenured workers that are put on administrative leave

Table 7 shows the objectives of the CSR components of the 12 new adjustment operations that includes a focus on the core civil service in FY 99 and FY00.

⁸ The Operations Evaluation Department (OED) evaluated Bank-supported civil service reform during 1980-1997. In that review, CSR interventions were grouped as (a) downsizing the civil service (b) building administrative capacity and (c) reforming institutions.

Table 7 Objectives of CSR components in new adjustment lending

Correct fiscal imbalances	Pay and career structures	Improving accountability and service delivery
Downsizing [6/12]	Revised pay and grading [6/12]	Strengthening user voice [4/12] Strengthening merit [4/12] Organizational restructuring and accountability improvements [6/12]

In addition, conditionalities under adjustment lending addressed reform coordination mechanisms within government in four of the 12 operations.

The profile of adjustment operations during this 2-year period (see Table 11 in Appendix) suggests that downsizing is not undertaken without support for accompanying structural reforms, and that there is a broad balance between these three reform objectives.

Investment operations focus on more specific interventions. Table 8 summarizes the objectives of the interventions enabled by investment operations, out of the 33 that focused on core civil service reforms in FY99 and FY00.

CSR in investment operations in Africa
<p>The lead project in Zambia targeting civil service reform is the Public Service Capacity Building Project (APL) (approved 3/28/00). The components include, inter alia: 1) downsizing (to finance pay reform), with the establishment of a payroll control systems; 2) establishment of performance monitoring systems; and 3) decentralization in support of the Government's Decentralization Policy.</p> <p>In Tanzania a Public Service Reform Project (APL) directly addresses the issue of central government employment. The primary objective of this project is to raise salaries for staff that are central to meeting ministry targets for deliverables. Only staff designated as essential by the ministry in its performance management exercise (specifying targets and the resources necessary to meet those targets) are eligible for these selective salary increases.</p>

Table 8 Objectives of CSR components in new investment lending

Correct fiscal imbalances	Pay and career structures	Improving accountability and service delivery
Civil service censuses [6/33] Creating redeployment funds [2/33]	Job reclassification [7/33] HR training [9/33] Improving payroll management and introducing human resources management information systems [10/33] Selective salary enhancements [2/33]	Management training [26/33] IT and office equipment [20/33] Improving appraisal systems [11/33] Competitive performance improvement/challenge funds [4/33] Restructuring and reengineering organizations [14/33]

The profile of investment operations during FY99 and FY00 indicates that the emphasis is on accountability and service delivery, but always in tandem with other structural reforms, and that training and provision of IT and other office equipment is rarely undertaken unless it is supporting a larger structural reform.

Regionally, the objectives differ substantially, with LAC projects focusing comparatively more on fiscal imbalances and CS pay and structures.

Table 9 Broad objectives of CSR components in new lending by region				
	TOTAL number of new loans*	Correct fiscal imbalances	Pay and career structures	Improving accountability and service delivery
AFR	16	5	6	13
EAP	5	1	1	5
ECA	8	0	4	8
LAC	6	4	5	3
MNA	6	2	4	6
SAR	4	1	0	4
TOTAL	45	13	20	39

* Many operations have more than one objective

All programmatic loans had interventions targeted at improving accountability and service delivery.

Table 10 Broad objectives of CSR components in new lending by type of operation					
		TOTAL number of new loans*	Correct fiscal imbalances	Pay and career structures	Improving accountability and service delivery
Adjustment	Programmatic	2	1	1	2
	Non-programmatic	10	5	5	6
Investment	Programmatic	6	3	4	6
	Non-programmatic	17	4	10	25
TOTAL		45	13	20	39

* Many operations have more than one objective

THE DIRECTION OF FUTURE PORTFOLIO ANALYSES

This note raises four particular questions that require further consideration.

- Are the trends observable in these two years representative?
- The possibility that hands-on support for the technical components of civil service reforms is being provided through investment lending, in parallel with larger programmatic adjustment operations that are creating political incentives for long term reforms, merits further investigation. Is this the direction of country strategies?
- This note has examined new lending during this two-year period. This begs the question of the composition of the underlying portfolio. Many operations approved prior to this period were still active during FY 99 and FY00. Taken together, what is the focus of the portfolio?
- The note has also not updated the OED review of the effectiveness of Civil Service Reform operations. If the portfolio is changing, what is the impact of this?

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APPENDIX

Table 11 Projects examined for this note

Project ID	Year of approval	Region	Country	Investment or adjustment	Instrument	Programmatic or not	Correcting fiscal imbalances	Pay and career structures	Improving accountability and service delivery
P035641	1999	AFR	ZAMBIA	Adjustment	SAL	Non-programmatic	x	x	
P055186	1999	AFR	NIGER	Adjustment	SAL	Non-programmatic		x	
P057294	1999	AFR	RWANDA	Adjustment	SAL	Non-programmatic	x		
P050615	1999	AFR	GHANA	Investment	APL	Programmatic	x	x	x
P057188	1999	AFR	GUINEA	Investment	LIL	Non-programmatic			x
P000756	1999	AFR	ETHIOPIA	Investment	SIL	Non-programmatic			x
P002366	1999	AFR	SENEGAL	Investment	SIL	Non-programmatic			x
P047761	1999	AFR	TANZANIA	Investment	SIL	Non-programmatic			x
P055468	1999	AFR	CAPE VERDE	Investment	SIL	Non-programmatic			x
P001786	1999	AFR	MOZAMBIQUE	Investment	TAL	Non-programmatic			x
P065471	2000	AFR	ZAMBIA	Investment	APL	Programmatic	x	x	x
P060833	2000	AFR	TANZANIA	Investment	APL	Programmatic		x	x
P069771	2000	AFR	GUINEA	Investment	APL	Programmatic			x
P062840	2000	AFR	CHAD	Investment	SIL	Non-programmatic	x	x	x
P042039	2000	AFR	MOZAMBIQUE	Investment	SIL	Non-programmatic			x
P057998	2000	AFR	CAPE VERDE	Investment	SIL	Non-programmatic			x
P003967	1999	EAP	INDONESIA	Investment	SIL	Non-programmatic		x	x
P046051	1999	EAP	CHINA	Investment	SIL	Non-programmatic			x
P056522	2000	EAP	THAILAND	Adjustment	PSAL	Programmatic	x		x
P058544	2000	EAP	CAMBODIA	Adjustment	SAL	Non-programmatic			x
P069771	2000	EAP	PAPUA NEW GUINEA	Adjustment	SAL	Non-programmatic			x
P051171	1999	ECA	ARMENIA	Adjustment	SAL	Non-programmatic			x
P046046	1999	ECA	KAZAKHSTAN	Investment	TAL	Non-programmatic		x	x
P059755	1999	ECA	TAJIKISTAN	Investment	TAL	Non-programmatic		x	x
P066153	2000	ECA	LATIVA	Adjustment	PSAL	Programmatic		x	x

P008797	2000	ECA	ROMANIA	Investment	APL	Programmatic				X
P065041	2000	ECA	ROMANIA	Investment	SIL	Non-programmatic				X
P070086	2000	ECA	BULGARIA	Investment	SIL	Non-programmatic				X
P069939	2000	ECA	ALBANIA	Investment	TAL	Non-programmatic		X		X
P062790	1999	LAC	BOLIVIA	Investment	APL	Programmatic	X	X		X
P040108	1999	LAC	TRINIDAD & T	Investment	TAL	Non-programmatic				X
P057601	1999	LAC	VENEZUELA	Investment	TAL	Non-programmatic	X	X		
P063341	2000	LAC	BRAZIL	Adjustment	SSAL	Non-programmatic	X	X		
P049296	2000	LAC	NICARAGUA	Investment	TAL	Non-programmatic	X	X		X
P057272	2000	LAC	GUYANA	Investment	TAL	Non-programmatic		X		
P062837	1999	MNA	YEMEN	Adjustment	SAL	Non-programmatic	X	X		X
P058356	1999	MNA	MOROCCO	Adjustment	SECAL	Non-programmatic		X		X
P005525	1999	MNA	MOROCCO	Investment	SIL	Non-programmatic		X		X
P039749	1999	MNA	JORDAN	Investment	SIL	Non-programmatic				X
P052247	1999	MNA	MOROCCO	Investment	SIL	Non-programmatic				X
P050706	2000	MNA	YEMEN	Investment	SIL	Non-programmatic	X	X		X
P049790	1999	SAR	BANGLADESH	Investment	TAL	Non-programmatic				X
P065471	2000	SAR	INDIA	Adjustment	SAL	Non-programmatic	X			X
P050657	2000	SAR	INDIA	Investment	SIM	Non-programmatic				X
P059501	2000	SAR	INDIA	Investment	TAL	Non-programmatic				X

Table 12 Classification of projects by reform objective

Project components are classified as addressing this objective	Correcting fiscal imbalances	Improving civil servants' pay and grading structure	Improving accountability and service delivery
If adjustment operations, they have these policy reforms:	<ul style="list-style-type: none"> • <i>Downsizing</i>, including hiring freezes and attrition, abolition of vacant posts, early retirement, voluntary severance, removal of tenure, compulsory redundancies, caps on the aggregate wage bill 	<ul style="list-style-type: none"> • <i>Revised pay and grading</i> 	<ul style="list-style-type: none"> • <i>Strengthening user voice</i>, through surveys, and reforming administrative law • <i>Strengthening merit</i> through independent oversight of recruitment, updating/introducing job descriptions, updating/introducing performance appraisal, and by creating a senior executive service • <i>Organizational restructuring and accountability improvements</i> through functional reviews, improved governance of newly created agencies, and agency performance reports.
If investment operations, they have these interventions:	<ul style="list-style-type: none"> • <i>Civil service censuses</i> • <i>Creating funds for redeployment of employees</i> 	<ul style="list-style-type: none"> • <i>Job reclassification</i> • <i>HR training</i> • <i>Improving payroll management</i> • <i>Introducing human resources management information systems</i> • <i>Selective salary enhancements</i> 	<ul style="list-style-type: none"> • <i>Management training</i> • <i>IT and office equipment</i> • <i>Improving appraisal systems</i> • <i>Competitive performance improvement/challenge funds</i> • <i>Restructuring and reengineering organizations</i>