

PUBLIC SERVICE PAY REFORM



TACTICS SEQUENCING AND POLITICS IN DEVELOPING COUNTRIES: LESSONS FROM SUB-SAHARAN AFRICA

(Draft Report)

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January 2003

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CHAPTER 1

INTRODUCTION

1.1 Pay is a Key Public Service Issue

The argument that adequate pay¹ is crucial to sustaining motivation, performance and integrity of public servants has been widely accepted and documented. There is evidence from all around the world that Government workers either cut back their productivity or hours of work when salaries are low. The reduction in production is greater as the compensation diminishes. Otherwise, they will actively seek to change jobs to the private sector. McPake et al and Isar et al show, based on country surveys, that low salary levels result in absenteeism, alternative employment, rent-seeking (e.g. the “per diem” problem, sitting allowance) and low productivity. A World Bank survey focusing on African countries has observed that, “as government compensation falls, both in absolute terms and relative to alternative remunerative activities, civil servants adjust to the new situation. Turnover rates and absenteeism increase; moonlighting and daylighting become more frequent, and the latter, more blatant, recruitment and retention, especially of professionals, become more difficult. It has also been argued that petty corruption rises, including the sale of government services themselves, for example, under-the-table charges for livestock vaccinations or the extorting on payments by teachers to instruct schoolchildren”. The survey concluded that the reform of civil service pay is especially vital for the rehabilitation of Government, particularly in terms of realizing improvements in capacity and the delivery of public goods and services².

The case is also well made that low pay demotivates and stimulates corruption in the public service. Moses Kigundu makes the observation that, in Africa where most Governments do not pay minimum living wage to their employees, remuneration is so low as to lead to “institutionalised corruption”, laxity and general lack of discipline. Rijckegham and Weder present econometric evidence from 31 countries showing correlation between relative civil service wages, meritocracy and corruption. They conclude that “active wage policy can help in tackling corruption”. In Tanzania, the 1997 report of the Presidential Commission of Enquiry on Anti-Corruption emphasized the link between what it described as “petty corruption” and low public service pay³. Therefore, enhancing public service pay is part of the National Anti-Corruption Strategy published in 2000. Similarly, the Anti-Corruption Strategies of several other countries give prominence to pay enhancement. However, as Filmer and Lindauer⁴ observe in the context of Indonesia, simple linkage between pay and corruption can be misleading. Changes in compensation levels can only work if they are part of a package to reform public servants’ behaviour. Other elements are essential to reducing corrupt practices.

In virtually every country and region, poor pay and its impact are not uniform across the public service. However, according to literature reviewed, it appears that unskilled and semi-skilled, low-grade personnel are often comparatively less adversely affected by poor pay than their senior, better skilled and higher-graded colleagues. Reid and Scott (in Chaudhry et al)

¹ Throughout this note, Pay is defined as Salary + Allowances + In-kind Benefits + Retirement Benefits

² D.L. Lindauer and B. Nunberg (1994), Pay and Employment Reform in Africa, A World Bank publication.

³ Jamhuri ya Muungano wa Tanzania (November 1996), Taarifa ya Tume ya Kero ya Rushwa Nchini.

⁴ Filmer and Lindauer

also observe that in Latin America and the Caribbean (LAC) region, low public salaries are a principal deterrent to the recruitment and retention of highly qualified and motivated employees, especially among the professional and managerial ranks⁵. Shihata (in Chaudhry et al) separately points out how in many developing countries the adjustments in public service pay have entailed, firstly, compression of the salary structure, i.e., generally greater increases in lower salary grades at the expense of those in higher grades, resulting in reduction in the difference between the highest and the lowest paid job groups in the public service. Further, he observes that in some developing countries salary compression increased considerably and persistently as a result of a combination of factors, including trade union negotiations, equity concerns, and egalitarian and socialist policies⁶. Consequently, these public services have difficulty in attracting and retaining high-level staff.

Pay reform has been an important issue in public service management throughout the world over the past two decades. Pay is a significant feature of human resources management, and these resources are the most crucial factor in the delivery of a good number of public services. The economic crises and the attendant deterioration in service delivery that confronted most governments in the 1970s and 1980s have brought public service employment and pay reform at the fore of the policy agenda in virtually every country, except the mineral-rich exporters, since the early 1980s. In those early days, according to Louis de Merode, fiscal crisis and weak government capacity led to the introduction of public service employment and pay reform in the structural adjustment and technical assistance programs supported by the World Bank in developing countries. By 1981, the World Bank had 76 such lending operations, including 47 of them in 20 African countries⁷.

- In spite of the enormous concern and efforts outlined above, comparatively poor pay has remained a feature of most public services. A notable exception to this is Singapore where public service pay levels generally exceed those in the private sector. David Chew documents a similar trend in South Asia⁸. Presentations at a 1994 World Bank conference on Civil Service Reform in Latin America show that poor pay has been an issue in other regions of the world⁹. A 1997 global survey of government employment and pay by Schiavo-Campo, de Tommaso and Murkherjee found that, in the 1980s and first half of the 1990s, relative Government wages had in real terms declined in aggregate by about 14 percent. During that period, even in developed countries, relative government wages generally stagnated, and only Asia had an overall rise, but again this was mainly attributable to India¹⁰. Derek Robinson describes in details the trends to low pay in the public services of Africa in the 1970s and 1980s¹¹. Thus, low pay has been a major issue in the reform of public services in most countries.

⁵ Gary J. Reid and Graham Scott (1994), Public Sector Human Resources Management in Latin America and the Caribbean, in Shahid A Chaudry et al (ibid).

⁶ Ibrahim F.I. Shihata (1994), Civil Service Reform in Developing Countries, in Chaudry et al (ibid).

⁷ Louis de Merode (June 1991), Civil Service Pay and Employment Reform in Africa: Selected Implementation Experiences, A World Bank Africa Technical Department publication (Division Study paper No.2).

⁸ David C.E. Chew (1992), Civil Service Pay in South Asia, an ILO publication.

⁹ Shahid A. Chaudry, Gary J. Reid and Waleed H. Malik (1994), Civil Service Reform in Latin America, Proceedings of a Conference, a World Bank publication.

¹⁰ Salvatore Schiavo-Campo, Giulio de Tommaso and Amitabha Mukherjee (May 1997), Government Employment and Pay, World bank Policy Research Working Paper Number 1771.

¹¹ Derek Robinson (1990), Civil Service Pay in Africa, an International Labour Office (ILO) Publication, Geneva.

1.2 Diverse Interests and Policy Objectives Complicate Pay Decisions

Rational modelling of public service pay and employment issues starts with assumptions, often implicit, that there is a finite and clear set of policy and organisational objectives to be served in pay decisions. This has for example been the case in major public service pay policy decisions that Governments in developing countries that have made in the midst of implementing IMF and World Bank-supported structural adjustment programmes. In these countries, initial impetus for public service reform has emanated from severe fiscal deficits. Therefore, in these countries, public service pay reform was for many years focused on reducing government employment and containing the wage bill. Thus the classic pay and employment model would relegate the objective of raising pay levels to pursuit of containing or reducing the government wage bill. A 1995 IMF survey showed wage bill declines were always at the expense of real wages. The few exceptions to this trend, such as Uganda, had to drastically reduce their employment levels¹². Therefore, as Schiavo-Campo observes, successes in pay reform based on the classic pay and employment have been few, modest and short-lived¹³.

Thus in rational pay and employment modelling, it is assumed that a country will choose optimum technical solutions within an overall financial ceiling. This approach however runs the risk of grossing over the multiplicity of stakeholders interests as well as the diversity of policy objectives that political groups would seek through the pay decisions. Examples of these fall under the following headings:

- Pay policy can be used to pursue egalitarian and equity goals;
- Labour unions and vested groups in the public service often ignore labour market prices;
- Raising pay is difficult when budgetary allocations to operational and maintenance costs are low;
- Significant improvements in service delivery entail expansion of the workforce; and
- Pay operates in conjunction with other organisational and managerial systems.

1.2.1 Pay policy may be used to pursue egalitarian and equity goals

In rational models, it is assumed that efficient and effective public service pay reform policies and strategies will be consistent with good economics. However, casual observations suggest that in most developing countries, good politics in public service pay is often at cross-purpose with good economics. This is often the case especially because in these countries, egalitarianism is good politics.

Political leaders are often concerned that there is equity in the compensation of public servants, so that the gap between the lowest paid and highest paid public servant is maintained at the *desirable/fair* level. Sometimes, these concerns have to do with immediate political goals, as in an election period when the politician is likely to pursue a policy of maximizing a sense of fairness for the largest constituency of voters, which are the lowest paid cadres of the public service. At other times, the politicians' preferences reflect the egalitarian philosophy and values of the leaders, which can be quite divorced from the facts related to the capacity, motivation and performance of the service. Legitimately, the political

¹² Kraaj and RijckeghamIMF

¹³ Salvatore Schiavo-Campo (1998).

leaders may take the position of protecting what they perceive to be the weakest segment of the public service. In other cases, Governments with a socialist ideology will have the explicit policy objective to compress the pay structure at the expense of the senior public servants, even when there is a high risk that the resulting pay structure constrains the recruitment and retention of skilled and experienced employees.

Furthermore, this pursuit of equity can be detrimental to the overall economy. As observed by the Bangladesh Pay and Services Commission of 1996 “In our context of a labour surplus economy and an extreme shortage of trained and skilled personnel, the use of pay policies for equity purpose will not only have a deleterious effect on economic use of factors of production, but will ultimately hurt the cause of proper development itself, and will finally defeat the purpose of equity”¹⁴. In Uganda, for example, where there are large numbers of unskilled and semi-skilled Ugandans serving with community organizations, NGOs and private sector agencies in delivery health and education services at salaries below those in Government, it has been observed that large increases in pay for Government employees may jeopardize the attainment of the Government’s policy goals for expanding and improving quality of services in these sectors¹⁵.

In states of high of unemployment, it is common to find that the minimum salary paid by Government by far exceeds the market wage for the unskilled labour. This is definitely the case in the countries covered by the study team’s preliminary survey (Tanzania, Uganda and Zambia). Although the minimum salary in the public service may be lower than what is technically considered to be the “minimum living wage” (MLW), in a total economy perspective, this minimum pay policy is neither equitable nor efficient in the short- to medium-term. The Government is then subsidising the few employees on its payroll at the expenses of the large numbers of the unemployed. In the circumstances, furthermore, there will be strong and persistent pressure for the Government to employ lowly skilled employees.

On the other hand, labour markets can be very inefficient in the developing countries. Also, generally, labour unions are comparatively weak. In this situation, massive unemployment is conducive for unscrupulous private sector employers to exploit unskilled labour. Government has an obligation to control the exploitation. Then, at least in a long-term perspective, and with sustained economic growth, Government may credibly practice a “minimum living wage” a leader in the market of unskilled labour with a view to mitigating the exploitation of unskilled labour, and promoting some equity in pay systems.

1.2.2 Labour unions and vested groups in the public service often ignore labour market prices

Technically, it is rational to adopt a goal for pay reform that is the attainment of a pay structure that enables recruitment and retention of needed skilled personnel for the public service to perform efficiently and effectively. Implicit in this policy principle is the decision that pay levels would generally reflect the “market” price of the jobs in the service. However, experience shows that the behaviour of labour unions or vested groups in the public service makes it difficult for policy-makers to sustain a “market-based” pay policy.

¹⁴ David C.W. Chew (ibid)

¹⁵ Kithinji Kiragu (2001), Issues and Options in Public Service Pay Reform, a paper presented at the Uganda Public Service Pay Reform Stakeholders’ Workshop, Kampala, October 2001.

It is quite common that unions menacingly agitate for higher pay levels than what is warranted for their semi-skilled and unskilled members. It is under such a scenario that President Chiluba of Zambia was in 1996 pressured to promise unionized Government employees a 200 percent salary increase. In 1997, the teachers' trade union in Kenya also pressured President Moi's Government to formally commit (in a signed collective agreement) to a 200 percent salary increase over three years. In both cases, the salary increases were ultimately not affordable, and in spite of industrial action, the Governments could not meet the demands of the unions. Notwithstanding, the salary increases extracted raised the teachers' salaries to levels well above comparable levels in other sectors, and the unions maintained the pressure.

1.2.3 Raising pay is difficult when budgetary allocations to operational and maintenance (O&M) costs are low

An option would be to sustain the wage bill at the current levels (as a proportion of total Government expenditure or GDP). Doing this would preserve the level of complementary resources available for development programs and O & M expenditures and would also avoid the risk of wage-led inflation and fiscal instability. To its disadvantage, this may result in no significant enhancement of pay for public servants, *ceteris paribus*, and it may take as long as 10 years to attain market-indexed pay levels for skilled public servants.

Another policy option could be to raise the wage bill ceiling in the short- to medium-term through one or a combination of either raising taxes, donor support, or cutting down some development expenditures. This would augur well in that there would be enhanced feasibility for rapidly enhancing pay and timely realization of the policy goal. On the other hand, it would be marred by personnel costs further crowding-out O & M expenditures, resulting in even less efficient utilization of human resources.

Furthermore, none of these measures has political appeal. In Tanzania and Uganda, when some donors suggested that they make funds available to improve the wage bill constraint, the political leaders were not supportive. The politicians perceived a trade-off between development and investment spending and wage consumption, and opted for the former. The politicians were also concerned that donors' financing of the wage bill would exacerbate the problem of aid dependency.

1.2.4 Significant improvement in service delivery entails expansion of the workforce

A common drawback of the conventional pay and employment models is the omission that, in developing countries, significant improvements in service delivery entail increasing the numbers of workers in areas of essential social services, especially education and health. In Uganda, for example, following the launch of a comprehensive Poverty Eradication Action Plan (PEAP) with programmes for massive expansion of education (Universal Primary Education--UPE) and health services, the trend in decline in public service employment levels that started in early 1990s has been reversed. Total public service employment level has risen from about 150,000 by end of 1995 to about 198,000 at the end of 2001. It is projected to rise to nearly 250,000 by 2004.

Policy-makers have a tough choice to make, between allowing a fall in real pay levels for public servants and a fall in the quantity or quality of service delivery. This choice is sometimes at the sector level. In education, for example, it is the choice between raising the

pay for teachers or recruiting more teachers given a sector wage bill ceiling. If the decision is made not to recruit more teachers to match enrolment increase (which raises the pupil-teacher ratio), education standards may drop.

1.2.5 Pay operates in conjunction with other organisational and managerial systems

The social environment that prevails in an organization at a particular time may influence employees' motivational and behavioural responses to pay decisions more profoundly than the perceived technical merits of the decision. In this context, for example, difficulties in introducing performance-based pay even in the corporate environment have been widely explained. Carlo Dell'Aringa and Helen Murlis have made the point that "pay does not operate in isolation from other organisational and managerial systems and purely technical solutions, however elegant, are unlikely to work."¹⁶

The range of policy and technical options entailed in the analysis of public service pay issues points to the need for, firstly, flexibility in approaches to pay reform. The 1993 OECD study of pay reform in developed countries also serves to underscore this point¹⁷. Secondly, there is a need to address the issues in the context of broader public service reform objectives. As the 1997 World Bank's World Development Report suggested, reflecting on the mixed and disappointing experience with civil service reform in many countries, there should be a more careful sequencing of reforms, starting with salary decompression.¹⁸ In other words, sequencing and tactics will underpin a successful public service pay reform strategy.

There is no documented evidence that any of the countries on which some literature review has so far been undertaken has had an elaborate and practical model to address the relevant range of technical and non-technical issues surrounding public service pay reform. Therefore, from a technical perspective, the proposed study will commence with a more extensive and in-depth assessment of the nature and scope of technical analysis that has guided pay policy formulation in the study countries and the technical choices that were made. Specifically, the study will seek to establish:

- (a) The technical solutions and choices that were made;
- (b) Whether there was, explicitly or implicitly, a "model" approach to the issues;
- (c) What tactics, if any, have been applied in the pursuit of decisions on pay reform; and
- (d) What sequence, if any, was adopted in the policy formulation and decision processes.

The responses obtained on the above questions will be analysed with the objective to deduce any distinctive features and patterns that may be associated with either success or failure in the technical approach to pay reform issues in each of the study countries. These features and patterns can thereafter be matched with the political dynamics prevailing in each of the countries with a view to assessing the extent, and to what effect, the technical approach was appropriate given the political environment.

1.3 Politics is Inherent in Public Service Pay Decisions

¹⁶ Carlo Dell'Aringa and Helen Murlis

¹⁷ OECD (1993), Pay Flexibility in the Public Sector.

¹⁸ The World Bank (1997), World Development Report: The State in a Changing World.

Politics is understood in this study as the constrained use of social power whose ultimate concentrate is the state. As Goodwin and Klingemann¹⁹ have argued, it is the constraints under which political actors operate and the strategic manoeuvring that they occasion and that occurs within them that constitutes the essence of politics. This study seeks to understand how such constraints underlie public service pay decisions and reform strategies. We will seek to understand their rationale, where they come from (sources), how they operate (process) how political individuals, groups and institutions are sources as well as agents of such constraints and how they operate within them, and their outcomes, consequences or impact on pay reform.

Public services pay is inherently complex and political because of its dual character. On the one hand it is a private good whose provision brings about competition with other equally deserving needs or demands. On the other hand it is critical to the government's fulfilment of her public goals and functions. This generates numerous constraints. Government employees need to be adequately compensated but not at the expense of triggering off an inflationary spiral. Wages need to be kept low, but not to the extent of endangering the survival and reproduction of the labor force, as well as going contrary to perceptions (at times ideological) of what is ethical and fair pay. Different groups and individuals assume differing positions on the issue: the President; Government Ministers; Parliamentary backbenchers; public employees and their union leaders; the private sector; political parties, as well as donors, etc. All have differing interest as well as understanding and appreciation of the constraints that may be competitive or complementary depending on the particular concrete circumstances.

Against the above background, several questions addressed the political aspect of the study:

- (a) What is the political rationale for or against public service pay reform?
- (b) What are the critical political (including ideological) and institutional constraints regarding pay reform?
- (c) Which interests are affected by pay reform, how, and to what degree?
- (d) Which individuals, groups and institutions are critical players in the pay reform process and why?
- (e) What is the political rationale for the choices that have been made or not made?
- (f) What factors have constrained implementation of pay reform decisions?

1.4 Study Objectives and Hypothesis

The above preliminary empirical evidence on pay reform as well as a survey of literature in other countries leads to two key observations that inform the study hypothesis and underpin the objectives of this study. Firstly, pay reform issues are technically more complex than simple and rational models as public service pay reform strategies assume. In this context, furthermore, even for developing countries, attempts at defining a common model approach to pay reform may have limited chances of success. This observation has previously been made for developed countries. In the context of a study of problems and challenges of public service pay practices in developed (OECD) countries, M. Maguire concluded that whilst similar pressures were evident across many of these countries, there was no one approach to public sector pay that can apply to all countries or in all circumstances²⁰.

¹⁹ Robert E. Goodwin and Hans-Dieter Klingemann, *A New Handbook of Political Science*. Oxford: Oxford University Press, 1996

²⁰ M. Maguire (1993), in OECD publication, *Flexibility in Public Sector Pay*.

Consequently, the first hypothesis of this study is as follows: A successful strategy for public service pay reform is underpinned by choice of correct tactics and sequencing of the appropriate measures.

Secondly, technical solutions to public service pay reform without due attention to a country's political context are not sustainable. In other words, pay policy and strategy is not just a technical exercise or a public service problem and needs to be explicitly linked to the political objectives of Government, and the development and design of pay policy needs to fully take into account the interests of the groups affected, including those of the political elite. Furthermore, the prevailing political environment may influence the immediate objectives of the political elite. Thus, for example, the election cycle may affect the political elites, position regarding short-term, medium-term and long-term perspective policy objectives. Thus, the second study hypothesis is as follows: Political considerations pervade the important policy decisions and strategies for public service pay reform.

In the context of these hypotheses, the objectives of the study are to:

- (a) Systematically collect and organize data and information on public service pay reform experiences in the select countries;
- (b) Explore and describe the context and limits to which models have guided pay reform strategies and policies in the select countries;
- (c) Comparatively explain the political contexts and rationales underlying pay reform policies and strategies adopted by the select countries.

1.5 Study Approach and Methodologies

The above has been done in a two-stage process. First, for each of the select country, an attempt was made to: (i) depict, characterize, and map out in detail the technical solutions (choices) that were made; the tactics that were adopted; and the sequences that were preferred; (ii) Describe, analyse, and outline the major political considerations and developments. Major trends and political phases will be identified based on the character of the political regime, its social base and ideology, the dominant political issues and concerns, its relationship with donors, etc.; (iii) Illustrate and trace implementation of public service pay reforms including identifying implementation stages; and (iv) Attempt to see if there is a correlation between the three variables mentioned above within the country. We tried to sense if there is a match between the technical choices, political developments, and pay reform implementation.

In the following related stage, the study will endeavour to comparatively match the experiences of the countries under study on the basis of the three variables mentioned above. The objective will be to establish if there is any correlation across countries along these variables. We will attempt to establish, for example, if decisions to increase pay for the lower levels of the public service are usually made around election time and implemented rapidly while the reverse is true when it comes to pay increase for the technical, professional, and managerial levels.

The study relied on "dead" as well as "live" sources. A comprehensive literature review will be undertaken. It will include examination of published materials, reports of parliamentary debates, speeches of various government officials, consultant's reports, international

organization's reports, and others. The study also relied on interviews with the critical and/or significant agents/actors. These included senior government officials and politicians in the countries under study, parliamentarians and officials of international organizations.

The study necessarily drew on both the inductive and deductive methods, utilizing both quantitative and qualitative data compiled through documents, checklists and interviews. Relatedly, the conclusions reached are based more on the "weight of evidence" approach rather than rigorous statistical testing. For the most part, the study sought to establish whether the various propositions to be advanced "make sense" in the light of the qualitative and quantitative evidence marshaled.²¹

1.6 Scope of the Study

Initially, it was determined that the study would have comparative data and analysis covering a range of developing and middle-income countries, including representation of transition economies in Eastern Europe, Latin America, South East Asia and Africa. The criteria used in the initial targeting of countries for comparison was the perceived prominence of pay reform issues in the public sector reform strategy as reflected in documents and literature that was readily available at the World Bank, and key informants at a global level. On this basis, the team made a preliminary selection of Bolivia in Latin America, Albania in Eastern Europe, Thailand and Malaysia in South East Asia and Botswana in SSA. It was then planned that the study team would visit these countries. However, following a review of the literature available to the study team in the preliminary stage, it was determined that, for purposes of comparative analysis, it would be sufficient for the study team to rely on secondary data instead of attempting to visit the countries outside the SSA region, which would be too time-consuming and expensive to justify the efforts.

Thus, this study focuses on public service pay reform in SSA for two main reasons. First, the issue of pay reform has been more prominent and pertinent to the region. As a global survey of Government employment and pay by Schiavo-Campo showed, the erosion in real government wages in the "decade of adjustment (mid-1980s to mid-1990s) was striking for the region. According to Schiavo-Campo, it is developments in Africa that were largely responsible for the global decline in relative government wages in the 1980s and early 1990s.²² Second, the members of the study team already have some insights into the technical and political dynamics of pay reform in the region, especially in East and Central Africa.

Apparently, the public service systems and practices in Anglophone and Francophone Africa have markedly distinct features, including on pay aspects. Thus, as Schiavo-Campo remarks, while erosion in real government wages in the decade of mid-1980s to mid-1990s was striking for the Africa region, it was particularly so for its Anglophone countries. In this context therefore, a perspective was offered to the study team that combining Anglophone and Francophone countries in one study of a public service issue may result in some loss of focus. However, after weighing the pros and cons, the study team arrived at the conclusion that the study should cover both Anglophone and Francophone Africa, but with emphasis on the former. On this generalized basis, the initial list of study countries comprised Ghana, Tanzania and Uganda in Anglophone, and Benin and Burkina Faso in Francophone Africa.

²¹ Berliner, J. (1976), The Innovation Decision MIT Press.

²² Schiavo-Campo (ibid)

Subsequently, nevertheless, it was determined that it would significantly enrich the study to add Zambia and Botswana to the study sample countries. Zambia had the reputation of having actively pursued pay reform at both technical and political levels in recent years. Botswana is considered to be a model public service in Africa, and therefore could offer valuable comparative lessons for other Sub-Saharan African countries.

1.7 Problems, Constraints and Implications

The most significant and practical challenge in carrying out a study on public service pay in several countries is lack of consistent and fully comparable data. This problem emanates from several factors, including varying ways by which each of the study countries defines its public service (some may include local governments and public enterprises while others do not); compensate the public servants (in some countries, salary may be less than half of the total compensation); etc. Currency differences and fluctuations exacerbate these differences. Furthermore, generally, there are statistics records in most of these countries. Pay data is not systematically organised and stored.

Even within countries, data on public service pay is not consistent over time. Changes in salary structure, composition of the compensation package, etc gives rise to complications in comparative use of data. Therefore, it was difficult to adopt a comparative framework for the study it was difficult to adopt a comparative framework for the study.

At the conceptual level, the study faced the problem of absence of any generally accepted models for public service pay reform against which country trends could be benchmarked and compared. In the circumstances, to enable a coherent discussion of the study issues, the team was challenged to figure out and construct characteristic approaches to pay reform across the study countries.

1.8 Structure and Content of the Study Report

The report is essentially in two parts. The first part covers up to Chapter 5. This part covers both the analytical framework and the synthesis of the study findings. In this context, the next chapter of the report presents a comparative overview of pay trends and structure in the seven study countries. Chapter three compiles a conceptual framework for identifying pay decision models across the countries. The politics of the countries and their impact on pay decisions is discussed in Chapter 4. The final chapter in this part consolidates the lessons of experience from the study countries and on that basis suggests a framework for ensuring politically responsive decision-making.

The second part of the report, covering Chapters 6 to 12, dwells on the tactics and politics of pay in each of the seven study countries, in their alphabetical order.

A compendium of annex and other country statistical tables accompanies this report.

CHAPTER 2

A COMPARATIVE OVERVIEW OF PAY TRENDS AND STRUCTURES

2.1 Introduction

A comparative review of the pay trends and structures among the study countries is considered useful for two reasons. First, it facilitates the analytical interpretation of the pay system that prevails in each of the countries. Second, it provides an anatomy of the pay systems that the study is dealing with.

This review is however a brief one because the study was not planned to be comparative. The review is limited to identification of the general trends in pay levels and wages.

2.2 Pay Trends

The survey data indicates that, five out of the seven study countries experienced either an overall decline or stagnation in salary levels in between early 1990s and the turn of this century²³. A similar pattern emerges on trend analysis of salary levels, as illustrated in **Figure 2.1** on page 15.

The two countries where salary levels in 2001 were in real terms above those prevailing in the early 1990s are Tanzania and Uganda. Consequently, although the latter countries had in comparison the lowest salary levels in 1992 (see **Figure 2.1**), by the end of the decade, they generally had higher levels of salary than the other study countries, except Botswana (**Table 2.1** over the page).

Botswana stands out as paying its public servants high salaries (in dollar-parity terms) compared to the other study countries. In 2000, the top salary level in Botswana was estimated at about US\$40,235 per annum. The next closest top salary level was in Uganda, which was estimated at about US\$12,908 per annum. The lowest top salary level was in Ghana, at about US\$3,373 per annum (see **Table 2.1**). The extraordinary position of Botswana is in line with the country's macroeconomic status, especially in terms of high GDP per capital, high rate of economic growth and budget surpluses for most years.

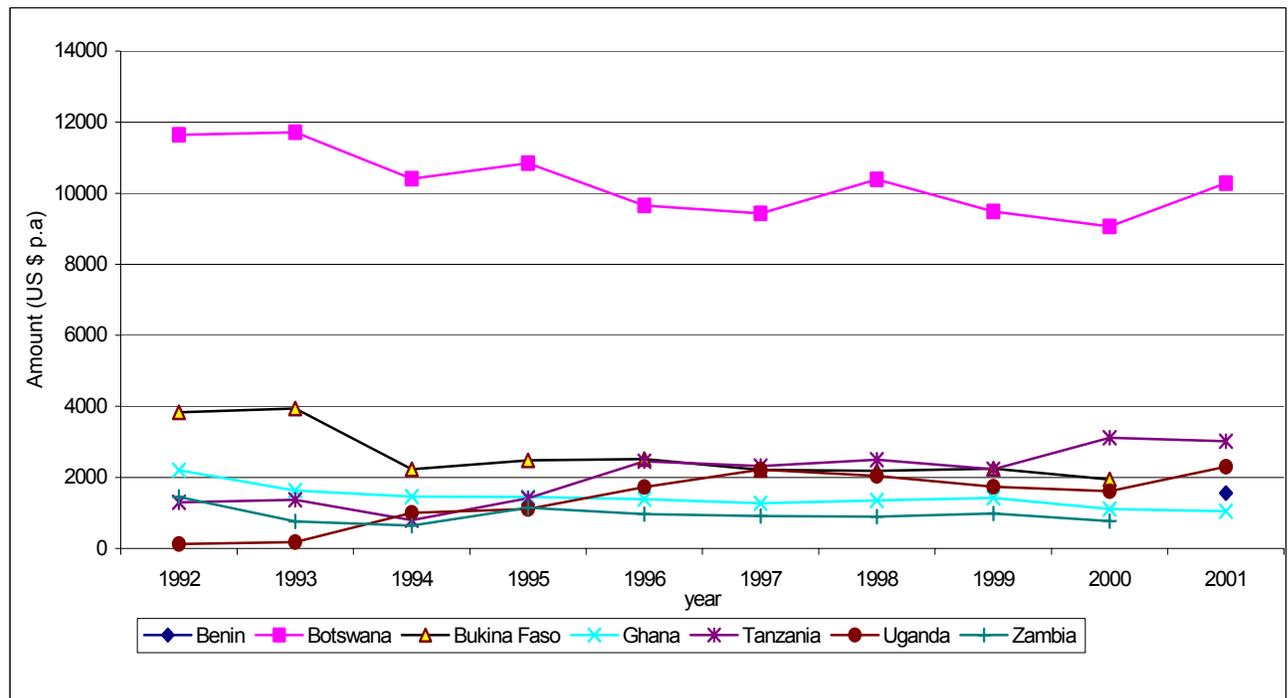
²³ An overall decline in salary levels does not necessarily translate to an overall reduction in real pay because allowances and benefits could be used to compensate. Still, the reduction in salary level and its partial replacement by allowances and benefits has considerable significance in terms of choice of techniques and tactic, and the underlying political exigency.

Table 2.1: Comparison (in dollar parity terms) of Top and Bottom Salary levels for the study countries, 1992 – 2001

(a) Top Salary										
Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Benin	-	-	-	-	-	-	-	-	9,026	8,523
Botswana	51,643	51,966	46,192	48,106	42,858	41,856	46,091	42,083	40,235	45,639
Burkina Faso	10,901	11,207	6,351	7,065	7,168	6,282	6,215	6,403	5,537	-
Ghana	6,261	4,638	4,153	4,138	3,944	3,622	3,851	4,039	3,373	3,275
Tanzania	10,427	8,847	5,158	6,782	11,493	10,890	10,961	9,782	12,744	12,337
Uganda	469	556	1,968	2,181	9,017	16,932	15,524	13,897	12,908	13,300
Zambia	14,409	6,329	5,309	9,545	7,511	6,925	6,844	7,471	5,752	-
(b) Bottom Salary										
Benin	-	-	-	-	-	-	-	-	985	923
Botswana	1,612	1,735	1,542	1,606	1,431	1,397	1,539	1,405	1,343	1,523
Burkina Faso	1,806	1,857	1,052	1,171	1,188	1,041	1,030	1,061	917	-
Ghana	555	411	368	367	349	321	341	358	252	252
Tanzania	372	392	229	406	703	666	718	641	686	701
Uganda	81	116	391	433	615	580	557	522	508	523
Zambia	690	424	355	647	509	491	485	529	423	-

Memo Item: Exchange rates										
Country (currency)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Benin (Dinars/US\$)	264.7	283.2	555.2	499.1	511.6	583.7	590	615.7	712	733.4
Botswana (Pula/US\$)	2.1	2.4	2.7	2.8	3.3	3.7	4.2	4.6	5.1	5.8
Burkina Faso (CFA/US\$)	264.7	283.2	555.2	499.1	511.6	583.7	590	615.7	712	733.4
Ghana (Cedis/US\$)	437	649	957	1,200	1,637	2,050	2,314	2,647	5,455	7,171
Tanzania (TShs/US\$)	297.1	405.3	509.6	574.8	580	612.1	664.7	744.8	800.4	876.4
Uganda (Ushs/US\$)	1,133.8	1,195	976.4	968.9	1,046.1	1,083	1,240.3	1,454.8	1,644.5	1,755.7
Zambia (Kwachas/US)	172.2	452.8	669.4	864.1	1,207.9	1,314.5	1,862.1	2,388	3,110.8	3,610.9

Figure 2.1: Comparative trends in median salaries levels (in dollar parity terms) for the study countries: 1990-2001 in dollar parity



Memo items: GDP per capita (US\$)

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Benin	323	407	281	367	392	355	381	381	345	-
Botswana	3,072	3,005	3,080	3,355	3,272	3,303	3,162	3,178	3,127	-
Burkina Faso	214	225	180	219	242	218	232	224	194	-
Ghana	407	368	327	378	396	384	407	414	266	-
Tanzania	170	152	157	177	213	245	267	257	268	-
Uganda	164	179	215	299	305	308	322	296	278	-
Zambia	385	385	383	387	355	414	335	314	289	-

Source: Annex Table 2.1

2.3 Wage Bill Levels

The wage bill to GDP ratio is an indicator of the public service personnel costs share of the total economy. The wage bill represents the total resource envelope from which public service employees are paid. Therefore, if the wage bill is on the decline while the economy is declining, for example, pay levels again have inevitably to fall, and vice versa.

The data from the case studies suggests that in the first half of the 1990's the wage bill to GDP ratio was on the decline in all the study countries, except Tanzania and Uganda. Actually, the latter two countries have consistently raised their wage bill to GDP ratio, albeit from rather low levels, between 1992 and 2000 (Figure 2.2 on page 15). Furthermore, since these economies were growing in those years, and employment numbers were generally reducing or under control in that period, the rise in wage bill to

GDP ratio translated to real increases in public service pay levels in those countries in that period.

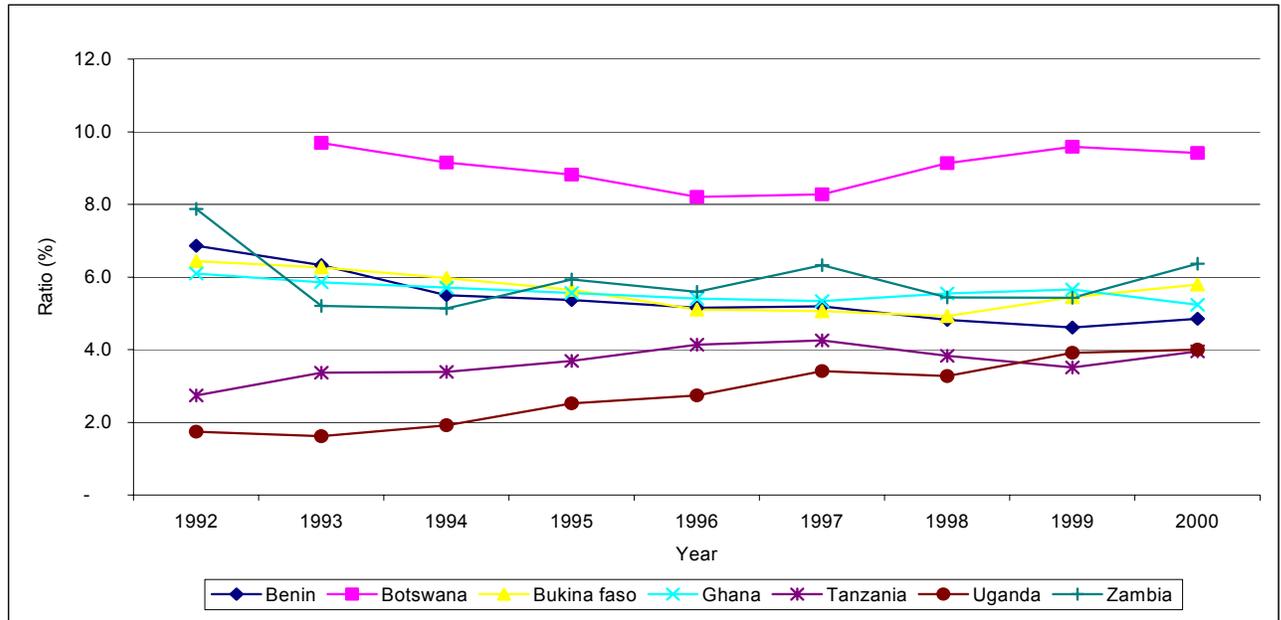
Among the study countries, Zambia, after Botswana, had for most years (i.e. except around 1993 and 1994) the second highest wage bill to GDP ratio. The ratio was nearly 8% in 1992, but was just above 6% in 2000. Compared to Tanzania and Uganda, for example, this ratio is quite high. Also, considering that both top and bottom salary levels for Zambia (in dollar parity terms) are significantly lower than for both Tanzania and Uganda, the comparatively high wage bill to GDP ratio suggests that, either, the Zambia public service has comparatively high number of employees, or actual pay levels are much higher than what the salary levels indicate. In the latter case, a much higher portion of compensation for public servants in Zambia would be paid in the form of allowances. Further, this situation suggests difficulties in either introducing transparency in the pay system or in controlling growth in numbers. The former appears to be more likely the case, which reflects difficulties in introducing pay reform in Zambia.

Fluctuations in the wage bill to GDP ratio over the past decade have been much less pronounced for the two Francophone study countries, Benin, and Burkina Faso. The ratios for both countries were between 6% and 7% in 1992, and between 5% and 7% in 2000 (**Figure 2.2** over the page). Nevertheless, this reduction in the ratio translated to reduced levels of pay, at least in dollar parity terms, as the data on Burkina Faso shows (**Table 2.1** above). On this basis, we can tentatively conclude that these countries had significant difficulties with public service pay issues over the past decade.

Botswana again stands out, by considerable margin, as the study country that has the highest nominal wage bill ratio²⁴, standing at about 9 in 2000. Among the study countries, throughout the 1990s, Tanzania and Uganda have maintained the lowest ratios of nominal wage bill to GDP ratio. This suggests extraordinary control of the wage bill, in the context of each of this country's macro economic and fiscal framework. In this context, *prima facie*, the economic status and trends of a country have a significant bearing on the options and scope for public service pay reform.

²⁴ The wage bill to GDP ratio is here qualified as nominal because in countries with weak budgeting and wage bill accounting, significant elements of the wage bill are hidden under such expenditure items.

Figure 2.2: Comparative Nominal Wage Bill to GDP ratio (%): 1992-2000



Source: Annex Table 2.2

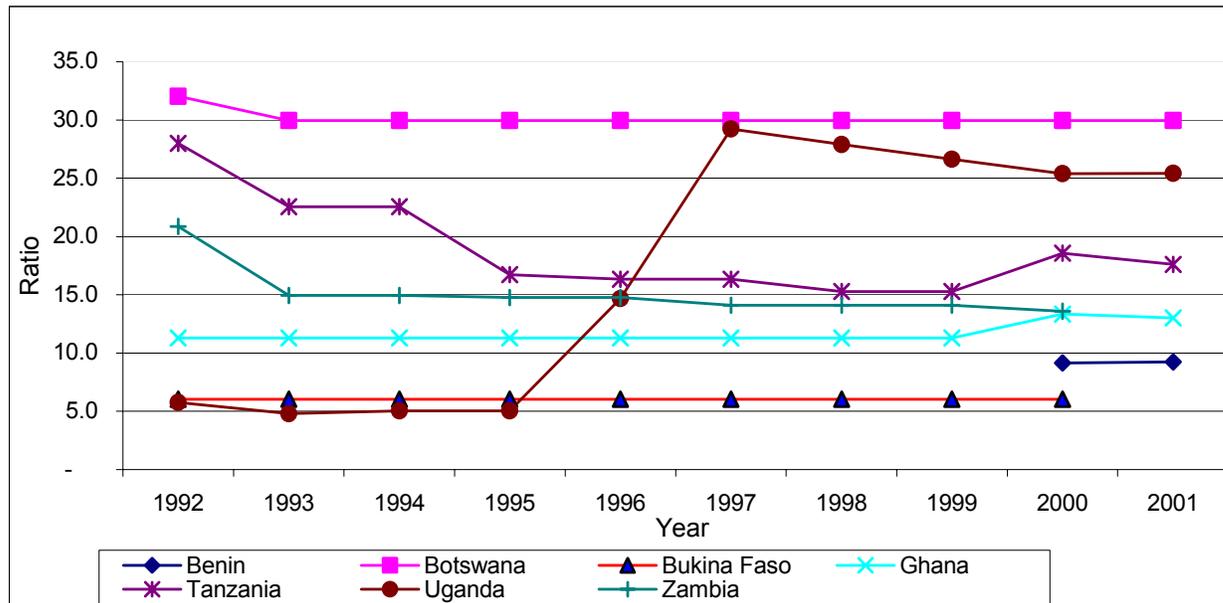
2.4 Pay Structures

Salary decomposition ratio is an important attribute of a pay structure. A low ratio indicates the choice to minimize the pay differential between the higher and lower echelons of the public service. This is normally achieved through a combination of deliberately suppressing the salaries of those at the top to levels usually below the market value for their skills, and raising the salaries of the unskilled and semi-skilled labour force above the market wage. Thus a low ratio usually reflects a commitment to an egalitarian pay structure. The study data suggests that among the study countries Benin and Burkina Faso have consistently kept to a low (below 10) salary decomposition ratio. Ghana closely follows this pattern with a decomposition ratio of about 12 to 13 over the 1992 – 2000 period (Figure 2.3 over the page). Zambia started relatively high at about 20.0 in 1992 but since a steep drop in 1993 it has remained at about 15.0

In the first half of the 1990s, Uganda also had a very low salary decomposition ratio (about 5.0). In 1996 and 1997, however, salaries of top civil servants (permanent secretaries) were dramatically raised. As result, by 1997, the salary decomposition ratio in Uganda was about the same level as that of Botswana (at 30.0). Since then, it has gradually reduced to about 25, which is still high enough, and only surpassed by that of Botswana among the study countries (Figure 2.3).

Only Botswana all through the 1990's and Uganda since 1997, have a higher salary decomposition ratio than Tanzania. In the latter's case, the ratio was high, in the 20s during the early 1990's but since then has remained in the 15 – 20 range, which maybe regarded as moderate.

Figure 2.3: Nominal Salary decompression ratio: 1992-2001



Source: Annex Table 2.3

2.5 Summary Observations

A unique macroeconomic and fiscal situation sets Botswana apart from the other study countries in terms of the levels, structure and trends of public service pay. The country has maintained comparatively very high salary levels for all levels of its public service throughout the 1990s and to present. The pay structure decompression ratio, which has remained at above 30, is also high even by international comparisons. Further, while the country's GDP per capita is much higher compared to that of any of the other study countries, the wage bill share of the GDP has also remained quite high throughout the 1990s, at about 10%. Still, as the study results would confirm, Botswana offers pertinent and not so distinctive lessons of experience in tactics and politics of public service pay.

The comparative analysis of trends in pay levels, wage bill and salary structure shows a steady deterioration in public service pay in the two Francophone countries (Benin and Burkina Faso) during the 1990s. At the start of the decade, salary levels in these countries were much higher than they were in the other four study countries, i.e. excluding Botswana, but by 2000, they were at the bottom of the table. The consistently egalitarian character of the pay system in these countries, as indicated by a comparatively very low salary decompression ratio of less than 10 is also noteworthy. In such situations, reform entails major adjustments to the compensation system. Then, the political stakes can be expected to be higher.

At the beginning of the 1990s, Ghana and Zambia public services had fairly high salary levels, especially when compared to two other study countries, Tanzania and Uganda. By 2000, the situation had reversed. Salary levels in Tanzania and Uganda had steadily risen (in dollar parity terms) over the decade while they were sliding in Ghana and Zambia.

This outcome is consistent with the observed gradual rise in the wage bill share of the GDP in the former countries while that share was generally on decline in the latter two countries. These trends suggest the possibility of more tension in the politics of pay reform in Ghana and Zambia compared to say, Tanzania and Uganda. These trends therefore provide a relevant background against which the tactics and politics of pay are assessed in the study countries.

CHAPTER 3

TECHNIQUES, TACTICS AND SEQUENCING

3.1 Introduction

The instability and inconsistencies in public service pay levels and trends as described in Chapter 2 is a reflection of the wide range of techniques and associated tactics that the Governments in the study countries have resorted to in different times. These techniques and tactics have for each Government varied over the years. Also, their application usually did not have any definite pattern or consistency or strategic orientation. In most instances, it appeared that recourse to some techniques and tactics was either by default or simply adopted because it was exigent. Furthermore, generally, no set of techniques and tactics have been held out to be suitable for all time in any of the study countries.

A combination of chance external factors, the nature and intensity of constraints facing the government at a particular time, and technical capacity available to the decision makers has often forced the choice of techniques and tactics. Thus, exclusive use of specific sets of techniques and tactics over an extended period is the exception and not the rule. Also, in many instances, contradictory or inconsistent techniques and tactics are simultaneously in use. For example, as observed in several countries, a job evaluation and regarding implementation may be attempted while a performance-based or selective salary targeting is ongoing. Therefore, systematic mapping and trend analysis of public service pay decision techniques and tactics in use in each study country over the years was problematic.

To enable a systematic and readily explicable mapping of the techniques and tactics across the study countries, an analytical framework was developed in two steps. The first step was to cluster and categorise sets of characteristic techniques and tactics to a handful of distinctive approaches. As elaborated in the next section, the total number of such sets of techniques and tactics (approaches) was eleven. The second step was to determine a range of models of pay decision-making on the basis of choice of approaches made. These models as explained later in this chapter fall broadly into two categories. There is a set of rational models, and the other is political.

3.2 Distinctive Approaches to Pay Decision-Making

The features of the eleven distinctive approaches to public service pay decisions, which have been identified on the basis of clustering the wide range of techniques and tactics in use across the study countries, are summarised in **Table 3.1** over the page. These features are further explained below for each of the approaches. At the same time, the dominant prevalence of such an approach at some point in time within one or several study countries is pointed out.

3.2.1 National Incomes Policy

A primary feature of the approach was promulgation of a national incomes and employment policy to guide wage determination in both public and private sectors. Usually, a statutory “National Incomes and Employment” body closely associated with a ministry or department for centralised economic planning would be mandated to develop and maintain the policy. All the Anglophone countries covered by the study established such bodies in the early 1960s, and until the onset of economic liberalisation in the 1980s maintained some form of a national incomes policy.

Table 3.1: Distinctive Approaches, Techniques and Tactics, and Prevalence in the Study Countries

Characteristics Approaches	Techniques and Tactics	Prevalence in the study countries
1. National Incomes policy	<ul style="list-style-type: none"> • A statutory “National Incomes and Employment” body is mandated and tasked to define policy targets and limits that bind both public and private sectors in pay adjustments • Decisions for public service pay adjustments, including those based on, for example, the salary reviews commissions and collective bargaining agreements (CBAs) were based on the above policy framework. • To protect the workers from exploitation, Government established a minimum salary above the market level. It was the wage leader. 	<ul style="list-style-type: none"> • This was a common development soon after independence in the Anglophone study countries (Botswana, Ghana, Tanzania, Uganda, Zambia)
2. Salary (and conditions of service) Review Commissions	<ul style="list-style-type: none"> • Head of State appoints a team of eminent nationals to collect views among stakeholders and present recommendations on salaries and terms and conditions of service • The commission also facilitates consensus building • Commission usually technically supported by experts and provided with administrative support public/civil servants. • Commission makes recommendations to Government • Government decides which of the recommendations to accept 	<p>In Anglophone study countries, this technique was a sequel to the “National Incomes Policy” approach. However, only Botswana has used it in recent years, 1998.</p>
3. Controlled Collective Bargaining Agreement	<ul style="list-style-type: none"> • Labour laws provide for trade unions to bargain for pay adjustments • Trade unions are linked to the ruling Political Party 	<p>In Benin, Ghana and Zambia, there is a significant degree of free collective bargaining</p>
4. Free Collective Bargaining Agreement	<ul style="list-style-type: none"> • Labour laws allow and regulate trade unions to negotiate pay with Government • Trade unions present proposals and arguments for pay adjustments. • Salaries of non-unionised staff adjusted on the basis of CBAs 	<p>This practice is there in Botswana, Burkina and Tanzania</p>
5. Indexation of salary adjustments	<ul style="list-style-type: none"> • Invoke mathematical/statistical basis for early fixing of future pay • Negotiate/agree future levels many years in advance • Pre-empt future negotiated outcomes • Government and workers representatives negotiate indices by which salaries for various grades will be adjusted over the years • Automatic adjustment of salaries by Ministry of Finance 	<p>For many years, this was the dominant technique in the Francophone countries, i.e. Benin and Burkina Faso among the study countries.</p>
6. Wage bill and employment modelling	<ul style="list-style-type: none"> • Define wage bill ceiling for fiscal stability • Reduce and/or control employment to within wage bill ceiling • Adjust salaries within the wage bill envelope • Enhancing transparency of pay system 	<p>This has been the macro economic and SAP oriented technique to salary adjustment. While much has been written</p>

Characteristics Approaches	Techniques and Tactics	Prevalence in the study countries
	<ul style="list-style-type: none"> • Monetise in-kind benefits • Consolidate allowances and monetise benefits into a basic salary structure • Eliminate distortions and non-transparent compensation (allowances) • External pressure to accord priority to fiscal stabilisation (usually as part of structural adjustment) • Allowances and in-kind benefits not associated with facilitating specific organisational functions or operations, are eliminated • Government prepares to absorb the additional wage bill and improve wage bill control • Enhance fairness, equity and efficiency of the salary structure and improve the post-employment compensation structure 	<p>about it, it has had very limited practical application in the study countries, except for a few years in Tanzania and Uganda.</p>
7. Cost of Living	<ul style="list-style-type: none"> • Determine the minimum acceptable standard of living for the public servant as the basis for establishing a target minimum salary • Accord priority in salary adjustment to achieving the MLW (if necessary compress the structure) 	<p>In the countries where this technique was used, i.e. Uganda and Tanzania, it was found that: (i) it was difficult to achieve consensus on definition (level) of the MLW, and (ii) it resulted in extraordinarily high wage bill.</p>
8. Crisis-driven Pay Adjustments	<ul style="list-style-type: none"> • A high prevalence of award of ad hoc allowances and in kind benefits indicates use of this technique. Powerful or influential groups put pressure/threaten government with industrial action or political consequences • Government yields to the pressure/threat usually by an award of allowance outside the salary structure • Use of allowances and in-kind benefits • Introduction of new salary scales for select groups 	<p>This approach has been practiced extensively sometimes in all the study countries, except Botswana.</p>
9. Job evaluation and salary re-grading	<ul style="list-style-type: none"> • Comparative analysis and regarding of jobs as specified • Pursuit of both fairness and equity • Participatory but limited • Use of “expert opinion” 	<p>This technique is management tool that complements the salary review commissions and market benchmarking. It has been a popular but technically and politically problematic in Uganda and Ghana.</p>
10. Market-benchmarking	<ul style="list-style-type: none"> • Comparative salary survey across sectors • Decompression of salary structure in favour of the senior and skilled staff • Parallel progression salary structure for skilled professionals 	<p>This is the predominant feature of current initiatives in Botswana and Tanzania. It is also implicit in the new</p>

Characteristics Approaches	Techniques and Tactics	Prevalence in the study countries
		Uganda pay policy.
11. Performance-based adjustments	<ul style="list-style-type: none"> • Productivity measures • Performance bench marking • Performance contracts • Use of performance contracts to define employment terms 	Benin and Burkina Faso governments have tried this but found stiff resistance. It is in vogue in Botswana and Tanzania.

3.2.2 Salary review commission approach

Until recent years, the appointment of “Salary and Conditions of Service” Commissions was the most common approach to public service pay adjustments in Anglophone countries of Africa (in which are included for the study: Botswana, Ghana, Tanzania, Zambia and Uganda). However, Francophone Burkina Faso also had something akin to a salary review commission in 1988. Since mid-1990s, it appears like the Anglophone countries, except Botswana, have abandoned the route of salary review commission. Ghana’s latest commission was 1994, Tanzania’s 1987, Uganda’s and Zambia’s was 1992. Botswana had its seventh such commission since independence in 1998.

The common features of this approach include: The Head of State (President) periodically (5-7 years) appoints a team of politically, technically and socially eminent individuals who represent a wide range of stakeholders (including public service elite, employees, trade unions, private sector employers, etc.) to carry out an extensive reviews of the salaries and terms and conditions of service:

- The commission would then invite presentations by stakeholders as well as the general public on issues;
- The commission would, in addition to the presentations, seek to conduct interviews and discussions with representatives of the main stakeholders, such as trade union leaders, top civil servants (especially those dealing with personnel and finances), leaders of employers associations etc;
- The commission would on some issues invite expert opinions. In the days before economic liberalisation, a “National Incomes and Employment Commission” would be one important source of such expert perspective;
- The commission would compile a report and present it to the Head of State (President);
- The head of State would instruct the Head of Public service to review the recommendations of the Commission and in turn recommend to the Cabinet which of these Commission’s recommendations should be accepted, or notified, or deferred or dropped;
- The head of public service would constitute a task group of senior government officers, with dominance of those from the directorates of personnel management, budgets and industrial relations, to appraise the salary review commission’s report and draft the memorandum for submission to Cabinet; and

- The Cabinet would have the final say on the adjustments to salaries and other elements of pay.

Implicit in the “salary review commission” approach to public service pay decision were Government tactics, which included:

- (a) Seemingly independent arbitration of competing and conflicting stakeholders objectives in adjusting pay. Hence a strong emphasis on enabling broad representation, participation and consultations by the stakeholders through the commission;
- (b) Efforts to forge a national consensus on the priority policy objectives and targets for pay adjustments;
- (c) In the latter context pitching low and agitation and pressure by special groups (such as a trade union) for pay increases;
- (d) Invoking independent professional and expert views to moderate the clamour for pay increases by workers’ representative; and
- (e) Buying time for government to be prepared for the pay adjustments.

The apparent abandoning of the “Salary Review Commission” tactics to manage public service pay issues by virtually all governments signals the fact that there are downsides to the approach. Some commissions were populist and not smart in managing the expectations of the stakeholders. As a result, they ended up making recommendations that either raised workers expectations far beyond what Government could afford or undermined the efficiency and effectiveness of the compensations structure. Thus, for example, the Government of Zambia dismissed the recommendations of the 1992 Presidential Salary Review Commission as generally unrealistic. Also, for example, the 1987 Commission in Tanzania introduced major distortions in the compensation structure by introducing a myriad of allowances and other non-salary benefits. It may be for the same reasons that recently, the Governments of Botswana and Ghana appeared to prefer that consultants carry out tasks that would traditionally be undertaken by a salary review commission²⁵. Nevertheless, in a political environment, the merits of the tactics inherent in this approach cannot be dismissed.

3.2.3 Collective bargaining agreement

Since the advent of trade unionism, collective bargaining agreement (CBA) has been a conventional approach to pay adjustments for all unionisable employees. Therefore, in countries where trade unions are strong, the CBA approach is forced on the Governments.

Common tactics adopted by Governments in the CBA approach to public service pay adjustments include:

²⁵ The authors are aware that by adopting the unrealistic recommendations of a salary review commission (to increase teachers salaries by 150-200 percent), Government of Kenya has since 1997 been confronted with periodic strikes by teachers demanding that the commitment is honoured by the Government, which cannot afford it.

- (a) use of negotiating skills to persuade the unions' representatives to accept that there are limits to what Government can afford;
- (b) deliberate actions to undermine and weaken the unions, through political manipulations, compromising and threatening the trade union leaders, etc;
- (c) co-opting the trade union leaders into political positions; and
- (d) in crisis (strike situations), arm twisting the leaders of the trade unions leaders.

Salary review commissions deliberately played an important role in Government's efforts to minimize the role of CBAs in determining pay policy and adjustments. Also, the use of egalitarian and populist political ideologies in some countries, such as Tanzania, and Burkina Faso for many years stifled the growth of trade unionism, which is necessary for CBAs. Still, CBAs are an important instrument in public service pay decisions in some of the study countries, notably Ghana and Zambia. Moreover, their role could be on the rise in all countries following political and economic liberalisation.

3.2.4 Index-linked salary adjustments

In Benin and Burkina Faso, as in many other Francophone African countries, the indexing link was for any years a simple but politically driven approach to salary adjustments. Underpinning the salary indexation was an egalitarian pay structure as indicated by the low salary decompression ratio in the countries where this approach prevailed for many years.

The approach effectively sought to cut-out politics from public service pay decisions. The approach actually worked smoothly in those countries, until: firstly, Governments interfered with the system as happened in Burkina Faso during the 1980s revolution; and secondly, currency devaluation and high rates of inflation, such as Benin and Burkina Faso experienced in 1994 reversed the gains from index-linked adjustments.

3.2.5 Wage bill and employment modelling

The wage bill and employment model is the macro-economists technical approach to public service pay issues. In the study countries, it gained prominence in the period of structural adjustment programmes (SAPs), which began in the 1980s. It was essentially a model that was imposed from outside in the drive to control wage bill growth and reduce budget deficits for fiscal stabilization. Characteristically, it required Governments to:

- (a) observe total ceilings of wage bill to GDP, and/or wage bill to total public expenditures ratio;
- (b) maintain pay adjustments to within the wage bill envelope; and
- (c) reduce and/or control growth of public service employment numbers to levels consistent with (a) and (b) above. This approach is therefore associated with retrenchment and employment freeze measures under the SAPs.

At one time or another, except for Botswana, every of the study countries has been subjected to the wage bill and employment modelling as a basis for major policy decisions on public service pay adjustments. In all study countries, however, the inadequacy of the model has been amply exposed. Still, elements of this approach continue to influence pay decisions in these countries.

3.2.6 Cost of living adjustments

The cost of living concept gained popularity when public servants pay levels were perceived to have fallen below levels necessary to enable the recipients to meet basic needs of life, i.e. food, clothing, shelter and social amenities. It has therefore been a recurring theme in places where real salary levels have declined considerably in the past especially following several years of high rates of inflation, as in Ghana, Tanzania and Uganda in the late 1980s and early 1990s.

In Uganda, for example, by early 1990s, the primary teacher's salary was equivalent to just about US\$4 per month. In the latter situation, Public Service Review and Reorganisation Commission appointed by Government in 1989 made an unprecedented elaboration of the cost of living approach to public service pay reform. In its 1990 report, the commission suggested that there were four possible pay levels. These levels were:

- (i) minimum living wage (MLW), which would enable the worker to afford a basket of goods and services “needed to keep the body and soul together”;
- (ii) a living wage which exceeds the MLW to enable the worker to procure such other basic needs as health, children's education, transport and appropriate clothing;
- (iii) appropriate national wage, which is one commensurate to the qualifications, experience job responsibilities, and performance of the employee, and this wage would enable employees to save and invest; and
- (iv) a regional (Africa-wide Preferential Trade Area) appropriate wage, which would place Ugandans at par with their counterparts in the region. The commission recommended a living wage for Uganda's public service because Government could not afford the appropriate wage levels²⁶. It envisaged that as the economy of the country improved, Government would pursue the appropriate wage levels

This approach to pay policy was also pronounced in the 1970s as such countries as Tanzania and Zambia shifted towards socialist political and economic systems. It was also considered in Tanzania around mid-1990s. However, this approach to public service pay was ultimately not tenable in these countries for two reasons. Firstly, finding consensus on defining the elements and scope of the costs of what constitutes a “minimum living wage (MLW)” has been elusive. In this regard, for example, some would argue that the basket of goods to be purchased by that wage should include

²⁶ Government of Uganda (September 1990), Report of the Public Service Review and Reorganisation commission, pp.175

elements of such amenities as children's educational and family health, which others (such as the Uganda Public Service Review and Reorganisation Commission) suggested should be placed in the "living wage" level. Also, some would want to basket of goods defined to cater for a family of four (two spouses and two children) while others may argue for twice as many number s on the basis of the country's demographic statistic on average household size. Consequently, the "minimum living wage" can translate to a contentious and moving target.

Secondly, where a MLW was liberally established, as happened in Uganda and Tanzania, in mid-1990s, it was too high to be affordably given the wage bill envelope. Yet, it provided ready ammunition for trade unions to agitate for hefty salary increases. In the circumstances, governments acted to downplay the relevance and feasibility of a MLW target.

Thirdly, in a country of low per capita incomes, such a Burkina Faso, Tanzania and Uganda, the MLW easily exceeded the market wage for unskilled labour, and what the bottom and the formal sector of the economy would accept as the statutory minimum basic salary. Therefore, economists would argue strongly against the pursuit of a MLW target.

3.2.7 Crisis-driven pay adjustments

This is a default approach to public service pay decisions, but it has been very prevalent at different times in the study countries, probably with the exception of Botswana. In the absence of a coherent policy framework, Governments have no option but to tactically respond to pressure and industrial action threats by influential groups of employees, such as teachers, health workers, judiciary officers, etc. In the circumstance, characteristically the Government awards pay adjustments to the select group(s) of employees. Those adjustments ordinarily take the form of allowances and in-kind benefits. In rare cases, they can take the form of introducing new salary scales for the selected group(s) of employees. The approach is described as tactical to contrast it with strategically oriented select pay adjustment approach described later in this section of the report.

There are serious cons to these crisis-driven selective pay adjustments. Three of these cons include: first, it distorts the compensation system through proliferation of allowances and in-kind benefits outside the existing structure. Second, it introduces opaqueness and informality in the pay structure. Third, as observed in several of the study countries, once the employees perceive this to be the Government approach to pay adjustments, there is less clamour by competing groups to pressure Government to make more of these awards. Ultimately, Government is confronted with a crisis in terms of real wage bill gone out of control, and cycles of strikes and other agitation by employees.

3.2.8 Job evaluation and salary re-grading

Job evaluation and salary re-grading is just one of the human resources management professional tool for addressing perceived or real internal equity issues in the organisation's pay system. However, in a number of instances, job evaluation and re-grading has been treated by Government's as an end in itself. Thus, for example, according to the Uganda minister of public service, in the foreword to a job evaluation report, "The Job Evaluation Exercise...provides rational parameters on which the Public Service remuneration should be based and is a paradigm shift from selective awards...the essence of a good pay system."²⁷ In a similar perspective, the Government of Ghana, in 1996, commissioned a job evaluation exercise. When it did not provide all the answers to the issues of public service pay, the frustration of the concerned Government officers was openly manifested.

Besides the problem of Government's predisposition to use what is a management tool as an end in itself, there are other major difficulties associated with a job evaluation and re-grading exercise. Here, only three will be cited. First, the exercise is expensive and time consuming. To complete job evaluation for, a medium sized civil service (such as Uganda's) may take at least several months of efforts by a fairly large team of consultants working alongside an even larger team of Government officers. Even more efforts and financial resources are needed to implement the results of the job evaluation. Consequently, in many countries, the implementation is not taken through to its logical conclusion. Second, usually the results of job evaluation are contested by many groups of employees, because, either, they perceive bias in the evaluation process or they seek to protect their status and interests that are challenged by the results. Third, there are professional debates about the merits and demerits of alternative methods in job evaluation. Thus, for example, according to Bales and Rama, the "Hay points" methodology in job evaluation, which public services and other large organisations have been using, has the problem of comparing public service jobs mainly or exclusively with those in formal sector enterprises, which results in overestimating the extent to which public sector workers are underpaid²⁸. No surprise, therefore, that a recent consultancy study in Botswana strongly recommended against the use of this system²⁹. Therefore, while job evaluation and regarding remains a valid, although sometimes controversial, management tool in addressing public service pay issues, it is not viable as an approach in itself to sort out these issues.

²⁷ Republic of Uganda/Ministry of Public Service (January 2000), Job evaluation in the Public Service, Final Report.

²⁸ Sarah Bales & Martin Rama (June 2001), Are Public Sector Workers Underpaid? Appropriate Comparators in a Developing Country. A paper written for the research project on Efficient Public Sector Downsizing (RPO 683-67) with support of World bank's Vietnam Country Office, East Asia and Pacific Region, pp.2/3

²⁹ Government of Botswana (2002)

3.2.9 Market benchmarking of pay adjustments

The objective in the market benchmarking technique is to enable the Government to compare how its pay levels compare with those of its competitors in the market skills. The impetus for this approach has come from exodus of technically and professionally skilled public service employees to other sectors as well as other countries. Thus, the growing private sector and the expanding non-governmental sector following economic and political liberalisation in the study countries is increasingly confronting the public sector with competition for skills. Also, in spite of the political populism of anti-immigration policies, many developed and middle-income countries (such as Botswana) are deliberately luring professionals and technicians from their public sector jobs in the poor developing countries, in which category six of the study countries fall. Therefore, for a country like Botswana, which neighbours an even more developed Republic of South Africa, and which has also needed comparatively large numbers of expatriates, external competitiveness has been one plunk of its strategy for managing public sector pay.

One tactic in implementing this approach is to establish a parallel salary structure for skilled technicians and professionals. This is what Tanzania has effected through its selective accelerated salary enhancement (SASE) scheme, which covers on some groups of employees. Another tactic, which is in use in Botswana and Tanzania, is use of contracts at comparatively high pay is a technique by which the Government proposes to cope with external competition for skills. There are indications that these tactics may in the near future be in more widespread use in other study countries, especially Uganda and Ghana.

3.2.10 Performance-based salary adjustments

Performance-based salary adjustments have been popularised across all the study countries through the influence of “new public management”. However, so far, only Benin and Burkina Faso have taken serious initiatives to introduce this approach. This approach has however met with stiff resistance from the trade unions in Benin. In Burkina Faso, civil servants have also been reluctant to support the implementation of the “merit-based” pay system because they are not confident that it will be efficiently and fairly implemented. This latter situation is not surprising because even in developed countries, both public and private organisations have technical difficulties in implementing performance-based pay systems.

3.3 Political, Rational and Default Models

On the basis of a review of the approaches, techniques and tactics of public service pay decisions in the study countries, it has been determined that there are seven distinctive models in these decisions. Furthermore, these models fall into three categories, first, there is a default model, which as its description implies reflects the absence of a proactive policy stance by the Government on the issues of public service pay decision-making which can be described as political because the underlying policy objectives and framework, as well as the techniques and tactics that apply have political underpinnings.

The third set of models is described as rational because they are geared to achieve specific objectives through a rationalised technical framework. **Table 3.2** below provides an overview of the three categories of models. A description of each of the models under each category falls below:

Table 3.2: Main categories of public service pay decision-making models

Main categories of models	The models
1. Default model	1. Crisis response model
2. Political models	2. Centralised control model
	3. Consensus-building model
	4. Egalitarian model
3. Rational Models	5. Affordability model
	6. (Skills) Market Competitiveness model
	7. Performance-based model

Source: the authors

3.3.1 A Default (Crisis-Response) model

The crisis-driven approach to pay decisions translates to a default model. This approach must be a consequence of absence of a pro-active and strategic policy orientation in addressing public service pay decisions, instead, decisions are reactive and meant to serve the exigency of the situation .

In all the study countries except Botswana, there have been relatively prolonged periods of crisis-driven approach to public service pay. The approach prevails in situations where there is neither strategy nor consistent other approach. It is characterised by decisions based on political exigency, such as ad hoc and selective salary adjustments generally in favour of the more politically powerful or influential groups of employees. Benin, Burkina, Ghana and Zambia are in this situation today. Tanzania has gotten out of it for the past few years. Uganda is just emerging of it. This approach is underpinned by absence of strategy and prolonged inappropriate use of the other approaches. The latter is the context in which Benin and Burkina find themselves as they attempt to introduce performance-related pay. Furthermore, as long as a country has no strategy, and it has resources constraint, it will sometime enter into a crisis-driven episode. In this regard, Botswana may never be forced into this approach in the near future, and Tanzania appears to have taken a decisive move out it by adopting and committing to a coherent medium to long-term strategy. Uganda, with a less coherent medium term strategy and less strongly endorsed strategy remains at risk of return to crisis-driven approach.

3.3.2 Political Models

The essence of the political orientation in these models is an explicit or implicit acknowledgements that, firstly, pay decisions will affect different political constituencies differently. Secondly, pay decisions can and should serve some political objectives.

It is instructive that political models dominated the scene in the study countries in the early years following independence. Three such models, which are described below, have been identified from the study countries.

3.3.2.1 Centralised control model

A protectionist public policy generally underlies this approach. This is the approach that dominated in virtually every of the study countries in the era immediately following independence. This was particularly so in the era of centralised management and control of the public sector. Thus a common technique in this approach is the promulgation of a national incomes policy. Other techniques closely associated with the approach include a unified salary structure, indexation of salary adjustments, and a minimum wage policy. Three of the study countries, i.e. Benin, Burkina and Botswana, sustained this approach to public service pay determination for many years. In Benin and Burkina, the main technique for this was the indexation of salary adjustments, which dysfunctionally remains an important feature in the pay determination in these countries. However, this particular technique appears to have contributed to stability of the approach and therefore its long sustenance in these two countries. A common “francophone” public administration dispensation, which for many years ensured comparatively high pay levels for public servants, is evident in this legacy. In the other five (Anglophone) study countries, changes in policy orientation appear to have influenced a shift in pay approach in the early years following independence.

3.3.2.2 Consensus-building model

In what appears to be an Anglophone legacy, Botswana, Ghana, Tanzania, Uganda and Zambia adopted a stakeholders consultation and consensus-building approach to public service pay determination within the first decade following independence. Faced with the challenges of collective bargaining to enhance what were comparatively low salary levels, this approach represented a pragmatic policy stance. The approach was operationalised through successive salary and conditions of service review commissions, which in turn facilitated consensus for restricted collective bargaining. On this basis, the twin objectives of moderating salary adjustments and containing trade union pressures were generally achieved. As indicated in the previous section, however, changes in policy objectives, and political circumstances eventually undermined this approach to public service pay determination.

3.3.2.3 Egalitarian model

The egalitarian approach has origins in socialist ideology as well as the social cultural orientation of public service managers. In this approach, whose elements are still noticeable in varying degrees in all the study countries, the primary policy concerns revolve around pursuit of equity and fairness in the allocation of the wage bill resource. Thus this approach became dominant when a country seriously adopted a socialist

political ideology, as happened in Ghana and Tanzania in 1960s, and in Benin in 1980s³⁰. As explained in individual country chapters of the report, since these countries abandoned the socialist ideology, their approach to pay reform has significantly shifted. On the other hand, in country like Uganda where the political ideology never advanced beyond rhetoric, the study team has noticed that a legacy social culture has until recently sustained an egalitarian approach to pay decisions. Techniques in this approach included stipulation of a minimum living wage and compression of the pay structure. As will be elaborated, this approach was the root cause of the crisis in pay crisis in the countries where it was consistently pursued over a number of years.

3.3.3 Rational Models

The emergence of rational models of pay reform in the study countries is relatively recent. The introduction of these models can be associated with neo-liberal politico-economics, and in particular with two relatively recent developments in public sector management reform: one, structural adjustment programmes; and two, “new public management”.

In the rationalist school, firstly, there is a comparatively narrow perspective of public service issues. Secondly, there is a tendency to oversimplify the externalities of the decisions made, especially in terms of how they are experienced or perceived by various interested groups. Thirdly, the implicit assumption in these models is that bad politics underlie the problems in public service pay. Therefore, it is further assumed that by de-politicising the decision-making, more efficient and effective solutions to the problems. Three models described below fall into this category.

3.3.3.1 Affordability Model

In the study countries, as common for other developing countries, this approach has its origins in the structural adjustment programmes. Botswana has not been through this situation. All the other countries have attempted this approach at one time or other, since SAPs came to the scene. The characteristic technique is use of a wage bill and employment model to determine what size of public service is appropriate given target levels of pay and a hard wage bill ceiling. Then, as explained in the previous section, downsizing is an important tactic in this approach. Evidence from the study countries indicates that this model is too simplistic to yield sustainably implementable results. An attempt to use it in Zambia in 1998, for example, was out rightly rejected by Government.

3.3.3.2 Skills Market Competitiveness model

The “competing for skills” approach focuses on the need to recruit and retain adequate numbers of personnel with critical skills and experience. In this way, Government efficiently compensates its employees by market benchmarking of public service pay levels. To the latter end, through such tactics as labour market surveys, data on market

³⁰ In Benin, Uganda and Zambia, socialism never advanced beyond rhetoric. In Botswana, even the rhetoric never came to the scene.

salary levels are obtained. This approach is recent, but has quickly gaining ground. It is the primary feature of recent pay policy decisions in Botswana, Tanzania and Uganda.

3.3.3.3 Performance-based model

The ultimate in elegance and results-oriented approach to pay, in both public and private sectors is performance-based. However, it is managerially too challenging to successfully implement, even in private sector organisations. Still, for the advocates of corporatisation of public sector institutions, the approach is worthy trying. Influences of “new public management” through consultants have got Benin and Burkina governments embarking on a radical shift from the indexation of salaries and crisis-driven approaches to performance-based pay. Quite correctly, the workers representatives have actively resisted this change. It is both strategically and tactically inappropriate for the prevailing organisational and political environments that prevail in the se two public services. There is also rhetoric of adopting performance-based pay in the other study countries. However, only Botswana can for now seriously embark on such an initiative.

3.4 Dearth of strategic orientation and sequencing

The almost total absence of a strategic orientation and long-term perspective to pay policy across the study is amazingly conspicuous. The current high prevalence of a crisis-driven approach, and the attendant instability and inconsistencies in pay levels and trends across the study countries underscores this fact. Governments have faced difficulties in consistently adopting either a model approach or stable policy framework to issues surrounding public service pay determination through the years. Policy objectives, which may be explicit or implicit, as well as approaches, techniques and tactics have varied over the years, and have often changed without any degree of consistency or strategic orientation. In several of the countries, and on many instances, decisions with far-reaching and enduring implications have been made just to meet the political exigencies of the moment. In such situations, furthermore, there have been no sequencing considerations.

CHAPTER FOUR

PAY REFORM AND POLITICS

4.1 Introduction

The previous chapter has indicated to us the comparative pay trends, techniques, tactics and sequences adopted, as well as their successes and failures. The following sections try to explain them from the vantage point of politics. Simply stated, does politics matter? Has politics and related variables had any impact on pay reform? If so, which, how and in what ways?

These questions are important because it appears that there are significant correlations between pay reform and politics in all our case studies. There were pay raises in Burkina Faso in 1994 (prior to the 1995 municipal elections), 1996 (prior to the 1997 parliamentary elections), and in 1998 following the political crises triggered by the politically motivated assassination of the journalist Norbert Zongo, and the rejection by the unions of the Public Service Global Reform (PSGR). However, pay reforms have stalled after the initial momentum. The size of the Civil Service has been increasing and pay and promotion are still not based on merit and performance. The salary structure is still highly compressed, and there are no clear, transparent and objective criteria for promotion. Trade Unions and Parliaments have so far been successful in resisting the 1998 comprehensive civil service reforms.

In Benin, a struggle over rates of pay increase between the neo-liberal President Soglo and a populist National Assembly ended up in the country's constitutional court and contributed to Soglo's defeat at the polls in 1996, despite his having granted housing allowance payments to all civil servants, increased family allowance rates and, on the eve of the 1996 elections, provided a salary increment to the index of December 1990. Pay increases multiplied in the years of legislative elections (1995) and Presidential elections (1996). Benin has implemented a structural adjustment programme (SAP) that, among other things, includes a reduction in the number of civil servants, a decline in the share of the wage bill in current expenditure, a hiring freeze, an end to automatic hiring of university graduates, etc. However, attempts to introduce a performance-based (merit) system of promotion have not succeeded.

In Zambia, President Kaunda granted a 100 per cent pay increase prior to the 1991 elections, and kept on providing maize meal subsidies until after the polling day. His successor once promised a 200 per cent pay increase during election campaigns, and his entire tenure was marked by pay increases before presidential, parliamentary or by-elections and in the aftermath of strikes. As the President of CSUZ noted, "before elections it is easier to strike deals and get a pay raise ... political will is only manifest before elections".

There were hefty pre-election pay increases even in Botswana where the neo-liberal ideology holds sway. This was before the 1993 and 1998 Parliamentary and Presidential elections. The 1998 increase was granted during a period of intense politics, especially by the ruling Botswana Democratic Party, to bring intra-party factionalism under control; manage the transfer of power to a new party Chairman and President of the Republic; win a national referendum, and take back from the opposition the gains that the latter had registered in their stunning performance

during the 1994 parliamentary elections. Also pay reforms in Botswana have been characterized by periodic salary reviews, a tendency to increase the compression ratios to one of the highest in Africa, and to ignore trade union and labour demands for reforms.

Uganda also presents an interesting case. The 1996 elections year saw an increase of almost 38 per cent to the wage bill from Ushs. 160 billion to Ushs. 220 billion. This capped a period of intense activity on pay: first as the Government was going through a political consolidation phase that included constitutional assembly elections and, a national referendum, culminating in parliamentary and presidential elections of 1996. Thereafter, pay reform in general receded as a priority area. The policy changed to awarding pay raises to strategically located employees like teachers.

Ghana's pay reform efforts have also not been devoid of politics. Indeed, the Ghanaian case brings to the fore a conclusion that champions of democratic politics may find interesting to say the least. The introduction of liberal multi-party politics in 1992 ushered in a period of "reform reversal" in Ghana. During that year expenditure rose sharply from 13.7% of GDP in 1991 to 17% largely due to substantial civil servant salary increases and selective repair of infrastructure across the country on the election eve. In 1993 the government failed to observe most of the programme targets negotiated under an agreement with the IMF, resulting in a deficit equivalent to 2.5 of GDP, as Hutchful comments:

"... in this sense, it was political liberalization that stimulated further economic liberalization, rather than the other way around. This was also reflected in the expansionary influence associated with the elections. Both the 1992 and 1996 elections were accompanied by a major surge in government spending and public sector borrowing."

Tanzania partly manifests a contra-trend: success at resisting pressure to award wage increases and de-compress the salary structure. Upper-middle and top-level civil servants have experienced significant losses in real take-home pay over the years. Also, the average public service salary remains far below the level of the mid-1970s. Attempts to implement yearly salary adjustments have not been followed. The wage-bill/GDP ratio, which was expected to rise progressively, has been declining, going below the pay reform benchmarks. According to Valentine, "there appears to be low government commitment to financing its wage-bill requirements". While Governments in other countries have been under intense pressure to overspend on pay increase awards, the Governments in Tanzania have succumbed to a counter-pressure to spend less and fall short of the planned wage bill/GDP ratio. Funds planned for pay increases have sometimes been re-allocated to other public expenditure.

What explains this correlation between political events and pay increases? Is it accidental? Equally importantly, what explains the variations among the case studies? Why have Tanzania, Uganda, and Botswana succeeded in ignoring trade union demands while Benin, Ghana and Burkina Faso have not?

The following sections address these questions. Section two suggests a theoretical perspective that may assist us in developing the link between politics and pay reform. Section three

discusses selected variables that are critical elements of politics in each of the country cases. Section four concludes the chapter.

4.2 Theoretical Perspective

In order to understand the politics of pay reform in Africa, it is important first to appreciate the fact that what constitutes the essence of politics is the constraints under which political actors operate and the strategic manoeuvring that they occasion and that occurs within them that constitutes the essence of politics. In calculating the costs and benefits of available alternatives, political actors take into account historically determined structural imperatives, opportunities and benefits, as well as the risks and constraints provided by the existing means of legitimation, administration and coercion. Structural imperatives include the country's wealth (or state of the economy) and social distribution, nature and strength of power centres in the polity, that is, whether socio-political power resides in political parties, trade unions, the military, or the public bureaucracy; and the strength of the media. "Structural opportunities" may include election times and situations of political disturbance. Depending on the nature of a particular regime, election times may be regarded by organized unions as an important structural opportunity for salary/wage concessions to be made by the government. On the other hand, political elites may deem it expedient to institute severe anti-inflationary policies when elections are still a long time off because they cannot be hurt politically at that time. Risks and constraints may include erosion of political support and legitimacy and ultimately loss of political power through loss of elections, military coup d'état, the rise of popular movements, etc.

Politics is a complex game of strategic calculations. As Geddes points out, politicians often face the so called "politician's dilemma" in deciding among a set of policy preferences. According to Geddes, there are three main goals that all politicians, particularly Presidents, share, namely they must survive in office, they must govern effectively, and they must build a loyal political organization. To achieve the above, they must sustain what Max Weber (1978) called the "means of administration and coercion" (MAC). Mouzelis elaborates these MAC as 'macro-institutional, organizational ensembles that, on the level of the whole polity, link the rulers and the ruled, for example, types of state administrations or military apparatuses, techniques of taxation, of national accounting, of mass mobilization ... and forms of political incorporation".

The above statement refers to:

- a) what the state is:
 - state institutions and organizations, armies, public service, and parastatal organizations;
- b) what the state does and the work processes:
 - generate and sustain legitimacy, administrate, adjudicate, collect taxes, regulate, provide critical infrastructure and social services, defend its boundaries and sovereignty;
- c) also the means with which it does the above:
 - political parties, means of destruction, techniques of accounting, finances, skilled and experienced personnel, technologies and techniques, knowledge, and so on.

These means of legitimation, administration and coercion can be divided into two parts in the context of our discussion. There are those that are critical to the very functioning and continuing existence of the state, and there are those functions and activities that are important, but not critical (these include developmental activities). To borrow from Thompson (1967), the former activities comprise the technical core of the means of administration and coercion (MAC). Ruling classes will do everything possible to keep these core means of administration and coercion going. They can easily give up on the lesser MAC. What needs appreciation is the extent to which the ruling classes are able to produce and reproduce these critical means of administration and coercion and if they can sustain them: that is, whether they have the legitimacy and support, capacity, resources (money), manpower, and technologies to sustain the critical core functions of this apparatus (Mukandala, 1999).

The sustenance of critical means of legitimation, administration and coercion is dynamically linked to the three regime goals of survival, effective governance and sustenance of a reliable and loyal political organization identified by Geddes. However, these goals conflict with one another, the major trade off being between technical considerations for effective performance vis-à-vis partisan loyalty. In practical terms, this may mean a choice between a rational pay and employment model based on optimum choices within an overall financial ceiling on the one hand, and a pay and employment model driven by political considerations that is patronage and clientism, on the other. In most cases, “exigencies of electoral needs often overwhelm other commitments”. Geddes further concludes that variations among politicians’ preferences largely depend on the characteristics of the party and the political system. Politicians in well institutionalised parties with well-developed electoral machines and networks for delivering benefits are more likely to invest some resources in developing technical expertise in order to improve party’s performance in office. On the contrary, politicians from new, and weak parties with no effective distribution networks and electoral machines, are more likely to invest resources in developing a loyal organizational base for political support.

It is also true that regimes with domestic budgetary capacity to meet their needs are more likely to pursue independent policies and resist donor pressure. As is well known, a country’s budget contains its anticipated amounts of revenue and their sources, on the one hand, and proposed expenditure for certain items and purposes, on the other (Wildavsky 1979). The budget reflects self-reliance if it is balanced (that is, if anticipated revenue matches anticipated expenditures), or better still, if there is a positive imbalance (that is, anticipated revenue exceeds planned expenditures). The reverse situation has a negative impact on the economy. Imbalanced budgets in and of themselves, however, need not spell doom for a country. It all depends on the part of the budget that has a deficit. The expenditure side of the budget can be broken down into the recurrent budget which covers the government’s ongoing activities, and the development or capital budget which is the public capital programme. In current terms, one may say that the recurrent budget goes to fund the core state functions, while the development budget funds new activities which the state decides to undertake. A deficit in the recurrent budget is therefore more critical in terms of its erosion of autonomy than a shortfall in the development budget, the activities of which may in fact be frozen, scaled down, or abandoned.

A regime’s bargaining position and capacity to resist donor pressure declines as its capacity to pay for its recurrent budget weakens. This decline in capacity may manifest itself in many ways,

the most dramatic being failure to meet the pay roll, and failure to pay for essential foreign imports because of depletion of the country's foreign exchange reserves. Within the context of the "politician's dilemma" and African realities, donors have been the force pushing for effective and efficient macro-economic management. Their increased influence translates into ascendancy of merit and professionalism where patronage and clientism dominated.

4.3 Political and Related Variables in Pay Reform

4.3.1 Pay Reform as a Problematique in Resource Allocation

Most public service reforms entail resource mobilization and allocation (or re-allocation). Pay reform, in particular, can properly be considered a problematique in the politics of resource mobilization and allocation. Pay reform is ultimately political because it is mainly (though not exclusively) determined in the budgetary process where the question of "who gets what, when and how" is settled.

Many institutional actors – strong and weak – participate (or are interested) in the process of resource mobilization and allocation, and therefore the pattern of allocation cannot be determined "rationally" by a group of "experts" in defiance of the interests of the main actors.

The main institutional actors are the following:

- administrative actors who include the Chief Executive, Ministers, Public Sector bureaucrats and technocrats;
- representative bodies which include parliaments, regional assemblies and local government councils;
- market institutions which include the private sector or the business community;
- civil society institutions which include the political parties, trade unions, the media, and various civic organizations; and
- the donor community, including donor agencies and external consultants or experts.

Figure 4.1 over the page depicts the main actors in the politics of resource mobilization and allocation. All these actors may exert an influence on pay reform in a positive or negative direction. For ease of reference, the main characteristics of these actors are summarized in **Table 4.1** for each of the seven study countries. We shall comment on these features country by country.

4.3.1.1 Administrative Actors

The strength and commitment of the Chief Executive makes a big difference in the implementation of a pay reform, but this can be counter-balanced by other things. In Benin, for example, the Chief Executive faced strong checks from the other branches (especially the parliament), and the bureaucracy was too politicised to be able to implement the pay reform in a consistent manner. Thus after a promising start, the reform stalled on the critical issues of performance based system of recruitment, promotion and wage indexing.

Figure 4.1: The Main Actors in the Politics of Resource Mobilization and Allocation

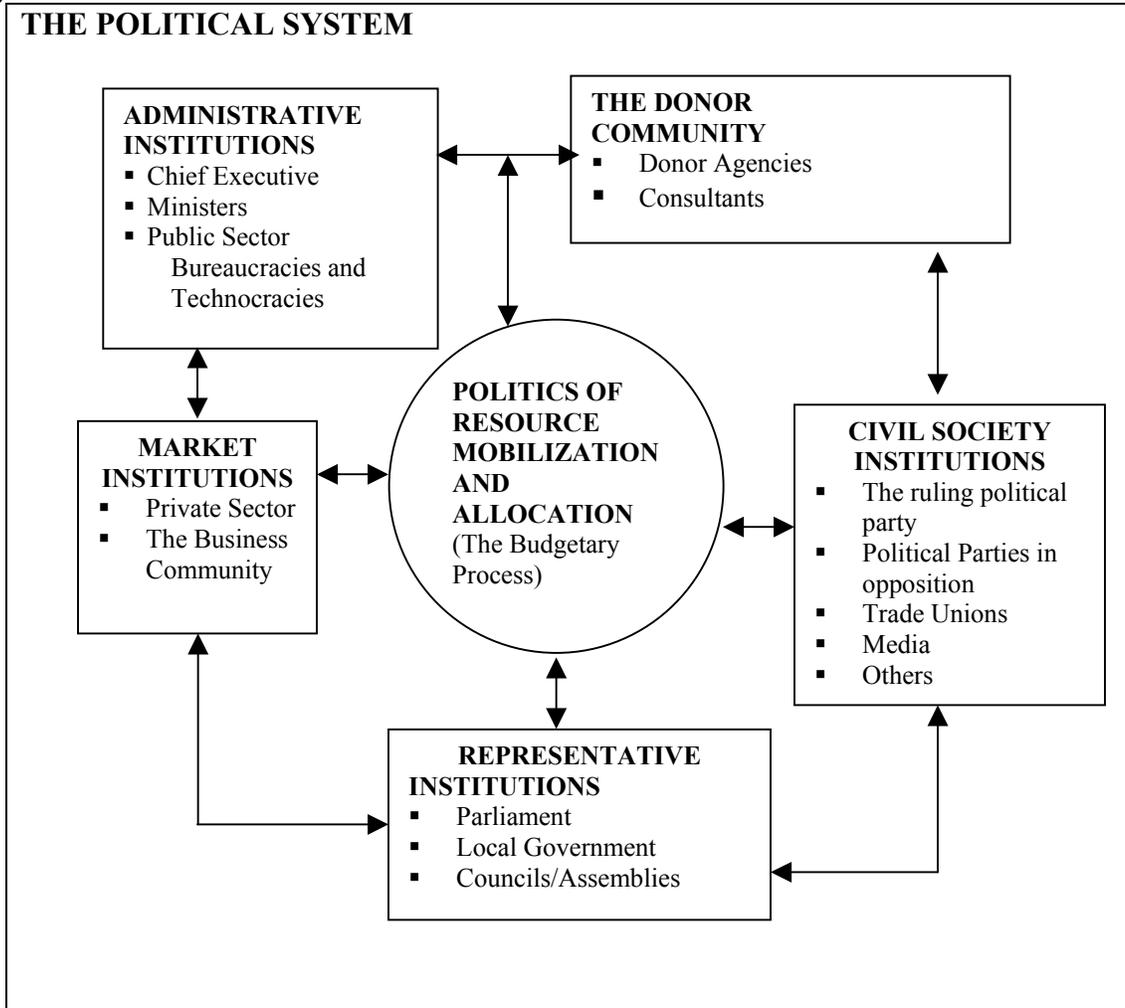


Table 4.1: Strength and Orientation of the Main Actors

COUNTRIES UNDER STUDY							
INSTITUTIONAL ACTORS	BENIN	BOTSWANA	BURKINA FASO	GHANA	TANZANIA	UGANDA	ZAMBIA
<u>Administrative Actors</u> <ul style="list-style-type: none"> • Chief Executive • Ministers • The Bureaucracy 	Very effective checks on Executive from other branches; bureaucracy is politicised and ineffective in reform implementation	Very powerful Presidency; very powerful, cohesive, well-paid, fairly efficient and loyal bureaucracy.	Strong personal rule by the President with shaky legitimacy and weak political base	Rawlings was charismatic and highly committed to reform till the mid-90s; Bureaucracy is managerially weak due to loss of manpower; very corrupt but non-partisan	Chief Executive is highly committed to reform and is politically secure; the bureaucracy is corrupt but now gaining on efficiency due to SASE (?)	Very strong executive, personal rule. Bureaucracy and Ministers are corrupt	President weak, corrupt, politically insecure; bureaucracy is corrupt
<u>Representative Institutions</u> <ul style="list-style-type: none"> • Parliament • Local Government Councils and Assemblies 	Strong multi-party parliament, an arena of vested interests; Weak Local Government Councils. Government lacks majority since 1998	Parliament is quiescent and uncritical; so are Local Government Councils and Assemblies	Weak, divided among many parties, subordinate to President. But Parliament continues to raise own pay; is vs 1998 public servant dominated reform	Strong multiparty parliament and District Assemblies since 1993	Parliament dominated by one party, with few exceptions, rubber stamps executive decisions; increases own pay and perks	Parliament weak, loyal to movement and President; local councils active; increase own pay and perks	Strong multi-party parliament; increases own pay and perks
<u>Market Institutions</u> <ul style="list-style-type: none"> • The business community 	Public servants dominated through investments, joint ventures, etc.	NA	Large informal sectors which provides an additional economic avenue to senior public servants. 11 out of 20 millionaires are civil servants	Business Community has a "hoarding" culture; raises prices on first signals of pay raise; has been invaded by lowly paid public servants	NA	NA	NA
<u>Civil Society Institutions</u> <ul style="list-style-type: none"> ▪ Political 	Strong competitive parties since 1990. Strong unions,	Very strong ruling party, weak opposition	Too many political parties (over 60)	Strong parties since 1993 with fierce political competition;	Strong ruling party, weak opposition parties with weak	Movement has monopoly of political space	Competitive political parties,

<ul style="list-style-type: none"> Parties in Power and in opposition Trade Unions Media Others 	critical media	parties, unions, the media and NGOs	dominated by President's party; unions active, but divided	strong unions; critical media	political competition; weak unions; fairly informative and critical media	allied with army; political parties operate underground; fairly critical media and CSOs	factionalised, strong unions, critical media
<u>The Donor Community</u> <ul style="list-style-type: none"> Donor agencies Consultants and experts 	Highly influential, heavily engaged but could not get government to move on the 1998 reform law	Donors play very secondary role in economy and pay reform because of strength of economy of Botswana	Very active; pushed the unpopular 1998 Law against wishes of unions	Highly cooperative till 1992; shuffling feet in the 1990s; now toughening conditionalities while admitting the country to HIPC status	Cooperative in early 1990s; unhappy 1994-95; since then highly supportive	Donors initially very supportive of country and reform policies, currently growing uneasy with trend of politics	Highly supportive, but disappointed with implementation of reform programmes

In Burkina Faso, the (authoritarian) President Compaore had a freer hand, but his shaky legitimacy and weak political base diminished his thrust on the reform. The bureaucracy was both politicised and corrupt, and therefore a weak instrument of reform implementation.

In Ghana, Rawlings was charismatic and highly committed to reform till mid- 1990s when plural politics eroded the reform discipline, which he had enforced and maintained for a decade. The Ghanaian bureaucracy was also managerially weak due to corruption and inability to attract and retain highly qualified staff.

In Tanzania, the Chief Executive has been highly committed to reform and is politically secure, but bureaucratic corruption and lack of strong “push” from the other actors (especially unions and parliament) have left the government free to award discretionary and selective pay increases. It is the same story for Uganda where President Museveni exercises personal rule and the bureaucracy and ministers are corrupt.

Pay reform in Zambia (under Chiluba) suffered a combination of a relatively weak, politically insecure (and corrupt) Chief Executive and a corrupt bureaucracy. Botswana was in a class of its own on the administration variable. It had a happy combination of a powerful presidency and a well-paid, fairly efficient non-partisan bureaucracy.

4.3.1.2 Representative Institutions

In three of the seven countries, representative institutions were relatively strong and played an important role in the reform process. These were Benin where there is a strong multiparty parliament, but relatively weak councils; Ghana which has strong multiparty parliament and District Assemblies, and Zambia which has strong multiparty parliament but weak local councils.

Representative institutions in the remaining four countries are relatively weak compared with the executive. In Botswana, the BDP-dominated parliament is quiescent and uncritical of government policy, actions or inactions; and so are the local councils. In Burkina Faso, the parliament is weakened by the many party interests represented there. The country has over 60 political parties. In Tanzania, parliament is dominated by the ruling party, which has over 80% of the MPs; so are most of the local government councils. In Uganda, most MPs are loyal to the movement and the President, and so are the active movement-based local councils. A common feature to almost all the representative institutions is that they succeeded in raising the pay and perks of their own members during the past decade – in stark contrast to the government failure to effect substantial increases in the civil service pay. There was also substantial increase in the salaries and allowances of ministers and other members of the political elite during the decade.

4.3.1.3 Market Institutions

The study shows that market or private sector institutions do also have an influence on pay reform. First, in some cases they poach manpower from the civil service by offering better pay.

Second, in most of the study countries there is a large informal sector, which provides an additional economic avenue to junior public servants. Moonlighting activities supplement meagre salaries and governments do tolerate this sector for that reason. Experience has shown that junior civil servants tend to prefer a lowly paid job in the civil service (considered more

“secure”) to a better-paid job in the private sector (considered less “secure”) as long as they are free to moonlight or work at secondary jobs.

Third, in other countries (e.g. Benin, Burkina Faso), senior public servants are major actors in the private sector in which they individually or jointly invest incomes earned justly or corruptly. In Burkina Faso, for example, 11 out of the country’s 20 millionaires are civil servants.

Fourth, in most of the countries, the business community has developed a “hoarding” culture. It raises prices of essential services (e.g. accommodation) and consumption goods (e.g. food stuff, clothing, etc.) on the first signal of pay raise. Thus the salary raise is diminished before it is actually awarded or enjoyed.

4.3.1.4 Civil Society Institutions

Important civil society institutions engaged in the politics of resource allocation include political parties, trade unions and the media. The seven countries fall into two categories on this variable. The first category has a ‘balanced’ power situation, with a combination of strong opposition parties, trade unions and media (Benin, Ghana and Zambia).

The second category includes countries with strong ruling parties but relatively weak opposition parties, unions and media institutions (Botswana, Burkina Faso, Tanzania, Uganda). In the Tanzanian and Ugandan cases, media institutions have continued to become more informative and critical since early 1990s but media laws are still in favour of state control; and civil society organizations have mushroomed but have not joined hands with the (new) political parties. In Uganda, political parties are disallowed, but old party identities (UPC, DP, KY) still linger on and have substantial influence in electoral politics.

4.3.1.5 The Donor Community

In all the seven countries, the donors have been the major force pushing the pay reform and related public service reforms. In particular, donors have pushed politicians to adhere to proper macro-economic management practices (including observing proper ceilings for the wage bill), sometimes by threatening to withdraw aid in general or support for the pay reform in particular. For example, in Burkina Faso the donors succeeded in pushing the unpopular 1998 law against the wishes of the unions.

As the case studies show, donors have not succeeded in all cases. Politicians have complied with donor requirements (or conditionalities) only where their political survival is not threatened. As the Ghanaian case indicates, for example, Rawlings complied closely in the 1980-90 decade when he had complete control over the social forces (with the army behind him). He failed to comply with donor requirements during the 1990-2000 decade because survival under political pluralism required the use of patronage on a wider scale.

Donor fatigue and disappointment with the slow pace of pay reform implementation is now evident in some of the study countries. **Table 4.2(a)** over the page summarises the progress on pay reform during the 1990-2002 period.

Table 4.2(a): Pay Reform, Ideology and Political Organization

VARIABLE	BENIN	BOTSWANA	BURKINA FASO	GHANA	TANZANIA	UGANDA	ZAMBIA
PROGRESS ON PAY REFORM 1990s-2002	Initial movement but stalling on critical issue of performance (merit) based system of recruitment and promotion and wage indexing	Continuous pay increases	Initial movement but stalling, civil service pay structure highly compressed, pay and promotion still not based on performance, wage indexing	Stalling, increases have been sporadic and chaotic.	Initial movement stalling; discretionary and selective increases	Initial movement, stalling-characterized by selective increases.	Stalling; Sporadic and Chaotic increases
IDEOLOGY	Neo-Liberalism SAP 1990 Previous Ideology: Socialism	Neo-Liberalism free market ideology since independence. NO SAP Previous Ideology: Kagisano	Neo-Liberalism since introduction of SAP. Previous Ideology: radical African Socialism of Sankara	Neo-Liberalism since introduction of SAP Previous Ideology: African Socialism of Nkrumah	Neo-Liberalism but strong under current of socialist equity persists.	Neo-Liberalism since SAP 1997; Previous ideology: Common Man's Charter	Neo-Liberalism. Previous ideology: Humanism
POLITICAL ORGANIZATION	Discontinuous, unstable	Continuous, Stable, BDP in power since independence	Discontinuous, Unstable	Discontinuous, Unstable	Continuous, Stable, CCM/TANU in power since independence	Discontinuous, unstable.	Relatively continuous but unstable.

Table 4.2(b): Political System and Stability Variables

VARIABLE	BENIN	BOTSWANA	BURKINA FASO	GHANA	TANZANIA	UGANDA	ZAMBIA
Political System							
(a) Monopolistic						X	
(b) Uncompetitive Pluralism		X	X		X		
(c) Competitive Pluralism	X			X			X
Political Stability							
(a) Unstable							
(b) Unpredictable	X		X	X		X	
(c) Fairly Stable							X
(d) Stable		X			X		
Regime Legitimacy							
(a) Low			X				
(b) Medium	X					X	X
(c) High		X		X	X		
Regime Ideology							
(a) Socialist/Leftist							
(b) Neo-Liberal	X	X	X	X	X	X	X
Social Basis of the State/Regime							
(a) Factional basis	X		X	X		X	X
(b) 'National' basis		X			X		

4.3.2 Political System and Stability Variables

The systemic and political stability variables, which are of interest to this study, include the following:

- Competitiveness of the political system
- Institutionalisation of political organization.
- Regime legitimacy.
- Regime ideology, and
- Social basis of the regime/state.

The variables are summarized country-by-country in **Tables 4.2(a)** and **4.2(b)** above. We shall provide a few elaborations here.

4.3.2.1 Competitiveness of the Political System

The nature of the political System is important in a study of pay reform (or resource allocation generally) because it is assured (or hypothesized) that the more authoritarian the regime is, the more insulated it is from people' demands, and, conversely, the more democratic the regime is, the less insulated and therefore more responsive to people's demands.

However, the authoritarian-democratic variable is too amorphous and lacks precision in a situation of transition. All the seven countries are in a state of transition from authoritarian to democratic forms of governance, and therefore each has elements of authoritarianism and democracy. We therefore prefer to look at the degree of "competitiveness" of the political system. On this variable the system may be monopolistic (or monolithic), uncompetitive pluralism, or competitive pluralism; for some multiparty (institutional pluralist) systems in Africa have proved to be uncompetitive in practice.

One of the countries (Uganda) is monopolistic, being a no-party [movementocratic] political system. Political competition (e.g. elections) takes place within the movement framework rather than political parties.

Three of the countries [Botswana, Burkina Faso and Tanzania] have uncompetitive pluralism, i.e. multiparty systems dominated by long-established ruling parties and strong executives. Two of them [Botswana, Tanzania] also have relatively weak civil society organizations (especially trade unions).

The remaining three countries [Benin, Ghana and Zambia] have highly competitive pluralism with vibrant trade unions, opposition parties, and a good balance of power among the three branches of government. For example, cases of disagreement between the executive and the legislature have been referred to the judiciary on several occasions in Benin, the most notable being in 1994 following a disagreement between President Soglo and the National Assembly on percentage increase in civil service pay. The case went all the way to the constitutional court. Similarly, the 1998 Law on pay reform was also referred to the constitutional court.

There have been similar tussles among the three branches in the other two countries as well. Moreover, all three countries have had a change in the political party in power: twice in Benin and once in Zambia and Ghana during the period under study. Although the MMD retained power in Zambia following success in the 2001 elections, it was led by a new person after Chiluba's antiquated attempts to amend the constitution so as to stand for a third term were soundly rejected.

4.3.2.2 Institutionalisation of Political Organization

Political stability requires institutionalisation of political organization, including the adoption of acceptable political rules, behaviour and practices. Institutionalisation of political organization ensures political continuity and orderly change. A politically stable country is not subject to traumatic political shocks, violent change of government, secession, military interventions, popular insurrections or civil war.

The modern form of political organization is the political party around which politics has been organized for more than three centuries now. Political parties have important political functions: representing, aggregating and articulating people's interests; mobilizing support and inducing compliance; political socialization and political recruitment, etc. A strong and well-organized party is thus essential for a strong and effective political leadership. Other types of organization may serve as a springboard for gaining political power as in the case of social movements in Ghana and Burkina Faso. However, these tend to be of temporary duration and eventually wither away.

Our country cases fall into two categories in regard to the institutionalisation of political organization variable (see **Table 4.2(a)** on page 43). The first group consists of Botswana and Tanzania. These countries have enjoyed political stability since independence as evidenced by three facts. First, there has been continuity in the dominance of one party in each country, namely the Botswana Democratic Party and Chama cha Mapinduzi (and its predecessor, TANU) in Botswana and Tanzania, respectively. Second, there has been an orderly change of presidents in both cases three times. Third, the army has stayed in the barracks, accepting a role subordinate to that of the political class. Consequently, there has not been any serious political dissent or turmoil. In the case of Tanzania, the Zanzibar crisis arising out of disputed elections of 1995 and 2000 has been resolved amicably through internally generated processes.

The other group includes the remaining five countries [Benin, Burkina Faso, Ghana, Uganda, and Zambia]. With the exception of Zambia, they have all undergone not less than three military coups d'etat and have been subjected to military rule for substantial periods. All the countries, including Zambia, have had their share of political turmoil and assassinations, and continue to experience an undercurrent of political stress and turbulence resulting from a variety of sources, including ethno-regional competition. Political organization in these countries has therefore been characterized by discontinuity and turmoil; and institutionalisation of the parties and rules of operation has not reached maturity yet.

Uganda is the most extreme case where since 1987 political parties have not been allowed to organize and carry on normal political activity or contest for political power. The National

Resistance Movement [NRM] is a quasi-military organization based on the National Resistance Army (NRA). The movement is moulded along the lines of a Leninist organization, headed by “the Leader” President “General” Yoweri Museveni. It has sought to be all-inclusive while preserving the purity of its inner core consisting of those who went to the bush to fight the guerrilla war with the President. The future of this movement is still uncertain.

4.3.2.3 Regime Legitimacy

Regime legitimacy is a complex and relative matter because it ultimately depends on perceptions and judgments of the people. It can however be assessed or indicated in three ways. First, in a historical sense, it is partly a function of institutionalisation of political organization, a process which puts in place rules of the political game acceptable to the major political actors and the general citizenry. Second, in a political and legal sense, regime legitimacy can be indicated by the perception of the people on whether or not the present government is a result of free and fair election. Third, in a utilitarian sense, regime legitimacy can be gauged by how the people judge the performance of the current government, especially in meeting the basic needs of the people.

Going by the stability/stability index, Tanzania and Botswana would theoretically be more likely to generate legitimate regimes than the other five countries which are lower on the scale of stability and political stability. However, this index cannot stand-alone. Botswana’s good economic position (**Table 4.5**), for example, would also enable the government to score higher marks on performance than all the other countries.

Table 4.2(b) gives an assessment of regime legitimacy in the case countries on a Low-Medium-High ordinal scale basing on evaluation of freeness and fairness of the most recent elections. Elections have been decried by the losing parties in virtually all the countries, but not to the same extent.

One country [Burkina Faso] is assessed Low; two countries [Benin and Uganda] are assessed Medium, and four countries [Botswana, Ghana, Tanzania and Zambia] are assessed High on regime (electoral) legitimacy. Tanzania qualifies for the High score because the elections of 2000 (compared to those of 1995) were judged by all local monitors and international observers as being largely free and fair, discounting the electoral problems in Zanzibar; but it can also be safely assumed that the ‘Mwafaka’ [Agreement] of October 2001 between CCM and CUF had a legitimation effect on the Karume regime in Zanzibar. Burkina Faso is assessed Low because the overall political environment in the country under President Compaore has not been conducive to the holding of free and fair elections. There have been many assassinations on political grounds and the regime has systematically manipulated elections.

4.3.2.4 Regime Ideology

Following independence in the 1960s and 1970s, African countries came up with home-grown ideological packages: Ujamaa in Tanzania; Kagisano in Botswana; Humanism in Zambia; African Socialism in Ghana; the Common Man’s Charter in Uganda, radical socialism [Sankaraism] in Burkina Faso, etc. However, as can be seen in **Table 4.2(b)**, all the countries under study have embarrassed neo-liberalism. Ideological substitution started in late 1980s and

early 1990s when Structural Adjustment Programmes [SAP] began to be implemented. All the countries have tried to open up their economies, privatise loss-making public enterprises, and implement macro-economic reforms in accordance with guidelines from the IMF and the World Bank.

Although the pay reforms have been conceived within the neo-liberal ideology which favours decompression and performance-based compensation systems, vestiges of previous egalitarian ideologies do also exert an influence on pay policies and practices in some countries. A good example is Tanzania where equity concerns still find a resonance in the ruling party [CCM] and the general population. The continued tendency to increase wages of public servants in the lower grades may partly be attributed to the Ujamaa legacy.

The ruling party in Tanzania still claims to be a socialist party, and the word Ujamaa is still mentioned in the country's constitution, though without a programmatic content. Still no politician is willing to be seen to abandon the concern with equity, fairness and justice for all. This may also explain the unwillingness of the Tanzanian authorities to openly decompress the salary scales.

The general unwillingness in most of the countries under study to monetize all the allowances and benefits of senior civil servants may partly be a result of the fear to reveal the existing inequalities, which might raise political problems. Botswana has been an exception in this. Espousing neo-liberal economics since independence, the country accepts steep inequalities in wealth, which is reflected in the very sharp salary de-compression ratios. Most other countries have not followed this example.

In some cases, politicians pay lip service to previous ideologies for political reasons. Burkina Faso represents such a case. In late 1980s the mass mobilization institutions of the revolution were abandoned following the decline of socialism internationally. In 1989 the Compaore government issued a first draft of its overall policy framework which was based on a strategy of state capitalism under which the state continued to claim that it was pursuing socialism when in fact it was moving towards capitalism. The government adopted a pragmatic attitude towards the middle class, business leaders and the donor community. Compaore had seen the need for economic liberalism, but was not in a hurry to abandon the political cap of being a "revolutionary". After all, he had removed Sankara accusing him of betraying the revolution by becoming a mere reformist. In practice, however, the country operates a liberal economy, as is the case in all the other study countries.

In Benin, Kerekou accepted the demise of socialism in 1990, but he campaigned on the platform of limiting privatisation during the 2001 presidential elections, which he won following Soglo's boycott of the second round. Soglo himself, despite sharing the World Bank's neo-liberal ideology as its former Regional Director, could not stick to that ideology as a politician. He received much praise in the 1990s when he was Prime Minister for managing to pay the country's 47,000 civil servants regularly and even paying some salary arrears as well as convicting some leaders who had been involved in financial scandals. However, when he tried to implement fundamental reforms with austerity measures he met with stiff opposition from the unions and members of parliament. His situation was made worse by the 1994 massive

devaluation of the CFA franc. He had to advise the donors that social and political reality required capitalism with a human face rather than capitalism in the ‘conventional’ image of the Breton Woods institutions. Political leaders, especially insecure ones, are afraid of implementing unpopular reforms.

4.3.2.5 The Social Basis of the Regime/State

In socio-economic terms, all the regimes are ruled by what we may call a compradorial middle class of the intelligentsia, small businessmen and small property owners who are highly dependent on external donors and investors. For this reason, donors and investors have an important role and interest in the pay reform. In most of the study countries, pay has not improved significantly in the public firms, which have been privatised or sold to foreign investors. In many cases pay has either remained unchanged or declined despite massive retrenchment of workers because the investors want to maximize profit. They do not encourage salary raise in the public sector because this will limit their access to cheap labour.

In most of the study countries, the regime is a coalition of divergent ethnic and regional interests which divert lots of resources to patronage activities deemed necessary to keep the coalition intact. Under normal circumstances, maintaining the coalition may be more important than the wage bill. There is sharp ethno-regional competition in all the study countries (with the possible exception of Tanzania). There is a north, central, and south divide in Benin; a north-south divide in Burkina Faso; a north, central, and coastal divide in Ghana; a west, south-central, north, and east divide in Uganda, and a north-central and south divide in Zambia. Balancing these forces and tendencies produces tension and stress in the political system, besides its effects on the pattern of resource allocation.

4.3.3 Civil Society and Public Service Variables

4.3.3.1 Trade Unions

What the society gets from the public service agencies or bureaucracies is more a measure of the strength of civil society organizations than a measure of the agencies’ commitment to service provision. In regard to pay reform, implementation by the government partly depends on the strength of the trade unions and whether or not they are inclined to support or oppose it.

Table 4.3 over the page summarizes the strength of trade unions, media and opposition parties in the countries under study. Trade unions – which concern us more directly – are very strong in three of the seven countries (Benin, Burkina Faso and Zambia) where their influence on pay reform has been substantial. They are fairly strong in Ghana but relatively weak in Botswana, Tanzania and Uganda where their influence on pay reform has been minimal.

In Benin, where trade unions are very strong, there is a vicious circle in that civil servants believe they are not receiving a fair share of the budget, but they cannot accept the installation of performance based system which would weed out poorly performing workers. The organization of the whole civil service into trade unions works against civil service reforms in general and pay reform in particular. Benin’s public service is seen as unified in that one salary or allowance

Table 4.3: Civil Society Variables: Strength of Civil Society Generally, Trade Unions, Media and Opposition Parties Specifically

COUNTRIES UNDER STUDY

VARIABLES	BENIN	BOTSWANA	BURKINA FASO	GHANA	TANZANIA	UGANDA	ZAMBIA
Civil Society Generally (a) Weak (b) Fairly Strong (c) Strong	X	X	X	X	X	X	X
Trade Unions (a) Weak (b) Fairly Strong (c) Strong	X	X	X	X	X	X	X
Media (a) Controlled/Non-free (b) Fairly Free (c) Free	X	X	X	X	X	X	X
Political Parties in Opposition (a) Weak (b) Fairly Strong (c) Strong	X	X	X	X	X	X	X

must be given to all. The limited de-compression of salary scales and the automatic increases seem to have created a unity of purpose among the civil servants which the Minister for Public Service believes will undermine the whole civil service in the long run.

In Burkina Faso, trade unions had been weakened by the Sankara regime. Then the Compaore regime sought to neutralize them through corruption, leading to their bi-polarization, with one group inclined to dialogue with the government and the other inclined to engage in revolutionary activities, including strikes, because of being dissatisfied with the way the economy and politics of the country were being managed.

The power and militancy of trade unions in Burkina Faso increased, as the regime's brutal and authoritarian behaviour became more evident following a series of assassinations of political opponents. The most radical of the trade unions is the General Confederation of Labour [CGT-B] which has been in the forefront in denouncing assassinations, corruption, police brutality, and hegemony of the ruling [President's] party. The power and unity of trade unions were demonstrated in the 1999 general strike, which demanded and obtained salary increases. The military took advantage of this situation to demand and also obtain salary arrears.

In Zambia, organized labour has been the main challenger of the state since the colonial days. This is due to the nature of the colonial (mining) economy, which led to a large working class in the country, with urban dwellers accounting for 42% of the total population by 1990. In an attempt to control the activities of the labour movement, the government engineered the formation of a central body in 1965, namely the Zambia Congress of Trade Unions [ZCTU], which in 1974, elected Frederick Chiluba as its President. Attempts to co-opt or subordinate trade unions to UNIP were resisted successfully by the ZCTU leadership, which preferred autonomy. Thus ZCTU Chairman [Chiluba] and Secretary-General [Newstead Zimba] refused repeated offers to join the UNIP Central Committee.

This autonomy has enabled the unions in Zambia to get what they want from the government, as evidenced by the following examples:

- In 1981 the unions forced the government to release union leaders from jail, including Frederick Chiluba and 15 others;
- In 1985 the unions forced the government to ignore an agreement with the IMF enforcing a 10 percent wage rise ceiling. Instead, the workers ended up with 18 percent wage rise for unionised workers; and
- In 1986 violent demonstrations against Kaunda's so-called Radical Reform Programme [RRP], which left 15 people dead, forced the government to cancel the programme.

The workers were challenging the state through strikes, demonstrations as well as the courts of law. To crown it all, the political reform which ended the single party in 1990 was largely championed by the labour movement which assisted the MMD led by Chiluba to oust Kenneth Kaunda's UNIP in the 1991 multiparty elections.

4.3.3.2 Public Service Variables

The civil service and other public agencies are not just passive implementers of policy and reform packages. They themselves have their own interests to defend. They can therefore constrain or facilitate any reform, depending on how it relates to their interests.

Table 4.4 over the page gives a summary of selected public service variables for each of the study countries. They include the public bureaucracy's capacity to resist change, orientation to politics, capacity to attract and retain qualified personnel, performance level, and level of corruption. Most of the study countries have Low to Medium capacity to attract and retain qualified personnel, Low to Medium level of performance, and High level of corruption. The only exception is Botswana whose public bureaucracy has high capacity to attract and retain qualified personnel, High performance level, and Low level of corruption (see **Table 4.4**).

The two remaining variables, namely bureaucracy's capacity to resist change and orientation to politics are interesting and worth further elaboration. In regard to the capacity to resist change, in four countries the bureaucracy has Low capacity to resist change [Botswana, Tanzania, Uganda, Zambia]; one has Medium capacity [Ghana], and two have High capacity [Benin and Burkina Faso]. The bureaucracy in both Benin and Burkina Faso resisted successfully 1998 laws, which sought to introduce decentralization and performance-based systems.

In regard to political orientation, Benin's bureaucracy is highly politicised with retired and currently serving civil servants leading 100 of the country's, 120 political parties. This makes it difficult to maintain a professional and meritocratic public service. The bureaucracy is also partisan in Burkina Faso, and civil servants do organize and lead political parties. In most of the other countries the bureaucracy is in principle non-partisan, and tries to act neutrally, but can hardly resist being used by the ruling party during elections.

4.4 Economic Variables

It is clear that implementation of a pay reform, particularly the aspects related to pay rise, depend on the country's wealth or ability to fund the wage bill. The so-called "political will" and reform commitment by implementers are always important, but will not do if the economy cannot afford an enlarged wage bill envelop, allocations for compensating and retraining of retrenches, etc.

Table 4.5 gives selected economic variables for the seven study countries. Several observations can be made on these variables. First, the countries differ significantly on such variables as the size of population, rate of population growth, real GDP, GDP per capita, rate of real economic growth, budget surpluses or deficits, and changes in consumer price. All these variables may affect pay reform, as we shall see.

Table 4.4: Public Service Variables

COUNTRIES UNDER STUDY							
VARIABLES	BENIN	BOTSWANA	BURKINA FASO	GHANA	TANZANIA	UGANDA	ZAMBIA
<u>Bureaucracy's capacity to resist change</u> (a) Low capacity (b) Medium capacity (c) High capacity	High (e.g. has resisted introduction of merit systems and decentralization).	Low	High (resisted the 1998 comprehensive law and introducing merit system and decentralization)	Medium	Low	Low	Low
<u>Bureaucracy's orientation to politics</u> (a) Partisan (b) Non-Partisan	Bureaucracy is partisan and highly politicised. 100 parties run by civil servants	Bureaucracy is non-partisan but loyal to the Government and party in power.	Bureaucracy is partisan, can organize and lead political parties.	Non- partisan	Non-partisan in theory but very partisan in practice	Non-party system but partisan in practice	Bureaucracy is non-partisan, but increasingly drawn into politics.
<u>Bureaucracy's capacity to attract and retain qualified personnel</u> (a) Low Capacity (b) Medium capacity (c) High Capacity	Low/Medium	High	Low/Medium	Low	Medium	Medium	Medium

COUNTRIES UNDER STUDY							
VARIABLES	BENIN	BOTSWANA	BURKINA FASO	GHANA	TANZANIA	UGANDA	ZAMBIA
<u>Bureaucracy's Performance Level</u> (a) Low capacity (b) Medium capacity (c) High capacity	Medium	High	Low/Medium	Low/Medium	Medium	Medium	Medium
<u>Level of corruption in the bureaucracy</u> (a) Low level (b) Medium level (c) High level	High	Low	High	High	High	High	High

Second, Botswana's capacity to finance a substantial wage bill is clear from its high average GDP per capita for the 1990-2000 period which amounted to USD 3,461, surpassing by far that of all the others: Zambia (USD 419), Ghana. (USD 382), Benin (USD 372), Uganda (SD 297), Burkina Faso (USD 228) and, at the tail, Tanzania (USD 183)

Third, in three of the countries (Zambia, Tanzania and Burkina Faso) the gains from economic growth were eroded by high rates of population growth. The other countries have favourable or positive ratios of economic and population growth rate: Benin (5 v 2.9), Botswana (5 v 2.5), Ghana (4 v 2.9), and Uganda (7 v 3.6).

Fourth, **Table 4.5** over the page shows clearly that the budgetary discipline maintained by most of the countries during the SAP decade (1980-90) had been eroded during the democratisation or political liberalization decade (1990-2000) when five of the seven countries could not avoid budgetary deficits. Average deficits in rank order during the decade were: Benin (USD 52 million), Burkina Faso (USD 82 million), Uganda (USD 132 million), Zambia (USD140 million), and Ghana (USD 326 million). On the other hand, Botswana and Tanzania had average budgetary surpluses of USD 183 million and USD 17 million, respectively, during the 1990-2000 decade. For Botswana, the surplus was a function of good economic performance and was realized despite continuous salary rise in the civil service. For Tanzania, however, the surplus was a result of conscious effort by the leadership [the Chief Executive in particular] to observe donor-prescribed ceilings on borrowing and wage-bill levels.

Fifth, the continued erosion of the real wages of public servants during the 1990-2000 decade is clear from the magnitude of the average consumer price changes, particularly in Zambia (90%), Ghana (27%), Tanzania (19%), and Uganda (16%). Such inflationary changes make it difficult to prescribe or provide a minimum living wage (MLW) to public servants in these economies.

Table 4.5: Economic Variables, 1990-2000 Averages

VARIABLES	COUNTRIES UNDER STUDY						
	BENIN	BOTSWANA	BURKINA FASO	GHANA	TANZANIA	UGANDA	ZAMBIA
Average population (in millions), 1990-2000	6.0	1.6	10.0	17.0	30.0	19.0	9.0
Average Rate of Population Growth (per cent per year), 1990-2000	2.9	2.5	2.7	2.9	3.2	36	3.0
Average Real GDP (in million USD), 1990-2000	2,059	5,060	2,297	6,544	5,417	5,788	3,733
Average GDP per capita, 1990-2000 (in USD)	372	3,461	228	382	183	297	419
Average Rate of Real Economic Growth (Percent per year), 1990-2000.	5.0	5.0	3.0	4.0	3.0	7.0	1.0
Average Budget surplus/Deficit (in million USD)	(52)	183	(82)	(326)	17	(132)	(No)
Average consumer Price change (percent change over previous year), 1990-2000.	9.0	11.0	4.0	27.0	19.0	16.0	90.0

Source: African Development Indicators (World Bank): 2002 and 2001; International Financial statistics (IMF Publications); 2002, September 2001, May 2000, October 1999, April 1998, October 1997, February 1996, December 1995 and March 1994.

4.5 Conclusion

This chapter has addressed the question of whether politics counts in designing and more importantly implementing pay reform. Available evidence from our cases indicates very clearly a strong correlation between pay reform and politics.

There have been three distinctive responses to what we characterized as the “politicians’ dilemma”. These responses have been conditioned by the political context as well as other political variables discussed above.

In looking at the above variables and matching them with reform performance, the following pattern emerges: Competitive Pluralist Cases: Zambia, Ghana, Benin. These are multi-party systems that have vibrant opposition parties and have had a change in the Party in power. Politics in all three cases is intense; trade unions are strong, the media is active etc. Pay reform in these countries has either not taken off, the process is chaotic, has stalled, or is in reverse like in Ghana. Uncompetitive pluralist cases: Botswana, Tanzania. These have enjoyed political stability, and continuity in the dominance of the ruling party, there has been orderly change of Presidents, and opposition parties are weak, as well as civil society organizations and the media. Reform has been systematic, driven by the executive, under little pressure from popular forces. No wonder therefore, there is evidence of consistency in use of techniques and tactics in public service pay decision in these two countries.

The remaining two cases, Uganda and Burkina Faso, fall somewhere in the middle. While they do have elections, they are dominated by the movement in Uganda and the President’s Party and allies in Burkina Faso. Civil society, trade unions, and the media are under siege. The regimes however do not have total control like under uncompetitive pluralism. Pay reform has been on and off, responding to political pressure from the larger political body rather than from unions etc.

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CHAPTER 5

TOWARDS A POLITICALLY RESPONSIVE STRATEGY TO PAY REFORM

5.1 Introduction

Impasse, inertia and policy reversal characterise public service pay reform trends in the case studies. In Benin, Burkina Faso, Ghana and Zambia, the reform appears to have stalled for the past several years. An attempt to introduce merit or performance related pay in Benin have been effectively resisted by the trade unions since the late 1990s. Changes introduced in the days of the revolution in Burkina Faso could not survive the regime change, and have had to be reversed. The structural adjustment programmes backed employment and pay reforms of the late 1980s in Ghana have since been reversed. In Tanzania and Uganda, in spite of policy pronouncements committing Government to pay reform, high degrees of inertia and risk of policy reversal are visible. This would be history repeating itself, although from a different standpoint. Neither has mineral-rich Botswana demonstrated total consistency in the implementation of public service pay reform over the years.

The case studies demonstrate well that failure to pay due attention to politics underlies lack of progress in this key policy area. In some cases, inappropriate political models that will not stand the test of time, such as the egalitarian changes wrought about by the Sankra regime in the mid-1980s in Burkina Faso have been introduced. In others, the political models have been abandoned or are in the process of being, to give way to neo-liberal technocratic solutions, but without any measure of success. Yet today, in virtually every case study, the tendency is to rely on the rational models in the development of strategies for public service pay reform.

In this chapter, we attempt to synthesise and consolidate the lessons of experience with both tactics and politics of pay reform from the case studies with a view to offering options of strategic path in varying political-economy circumstances. To this end, we start with an explanation of the drift towards rational models in the study countries. This is followed with suggestions of a framework within which the political realities to contend with can be assessed as basis for determining what is a strategic and feasible starting point. Finally, taking cognisance of the continuum of political conditions, as well as the prospects for reversal over time, we conclude with a treatise on the need and modalities for sequencing the implementation of a pay reform strategy.

5.2 The shift from political to rational models

The case studies reveal to a significant degree that the legacy post-independent models for public service pay determination were dominantly political. In Franco-phone countries (Benin and Burkina Faso), the salary indexation system was designed to depoliticise what is otherwise a very political process. The indexation is embedded in an essentially egalitarian framework, which as long as could be afforded ensured generally high salaries for all but with low salary compression structure. In this framework, the

majority of unskilled workers earned salaries that were comparatively well above market salary levels. In the circumstances, furthermore, the trade unions had nothing to agitate about.

In Anglophone countries (Botswana, Ghana, Tanzania, Uganda and Zambia), consensus building through the combination of broadly participatory salary review commissions and national incomes policy enabled effective centralised control of the politics of pay determination. By participating in the national incomes and employment policy and periodic salary review commission processes, the trade unions were in principle compelled to accept the outer parameters within which they could seek salary raises for their members. Outside this restrictive framework, they would risk falling foul to the accusation that they were sabotaging national economic development strategy. In any case, in most case studies, as these countries drifted to socialism and revolutionary rhetoric, the egalitarian streak in the national incomes policies as well as the recommendations of the salaries review commissions was increasingly prominent. One enduring effect of these trends was to undermine the role of trade unions and ultimately weaken them for many years. This, and a combination of other factors paved the way for the experiments with rational models, when the moment was opportune to do so in each of the case studies.

The downturn and collapse of the economies in the case studies, except in Botswana, in the 1970s and 1980s exposed the inadequacy of the egalitarian pay policy as wage bills were squeezed and salary levels precipitously fell (see chapter 2 above). In absence of effective strategic and coherent policy response, and as systems generally collapsed, there was chaos in public sector management. The chaotic situation was for such countries as Benin, Burkina Faso, Ghana and Uganda exacerbated by the political crisis associated with the military coups and, in the case of Uganda, a civil war. Progressively, both political leaders and top administrators resorted to the default (crisis-response) model for handling public service pay decisions. The pay structures were soon riddled with allowances and in-kind benefits, which were awarded on the basis of patronage, and with no transparency or fairness. The stage was set for introduction of rational models in these decisions.

The initial rational pay models, especially the affordability one, which came into vogue in the late 1980s and in the 1990s was generally part and parcel of the structural adjustment programmes (SAPs). A common feature of SAPs driven reform models was to cut-out the politics so that the problems and policy issues could be handled *rationally*, and if necessary, *forced in*, and so it was with pay reform. It is in such a perspective that Ghana in the early 1990s and Tanzania and Uganda in the mid-1990s drastically cut down numbers of employees in pursuit of a more affordable and better paid public service. Since then, the gains in Ghana have been reversed. In Tanzania, they have been questioned. In Uganda, there are already signs of reversal. More elegant rational models are now in trial.

In 1996, Tanzania moved to a skills market competitiveness model. This model builds on the results of implementing the affordability one with the primary policy objective of

enabling the public service to recruit and retain skilled personnel, and those with experience and motivation to perform critical functions. The select accelerated salary enhancement (SASE) scheme epitomises the ultimate commitment to this model. In 2002, after some years of impasse as public service managers strived for cues for what is acceptable to the political leaders, in the context of a structural adjustment process (Poverty Reduction Support Credit), Uganda has also moved towards the skills market competitiveness. However, there is some significant resistance to this development by the public service managers who fear that egalitarian inclined political leaders will not sustainably support the market orientation. Even in Tanzania, the SASE scheme has lately come under strong criticism from some important political constituencies. Only the strength of support from the top political leadership will sustain the skills market competitive models in these two countries. Fortunately, the political environments in these countries, one being monopolistic and the other an uncompetitive pluralism (see **Table 4.2(b)** on page 45), is enabling for use of rational models over extended periods.

Attempts to introduce rational models in Ghana and Zambia in recent years have not had any success. In Ghana, the results of a 1996 purely technical (consultants' led) comprehensive job evaluation and re-grading exercise could not be implemented. In Zambia, an affordability modelling study in 1998, which with SAP leveraging recommended a drastic reduction in the size of the public service was a non-starter. The political system in both countries is competitive pluralism, and there is a degree of instability in both, but more so in Ghana (see **Table 4.2** on page 43). These political circumstances explain the difficulties in imposing rational (politics-free) solution to pay issues in these countries. They also explain why recent attempts to transplant the skills market competitiveness rational model to Ghana and Zambia have minimal prospects for success.

The influences of *new public management* has popularised another rational model, i.e. performance-related or merit-based pay model, which Benin and Burkina Faso have strenuously but unsuccessfully tried to implement in recent years. Like Ghana and Zambia, Benin's political system may be described as competitive pluralism, which is not quite enabling for imposition of rational models. Burkina Faso has however an uncompetitive pluralism system, like Tanzania and Botswana, but it lacks in the stability of the latter two. This instability undermines the Government's confidence in pushing through the rational merit-based pay system, even against what is mild resistance from trade unions when compared to the situation in Benin. Moreover, there are real technical difficulties, not peculiar to Burkina Faso, in implementing merit-based pay system. Moreover, two other factors complicate the introduction of the system in Burkina Faso. First, it represents a leapfrog change from the current salary indexation system, which as earlier indicated has a strong egalitarian streak. Second, the Burkina Faso public service, like that of Benin, and to a much lesser degree that of Ghana, have over the years been much politicised.

In the historical and current contexts outlined above, the crisis-response system pervades public service pay decisions in Benin, Burkina Faso, Ghana and Zambia today. Reduced, politicisation of the public service is key to pay reform and any fundamental public

service reform in Benin and Burkina Faso, and in Ghana to a lesser extent. Furthermore, strategic and judicious political initiatives are needed to launch feasible and sustainable pay reform in these countries.

Even in countries that have so far achieved some measure of success with rational models, i.e. Tanzania and Uganda, it is imperative to take cognisance of the particular political environments that have made this feasible, as well as the risks to sustainability of these systems, especially where there is a significant degree of political instability, as in Uganda. With these lessons of experience, we proceed to postulate the way forward with strategies to pay reform that are responsive to varying political circumstances. The starting point is to accord due priority to assessment of the prevailing political environment.

5.3 According priority to political assessment

This study has brought to the fore the need to rethink the technocratic orientation to pay reform that in some of the countries under study has turned out to be what Wildavsky (1979) once called “deceptive, self-deceptive, and inattentive to the ‘world of action’”. There is therefore need for an approach that self-consciously seeks to creatively understand and appreciate the political context and political variables that are inextricably critical to the success of any pay reform programmes.

Any pay reform policy needs to understand and appreciate the nature of the political system, her social structure and nature and strength of the power centres. There is need to assess the political bases of the political regime, to determine if it has a well established political organization or a weak and fractured one. It is also useful to determine if the regime is based on the military, trade unions, populist forces or a combination of any or all of the above. Analysis needs to gauge the levels of political legitimacy and political stability of the regime. The extent to which regime change has been anticipated, planned and orderly, or traumatic and even chaotic need also to be taken into account.

The nature, role and strength of the various actors also deserve attention. What are the power centres; what is the role of political parties, are they equally competitive or is it a case of one giant and several dwarfs or are they outlawed altogether. What are the nature, role and strength of Trade Unions? Are they powerful or subordinate and weak? What is the objective and subjective position of the bureaucracy in the country’s political economy? Is it a power centre? Is it formally insulated from politics? Are civil servants expected to be politically non-partisan? The purpose of finding answers to the above and other questions would be to reach an objective determination of the possibilities of pay reform, the nature and types of models, strategies and tactics that may work and for how long, the kinds of support or resistance that might be expected, and the possible allies or foes to the policy that can be anticipated. Consequently one might be able to make a determination of where change is possible and where it is not.

Our country cases, for example, fit into a continuum, with Botswana and Tanzania on one end, Benin, Ghana and Zambia on the other, with Uganda and Burkina Faso somewhere between as already discussed in chapter four. Botswana and Tanzania are cases where politics has been to a large extent “tamed”. The executive, anchored by a strong well established party organization drives public policy. The other possible power centres including political parties, trade unions, civil society, parliament and other representative institutions are weak and subordinated. Regime Legitimacy partly rooted in periodic elections is high, making it extremely difficult for other forces in society including military forces (which are well incorporated in the regime) to pose any credible threat. Consequently pay reform in both countries has been implemented with little stress. Also, the latitude for pay reform policies that may be implemented is wide. The two regimes have a leeway and freedom of action that their colleagues in other case countries can only dream about. However, it needs to be realized that these “tamed politics” and the resultant absence of political stress in the system may not go on forever. Policies thus need to be aware of the needs or imperatives for long-term institutional (public service) sustainability even if forces emerge in the political system that may change the status quo.

Benin, Ghana, and Zambia present a counter scenario. Political forces are highly mobilized, organized, and counter-balance each other. In all cases, there has been a change in the regime in power. Forces in opposition are active, militant, and pose a credible alternative to the government in power. The regime’s hold on power is not very secure, and its continuation and success at the polls not assured. The media is vibrant, critical, and unafraid to speak truth to power. Society is highly politicised, very alert to political issues and partisan. These are political systems in perpetual latent crisis. Any bold policy initiative is bound to cause stress in the system as forces mobilize around it to support or oppose it. Inertia and gridlock is more often than not inevitable in such situations. In such cases, policy initiatives need to carefully separate the possible from the desirable, and consult widely to arrive at the latter, and sell it to everybody. Country cases in this category may of course move towards the other end of the continuum, if a certain stability and consensus start to emerge.

Uganda and Burkina Faso present interesting cases. Both emerged from crisis situations involving civil war and forceful take over of government in Uganda, and a coup d’etat and political assassination in the case of Burkina Faso. The latter case also experienced a period of revolutionary mass mobilization that raised the level of political awareness as well as partisanship in the population. Uganda in the early nineties gradually moved towards a monopolistic model of politics anchored by the movement. During the early nineties, the regime enjoyed a political honeymoon because of several factors. First, there was a relief on the part of the population especially in the South, West, and to a lesser extent east of the country in view of the relative peace and even economic prosperity that followed. Secondly, several initiatives were taken that prospectively were seen as ultimately leading to a democratic dispensation. The constitutional commission, the Constituent Assembly, Presidential and Parliamentary elections were all seen as initial tentative steps towards democratisation. Thirdly and importantly, the lull was also due to the fact that alternative political forces were immobilized, exiled (into Sudan for

example) and generally took time to re-group and gather the courage to challenge the supreme leader both within the movement and in the larger society. Bold initiatives regarding pay reform were taken during this honeymoon period. The realization that the movement and even President Museveni himself are not about to allow others the political space to organize politically, continued and even increased wars in the North and East of the country, the adventure into Congo by the Ugandan forces and a certain perceptible “tiredness” by the population has given rise to political challenge to the movement and to President Museveni himself. Thus, while the monopoly on power continues, it is formal as other forces in society are defiant and insist on their right to organize and contest for power. Pay policy initiatives are increasingly based on political calculations and aimed at “massaging” certain political constituencies for advantage.

Burkina Faso is also a case that is neither in crisis nor stress free. The President succeeded in capturing power for himself, and has also succeeded in creating formal organizations for pluralist political competition. While the system is uncompetitive and the executive dominates all facts of life in Burkina Faso, there is a strong current of opposition to what is seen as too much impunity (e.g. Too much is too much movement of 1998/99). The political assassination of journalist Zongo of 1998 can only be understood within this context. Thus while the President exercises personal rule, there are limits beyond which he could face serious problems. That is why pay reform has stalled.

5.4 Evolving a strategy around the varying political realities

The political reality that prevails in a particular country at a particular point in time should guide the choice of the strategy and models to implement public service pay reform. In the previous section, the configuration of political variables in so far as they impact on pay reform placed varying political systems into a continuum of stress-free to total stress. In relatively stress-free systems, where Botswana and Tanzania are placed, there is considerable scope for introducing rational models. On the other end, where Benin, Ghana and Zambia appear to fall, a political model must underpin a pay reform strategy.

In the countries falling mid-way the continuum of political stress, where we place Burkina Faso and Uganda, it is readily feasible to introduce rational models but changes brought about this way run a high risk of reversal. This risk is exemplified by the reversal in late 1990s of the 1980s and early 1990s public service reforms in Ghana. Therefore, in moderately stressed and unstable political environments, consensus-building in an invaluable feature of a pay reform strategy.

Up to a point, rational models may well thrive in stress-free and stable political systems, as long as the top political leadership are comfortable or convinced of the efficacy of the model. That appears to be the case with, for example, the SASE scheme in Tanzania. However, sight must not be lost that even in these situations, political dynamics are always at play. Furthermore, outside the framework of a widely shared strategic goal and well-articulated strategy, rational modelling of pay remains very risky.

6. BENIN

TACTICS, SEQUENCING AND POLITICS IN PAY REFORM

6.1 Introduction

Benin, like most African countries, found it imperative to launch public service pay reforms in the 1990s. Its situation was dramatic on the eve of 1990. In 1989, the government had failed to pay workers for eight months and when the Banking system collapsed the regime had to follow suit. In such a situation, the problem became not only pay reform but also the transformation of the public administration as a whole.

The need to achieve a successful modernization of the public administration in Benin has been highlighted in some detail by the stakeholders conference on public service and the modernization of public administration following the National Conference of 1990. Implementation of such proposals has however lagged behind and the transformation is incomplete (PNUD 2000 p.157). There have been serious steps to draw a comprehensive strategy of reform and a plan of action. A follow up stakeholders meeting was held in July 1998. It came up with a “National Strategy for Administrative Reform”. It also came out with a tentative plan of action. The ideas were taken up by the Government of Benin (GB) which came up with a draft of the same title, which it subjected to debate by a stake holders conference in January 1999. After several processes the strategy and plan of action came out as a blue print titled “Administrative Reform in Benin” (ARB).

It would be assumed therefore that there is be political will to implement fully these comprehensive reforms. Yet it has been shown in many cases that political will is not always adequate, there must also be the political feasibility in enforcing implementation. What is lacking in the documents is the discussion of barriers to such reforms, especially vested interests that often manifest themselves through political leverage. The paper therefore examines the political influences and barriers in the process of the public service pay reform in Benin.

It can be said that there are other very important factors, which need to be considered when examining barriers to public service reforms. Two come out clearly. The first concern the technical reform models used. It has been argued that in some cases, such technical models leave little room to meet local conditions and social aspects of the adjustment process (Fofana 1995). Yet even when the models are inadequate one would have expected local actors to rectify them to fit the local conditions so as to ensure smooth implementation. In Benin the National Committee on Administrative Reform established in 1994 should have been in a position to do so. The same could have come out in the administrative blue print ARB. This document deals comprehensively with the Benin’s vision of reform and the rationalization of the administrative apparatus, including the institution of a merit and performance system at the heart of technical models. It should be the case because its members include not only political and administrative representatives, but also resource persons from outside the government with the mandate to make contribution to the reform process.

The second important factor would be macro-economic fragility, which makes achieving wage bill limits in the budget a complex balancing act. Austerity measures over a

considerable length of time become unpopular. Yet different actors are supposed to be aware of the macro-economic context. Indeed such reforms are intended to stabilize such a context. In the reform process different actors are expected to use their political leverage to achieve favourable position. It is also true however that some powerful actors can use political leverage to protect their vested interests. In such situations such forces will work to maintain a dysfunctional system, which preserve their selfish interests to the detriment of wider interests.

In this paper, the problem is seen as the stalling of public service reforms after initial steps. The process of coming with a comprehensive document on administrative reforms show the extent to which the government has gone to deal with the ills of administrative system in Benin, what remains are efforts at implementation. Yet we know, for example, that trade unions have paralyzed the Law on merit based system by raising 126 points to discuss. (Nagoba and Adjayi 2002). Political leverage which makes the government fails to institute far-reaching changes becomes a critical factor in preventing civil service reform.

As politics is taken in this study to mean the constrained use of social power whose ultimate concentrate is the state, it means that politics is not only played by politicians but also by groups which seek to influence and pressure politics. In this paper, we therefore examine the different groupings which have sought to influence public service pay reform in Benin over the years.

Public service reforms in Benin, in general, and pay reform in particular, have gone through two phases: a post-independence phase (1960-1988); and a liberalization phase (1989-present). During the first phase, the country struggled to reduce the size of the public service, rein in and reduce associated costs and improve public service management and reform. Specific measures adopted included a halt to recruitment into the public service in 1966, a 25 percent reduction in the value of the wage index in 1965; a freeze on salary increments, a 60 percent reduction in child support, and a lowering or total elimination of other perks including function-related bonuses, overtime payments, and allowances for domestic missions, the abandonment of the practice of automatic recruitment of graduate students into the public service, and a comprehensive civil service census³¹.

These attempts at reform took place at a time when the country was in a continuous grip of political and economic crisis. Regional, ethnic, and personal rivalries, military coups and one-party dictatorship characterized the political landscape. The economy set-off on a continuous slide towards collapse pushed by nationalizations, financial mismanagement and corruption, declining production and exports, and declining foreign exchange earnings. These conditions seriously undermined pay reforms. The wage bill continued to expand and reached 7.7 percent of GDP in 1989. It was larger than total tax revenue. By 1988, the government was no longer able to meet the public payroll. The banking system also collapsed at that time.

Beginning 1989, Benin embarked on a new course anchored by an economic structural adjustment package on the one hand and the agreements of the National Conference (*Conférence des forces vives de la nation*) on the political side. Within this context, a new push was made to effect pay reforms. The reduction of the share of the wage bill in current

³¹ Cyrille Briançon and others, Benin: Selected Issues and Appendix, IMF Staff Country Report No, 98/88 (Washington: International Monetary Fund, 1998).

expenditure became a key concern, and by 1977, its share had declined to 39 percent of government revenue, and to 5.0 percent of GDP. This was achieved partly through strict controls on new hiring, replacing only two out of three retirees and ending the practice of automatic hiring of fresh graduates. Associated measures were taken to downsize the public service including a voluntary departure program and a targeted departure program³². The size of the civil service had contracted by 10 percent by 1997.

6.2 The Pay System

There has been no dramatic changes in the public service pay system in Benin over the years. The main features of the civil service structure in Benin have not changed much since independence. It comprises five categories divided into ladders and steps. The steps are grouped in five grades. To each step is attached a wage index which increases from step to step within a ladder. A 1986 civil service law made the civil servant automatically move from one step to another every two years regardless of performance (World Bank 2002 p.49). Movement across grades is also quite easy. When one is not promoted in the first year, the promotion is automatic in the following year.

As the data in **Table 6.1** over the page shows, most Government decisions throughout the 1990s to early 2001 revolved around a fairly stable salary indexation system. Apparently, this index system was a colonial heritage that pegged pay levels of civil servants in ex-French colonies to those of public servants in France. No wonder then that until early 1990s, salary levels in Benin and Burkina Faso (the two Francophone countries in the study) were, in dollar parity terms, significantly higher than levels prevailing in Anglophone Africa (see **Figure 2.1** on page 14).

6.3 Techniques and Tactics

However, as early as 1965, the inadequacy of the indexing approach was evident. Then, Government decided on an across-the-board 25 percent reduction in the index, as well as a freeze on salary increments. Nevertheless, the indexing, or variants of it, have remained the dominant feature of public service pay adjustments in Benin.

Essentially, a civil service remuneration system is said to require dealing with three issues. The first concern the possibility of introducing competition without increasing the total wage bill. This has to take into account the public-private salary differential so that civil service pay can retain quality staff. In such a situation, rationalization of staffing becomes a part and parcel of the whole equation.

The second concern the need to deal with comprehension of the salary structure in the public sector and the tendency to expand alternative systems of remuneration such as special allowances. In this context, there is need to transform or remove such benefits while increasing the nominal pay differential to be able to be competitive and draw in quality candidates.

The third issue is the need to create a performance-based system of promotion. To have a benefit system based on clear transparent and objective criteria (Danielson 2001 p.6).

³² Ibid.

Table 6.1: Benin - A Schedule of Public/Civil Service Pay Decisions, 1980 to Present

DATE	DECISION REFERENCE	NATURE OF THE DECISION	DECISION TAKEN BY	DECISION RECOMMENDED BY	OBSERVATION
01/10/1980	Statutory Decree	Revaluation of the grade-related (index) point: from 1900 to 2100	Government	Ministry of Finance Using index	-
01/01/1987	1987 Finance Law	Freezing of financial effect on Progressions, Regradings, Promotions of Permanent Civil Servants	Government	-	-
01/03/1988	1988 Finance Law	Suspension of payment for Permanent Civil Servants owner-occupier allowance	Government	-	-
01/01/1989	1989 Finance Law	50% Tax on allowances and bonus	-	-	-
01/07/1990	1990 Finance Law	Releasing of 100% payment of Allowances and Bonus	Government	-	No back pay done
01/01/1992	1992 Finance Law	Salary payment on the basis of all indexes acquired on 31 December 1985 or on 31 December 1986	Government	Ministry of Finance	No back pay done
01/01/1994	1994 Finance Law	Revaluation of the grade-related point (index): from 2100 to 2310	The Cabinet	Unions demands	-
	1994 Finance Law	Salary payment on the basis of the index acquired on 31 December 1988 and restoration of payment of owner-occupier allowance suspended from March 1988	Government	Ministry of Finance, using the index	No back pay done
01/01/1995	Rectified Finance Law 1995 Accounting period	<ul style="list-style-type: none"> • Generalization of house allowance payment that was until then only paid to certain categories of Civil Servants of the following sectors: Education, Health and the Army • Increase of the family allowance rate from 1,000 Francs to 2,000 Francs per month and per child 	Government	-	-
			Government	Unions demands	
01/01/1996	1996 Finance Law	Salary payment on the basis of the index acquired on 31 December 1990	Government	-	-
01/01/1997	Cabinet decree	Revaluation of the grade-related (index) point: from 2,310 to 2,425	The Cabinet	Unions demands	-

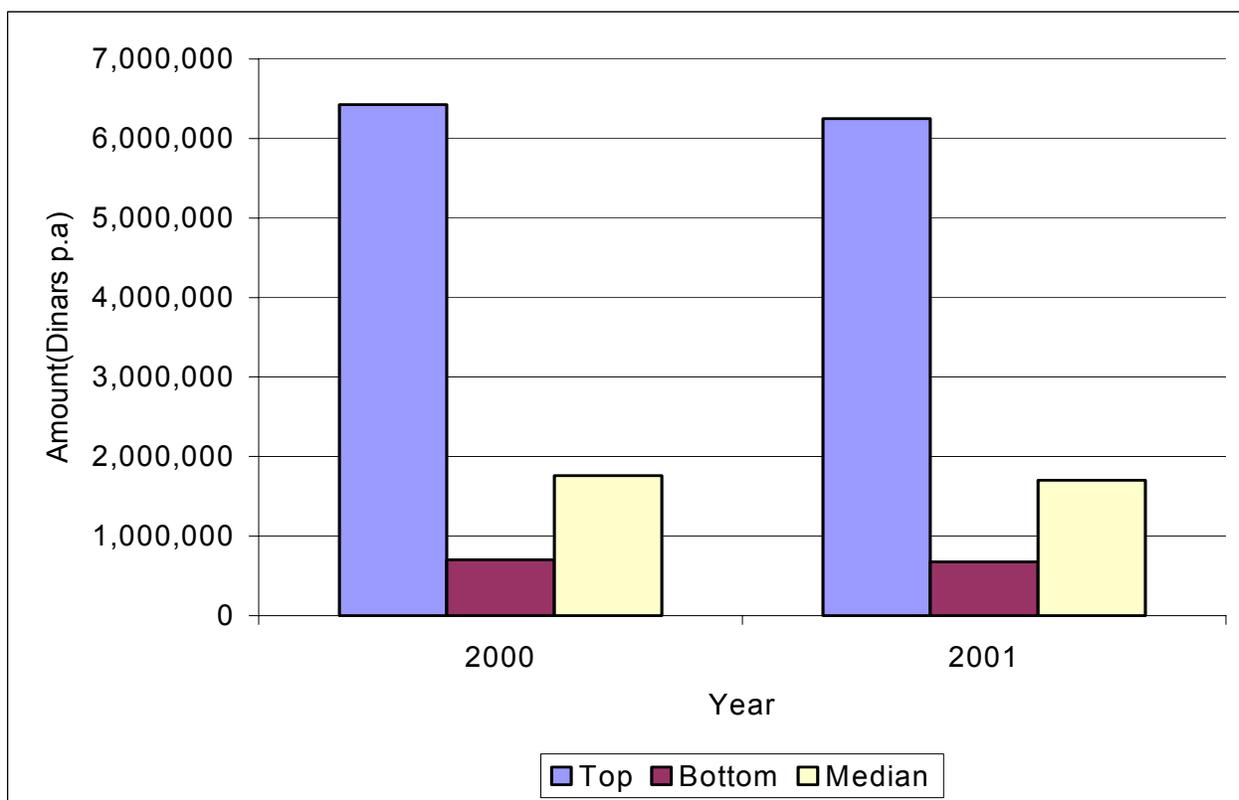
Proposals to establish such principles are meeting with stiff resistance in Benin. This merit system is supposed to solve two problems, first, to control of the wage bill and secondly to improve performance. Part of the reform also aims at de-politicizing the administration. At present the minister appoints his own administrative staff (cabinet) from his own party but also appoints directors of technical departments in the same vein (V.Zockl and Zime March 2002). The above practice undermines the possibility of having a professional and non-partisan civil service.

It has been argued that the current institutional arrangements benefit powerful groups especially government employees. Their short-term interests in rent seeking lead them to prefer the status quo to reform. The problem in the reform agenda here is a dominant national bureaucracy and a weak civil society. Other groups in the category are Trade Unionists and students who see their interests as being best served by the existing system (ARD – 1997 p.vii).

Bureaucracy is an important political variable in Benin in that there is a direct link between the bureaucracy and the political class. On one hand political leaders influence appointment of civil servants. On the other hand some bureaucrats, past and present are leaders of political parties. When such forces are also linked to wealth the barrier to reform can be important. This is a system of “pantouflage” in which retiring civil servants but also actual civil servants lead 100 of the 120 political parties of Benin (Batoko March 2002). That an actual civil servant can lead a political party is a serious anomaly for maintaining a professional and meritocratic civil service.

The general experience in Francophone Africa shows that politically easy reforms are the ones being implemented first and there is a tendency to stagnate after that. Such easily taken measures include censuses of public employees in order to remove ghost workers, elimination of vacant posts and limits on hiring. It becomes important, however, to confront the burning political issues. After all, reforms are needed in order to avert the macro-economic fragility which existed before pursuing the current reforms.

Figure 6.1: Benin salary levels in 2000 and 2001



Memo items:

	2000	2001
Compression ratio	9.2	9.2
Deflator factor	118.5	120
Nominal wage bill/GDP ratio	4.8	

Source: Annex Table 6.1 b

At present the civil service in Benin manifest serious deficiencies. The first is over-centralization, which has been a resilient factor of the bureaucracy. It has been observed that the centre has not been able to justify its monopolistic position in public service delivery but it has retained it. Worse still the centre is actually creating a waste of resources due to its poor current organization and management (World Bank 2002).

At the level of public expenditure over-centralization is the general characteristic. There are uncoordinated inputs in budget preparation. The tendency is to budget for renewal of credit instead of developing new strategic options. Budget execution is cumbersome yet it has weak controls. Only the wage bill has high executing rate. Other charges have very low execution rates. The result is for paid civil servants without the facilities to work correctly.

Another deficiency is that contrary to modern civil service, careers are completely de-linked from performance. Linked to this is the fact that civil servants are poorly qualified and do not pursue further training after employment. Corruption is also pervasive and

not sanctioned (World Bank 2002). Some would attribute the corruption to low civil service pay yet there has been some increase compared to earlier years.

Table 6.2: Real Wage Per Civil Servant: Index 1990 = 100

	1986	1988	1993	1994	1996
Benin	N/A	100	120	108	120
Burkina Faso	76	97	85	73	66

Source Anders Danielson 2001 p.7

Unlike the Burkina Faso counterpart, the Benin civil servant has seen some notable increase in relation to the 1990 index. Since then there has been an increase following persistent union agitation. In January 2001 the wage freeze was removed and civil servants were to be paid at the level of 2000 (P. Nagoba and M.Adjayi June 2002). Although it did not include payment of arrears it means that despite the freeze the automatic increments were being recorded. The wage bill as percentage of recurrent expenditure has been increasing since a low 38.3% in 1995. At present the percentage of the wage bill to the total budget stands at between 40 and 43 which is quite high. (P. Nagoba and Adjayi June 2002).

In Benin there is a vicious circle in that civil servants believe they are not receiving a fair share from the budget but they cannot agree to the installation of a performance system which would weed out poorly performing workers. This is achieved through politically powerful vested interests including Trade Unions, which are an important political force in Benin. The political factor of organizing the whole of the civil service into trade unions is working against civil service reforms. The Benin's public service is seen as unified in that one salary or allowance must be given to all. The limited de-comprehension of salary scales and the automatic nature of increases seem to create a unity of purpose of civil servants which the Minister for Public Service believes it will undermine the whole civil service in the long run.

A cursory view might give the impression that the trade unions in Benin received its syndicalism traditions in France. Yet as the Minister of Public Service observed, his counterpart in France does not fear generalized strikes of civil servants in France (Batoko March 2002). Most powerful trade unions in France are in Industries, agriculture and services and not in the civil service. Yet the hard constraints inherent in the economic and social structure exist to create a situation of stagnation in Benin which begs for a break of the stalement to permit progress in the reform process.

Another issue, which demands concrete steps, is that of decentralization. The government under Soglo had prepared decentralization measures but government bureaucrats have succeeded to dominate the planning for decentralization and concealing details of the process from the public. As a result even of the decentralization measures are implemented they would not amount to veritable decentralization because they envisage excessive official oversight (ARD 1997 p. VII).

Meaningful decentralization in Benin will have to involve not only deconcentration to the “Departments” but also the transfer of power (mandates and responsibilities) to local governments. The subsidiarity principal, by which one level does what the level immediately inferior cannot do, has to apply. Also important is the transfer of responsibilities matched with financial and human resources. It becomes imperative therefore that civil service reform in Benin has to include the breaking of central grind locks through decentralization so as to be able to provide effective public services to the people of Benin.

At present, the *raison d’être* of the Benin’s bureaucracy is for itself. A pervasive existence of direct link between the administration and political parties and politics in undermining the possibility of professional reforms. A closer examination of issues of contention is important in order to understand the political barriers to civil service pay reform.

6.4 The Political Context of Benin

The Republic of Benin, which is situated in West Africa, has a population of around 6.3 million and its size is 114,763 sq. km. It borders Niger to the North, Nigeria to the East, Togo to the West, Burkina Faso to the North West and the Atlantic Sea to the South. Benin had a GDP per capita of \$345 in 2000 (World Bank May 2002). Its living standards as measured by the Human Development Index (HDI) are well below what could have been expected on the basis of its GDP alone. It was ranked 157th out of 174 countries in 2000 (PNUD 2000 p.20).

The economy of Benin is dependent on subsistence agriculture, cotton production and regional trade. Population increase has wiped out the 5% average growth rate of the last five years. Commercial and transport activities, which make up a large part of GDP, are vulnerable to developments in Nigeria. It is observed that the State is still burdened with money losing state enterprises and a bloated civil service. (africa.iafrica.com 2002). Benin might be a poor country but there are wealthy Benin citizens who play politics. Many have their own political parties. An example is Sefou Fagbohoun who is close to the ruling political coalition.

6.4.1 Political Systems and Actors over the years

In order to understand the politics of public service reform in Benin it is important to take into account its turbulent political history, which can be summarized into three phases. The first phase covers the period 1960 – 1972. Benin received independence from the French in 1960 as Dahomey. This first period was characterized by political instability reflected in numerous Coup d’etats, which gave Dahomey the notorious record for them in Africa.

The Coup d’etat of 1972, which brought Kerekou to power, ushered in the second phase. He changed the name to Benin in 1974 and proclaimed a “Marxist” state. Like many socialist countries elsewhere, a dysfunctioning nationalized economy and dictatorial one-

party system could not withstand the international wind of change. The regime collapsed after a glorious revolution brought about by a national conference composed of a wide spectrum of stakeholders in 1990. That third phase is continuing, the return to power of Kerekou in 1996 not withstanding.

The Constitution of 1990, which ushered in a system that divided power among the president, the National Assembly and the Constitutional Court, which acts as the Supreme Court, today shape the political system of Benin. This separation of power at the national level is quite clear, what is vague is the electoral system and the governance of sub-national administration divisions (Magnusson 1999 p.223). The constitution has been tested several times, especially concerning the separation of power between the Presidency and the National Assembly. The Constitutional Court has had the authority to make binding decisions during those times of contestation.

A number contextual variables have conditioned Benin's politics. The first has been the military and the quest to capture the State as a way of dealing with socio-economic and political ills. In reality their ethnic and regional interests have played a critical role. The French left Benin a legacy of tripartite ethnological competition involving the North, the Centre and the South, which had coincided with the three administrative regions of the country at that time. This contributed to political instability. It was compounded by economic scarcity, which intensified the struggle over the definition of institutional arrangements that were meant to distribute power among competing ethno-regional patronage networks (Magnusson 1999 p.219).

The second variable therefore is the ethno regionalist politics. The military had often alternated with single party rule dominated by one regional leader or the other. The political leaders were Hubert Maga from the North, Justin Ahomadegbe for the Centre and Sourou Migan Apithy of the South.

In the 1972 Coup, Kerekou sought to establish a more permanent system, a dictatorship certainly, but the single party "socialist" state created a semblance of national unity. The regime would last until 1989.

It was not an accident that the National Conference of 1990 specifically charged those drawing the draft constitution to build mechanisms for avoiding ethno-regional paralysis and for minimizing the authoritarian ambitions of a President. The political experience up to that time had not been glorious.

Those problems still cannot be ruled out. It is said that the civil servant is often influenced first by ethnicity and secondly by political party (B.Boyi and N. Mede March 2001). Certainly, the influences are not in the pre 1972 levels, and this is because the 1990 conference and the constitution have had profound impact in the national psyche. Yet such ethnoregional forces are still alive and resilient. When we look at the political party variable, we find, for example, that Benin has more than 120 political parties, but only five of these are dominant. The five are rich because very rich people, including people of Benin origin living outside the country lead them. Those also have ethnic and

regional tendencies. The ruling group is for example made up of a northern coalition. There are also parties led by former union leaders (A. Adamon March 2002). Some of the parties in the remaining multitude are said to resemble village mate clubs.

Trade Unions in Benin make another political variable. They have a lot of leverage including links to political parties. Unlike France where the civil service cadre was not heavily unionized compared to those in industry or agriculture, in Benin the civil service is highly unionized providing a formidable barrier to civil service reforms. Trade unions in Benin despite being divided into four separate confederations represent public sector workers rather than workers at large who tend to be hidden in the vast informal sector of the economy (Payne and Gouthon 1997 p.2-13). Similar to the workers at large are the civil society actors who tend to be weak and not influential. At the national level advocacy groups are dominated by a small number of activists.

6.4.2 Past Public Service Reforms and their legacy (1960-1989)

Public service reforms in Benin are often said to have gone through three phases. A post independence phase (1960-1989) and a liberalization phase starting in 1990 but gaining momentum after 1997 which is the third phase. The last two phases are discussed later. We start with the first whose legacy has been hard to break.

If civil services in Anglophone Africa remained with a legacy of the British Civil Service structure and culture after independence, it was truer in Francophone Africa in regard to French bureaucracy. The French bureaucracy was highly centralized, much of the power remained in Paris. Effective decentralization only came in 1982. In Benin the civil service has the legacy of being overly centralized and Cotonou has been holding jealously to its power. French colonialism also bequeathed Benin with an almost army like conception of public sector management, together with a relative indifference to its operating costs (Morin D).

The second French legacy in the image that the highly placed civil servant bestows upon himself. Civil servants in France considered themselves at the helm of the wheels of a well-lubricated machine, which guaranteed a willing society a rational and tranquil order (Jobert and Muller 1987). Indeed part of the resistance to decentralization and the difficulty in drawing experienced civil servants from Cotonou to the “Departements” is linked to the above legacies.

Efforts to reform the public administration and civil service during the first phase are traced to the mid 1960s. The intention was to reduce the size of the civil service. In 1965 a number of steps were taken. There was a 25% reduction in the value of the wage index, a freeze in salary increments, a 60% reduction in child support, a lowering or total elimination of other pecks including function related bonuses, overtime payments, allowances for domestic missions, abandonment of the practice of automatic recruitment of graduates an attempt at comprehensive civil service reform.

The solution proposed sought to reduce the cost of civil service in light of declining revenue and fragile economy. The tactics used included reducing wages and perks as well as halting recruitment in the public service, which came in 1966. The steps taken were more attempts to resolve a crisis getting out of hand than a rational model to reform the system.

Kerekou with his socialist experiment sought to change the system. The dictatorship added a new legacy to that of the French centralized civil service. It established public corporations, which employed a large number of workers. These corporations involved industrial production and service provision. In the civil service, there was also alteration made to the French influenced system. The French civil service is not only centralized but also regimented into quite stable categories. Movement from one category to another is quite restrictive as one has to do quite prohibitive civil service examinations (Concours). Many civil servants in Benin moved up the levels of a category automatically and across categories quite easily. Such a civil service system was fictitious and could not be maintained in the long run. Breaking such a system remains a challenge as civil servants are holding steady fast to preserve that logic.

Another development during this regime was the increase in the influence of trade unions. They were putting forward the interests of the workers. After all Benin was supposed to be a worker's state. Yet one cannot have the cake and still eat it. A crisis was imperatively going to occur. The wage bill expanded year after year to reach 7.7% of the GDP in 1989 when it was larger than the tax revenue. At that time, the wage bill was 49.6% of the recurrent expenditure (Danielson 2001 p.7).

By 1988, the government was no longer able to meet the public payroll. In 1989, the state failed to pay workers for eight months (Loko March 2002). Under such circumstances, there was a total absence of financial accountability both personal and collective within the public service. In the social plane, some civil servants committed suicide, some women became prostitutes while others became traders (Zockl and Kora-Yarou Zime). The regime of Kerekou became totally undermined when the banking system also collapsed following that of the public service.

At the political level what the Kerekou regime attempted to do, at least up to 1989, was to transfer political machination from the level of seeking control of the state to struggling for a favorable position within the state. The regime had to accede to different political pressures in an attempt to maintain national unity and the state itself.

In an attempt to save his regime, Kerekou had in 1989 agreed to the entry of the International Monetary Fund (IMF) and the introduction of a structural adjustment program. The intervention which took the form of attempting to reduce the size of the civil service through voluntary departure was too little too late. Already the wage bill accounted for 2/3 of primary spending excluding interest payment and foreign investment. In 1986, Benin had 46,280 civil servants and voluntary departure removed only lowly placed workers and not senior managers (Zockl and Zime 2002).

When we look at the salary reforms of this phase, we see that they eroded the real wages of the civil servants. After Independence the civil servants of Benin were well paid and considered themselves a privileged group. The salary reforms of the 1980s saw the slow erosion of that position. The exception was the Statutory Decree of 1980 made by the government, which reevaluated the grade-related point from 1900 to 2100. This decision was taken within the framework of salary adjustment to the cost of living.

The 1987 Financial Law froze financial effect on progressions, re-grading and promotions of permanent civil servants. The 1988 Financial Law suspended a housing allowance for permanent civil servants staying in their own houses. In January 1989, the government instituted a 50% tax on all allowances and bonuses. After all this was the year when salaries were not paid for eight months. The salary decisions reflected the difficulty of paying an overgrown state, which was largely dysfunctional.

6.4.3 Politics and political process of pay reform: 1990-2002

Administrative reform after 1990 is usually divided into two periods: 1990-1997 and the period after 1997 (Republique du Benin June 2000). It would seem this distinction has to do with the tempo of reform in that despite the political will expressed in the National Conference of 1990 concrete action on reform would start much later in 1997. Some people would argue however, that even after that period, qualitative reform to the public administrative system is yet to be taken in earnest.

Politically, the 1990 constitution ushered in a new political framework. The preamble of the constitution states that the people of Benin reaffirms their fundamental opposition to any political regime based on arbitrariness, dictatorship, injustice, corruption, regionalism, nepotism and personal power (Republique du Benin 1990).

The political system, which was ushered in by the legislative elections of February 1991 and the presidential elections of March 1991 can be categorized as pluralist and quite competitive. The legislative elections of 1991 involved 24 political parties out of 34, which had actually registered. Voter participation however was only 52%, which showed a certain degree of frustration of the people of Benin with the political parties. The Presidential elections in March produced 13 candidates. Soglo who had been the transitional Prime Minister won the Presidential elections although at that time he did not have a party of his own (Lambert 1991).

When the next legislative elections were held in March 1995 the parties which participated were 31 out of a possible 49 but only 17 parties had won seats. The two dominant parties were Renaissance du Benin of Soglo with 20 seats and Parti du renouveau Democratique with 20 seats. Kerekou's party won only 10 seats from the North. When, however, the presidential elections came in 1996, Kerekou defeated Soglo thanks to a coalition with two powerful leaders from two southern regions (Magnusson 1999 pp.232-233).

In the legislative elections of March 1999, parties which were in opposition to Kerekou won 42 out of 83 seats. It was a victory of the opposition but a fragile one because members of the National Assembly (Deputes) have been known to desert their parties. Soglo had lost 5 deputies in the previous legislative elections. Indeed although the party of Soglo won 27 seats which was a gain of 7 seats in the end a coalition against him was established. In the Presidential election, which followed, Kerekou was leading in the first round and Soglo boycotted the second round accusing Kerekou of irregularities. Although Soglo had admitted losing fairly in the previous election didn't in this election. It means he was raising serious doubts on the legitimacy of the election system and consequently of the political system.

We can therefore make a number of observations concerning the political system in Benin. Although the system can be described as pluralist and democratic, it is fragile not only because of the fragmentation both at the level of the big number of political parties but also in terms of factions within those political parties. Kerekou has been able to rule with coalitions of convenience. This has been described by one politician as a majority of variable geometry (Une majorite a "geometrie variable") (Lambert 1991). These coalitions have been based on personal ambitions and regionalism. After the 1996 presidential elections, Houngbedji and Tevoudjre who were both regional leaders but also political personalities with individual political ambitions supported Kerekou. The coalition was in a way anti Soglo because he was accused of representing Fon ethnic group interests. It was also a way for the individual politicians to get posts in the Government.

The question which follows then is whether the political system in Benin is stable. In the past, political instability was rife and its manifestations were the numerous Coup d'etats. There are no serious indications that the country is likely to slip back to the old experiences. Up to the legislative elections of 1999 in which the rate of participation had reached 70%, there was the belief that the democratic culture had gained roots in Benin (Africa Express 1999). The Soglo boycott of the second round of the 2001 presidential elections raised doubts about the fairness of the electoral system in Benin.

The electoral system in Benin, which is proportional, is leading to a high mobility of Deputes within political parties as they vie for favorable positions in party lists. As it is known in such system the higher one's position in the party list the more likely the candidate will be elected. At the same time, those high in the party lists are likely to get Cabinet posts as a ruling coalition is being formed. This raised doubt about the existence of serious contending ideologies and programs in Benin.

We can say that the dominant ideology in Benin is Capitalism. Kerekou had accepted the demise of socialism in 1990. The differences which exist are variations within capitalism. The capitalism in the image of Bretton Woods institutions and capitalism with a social face. The former is reflected in the views of Soglo a former World Bank Regional Director, and the second is reflected in the ideas of Tevoudjre a former ILO Deputy Director.

When Soglo was a Prime Minister in 1990, he received very high marks for performance. In one year to pay the 47000 Civil servants regularly and even paid some salary arrears. At the same time he managed to convict some leaders who had been involved in political financial scandals (Lambert 1991). When however he went for fundamental reforms with austerity measures, he met with stiff opposition. His situation was not aided by the 1994 massive devaluation of the CFA franc. In the ensuing conflict with the National Assembly Tevoedjre wrote to donors informing them that the IMF and the World Bank were one thing, while social and political reality is also a constraint which it would be wise to keep in mind so as to keep the country on its feet (Magnusson 1999 p.228). This position together with that of Kerekou who campaigned on the forum of limiting privatization needs to be translated into a calculated alternative program. Otherwise this position could be regarded as a populist position which has the result of stalling reforms, as political leaders are afraid of implementing unpopular reforms.

6.4.4 Politics of pay reform 1990-1997

The spirit of the 1990 compromise among contending political groups and the need to redress a state, which had collapsed, influenced the politics of the period 1990 and 1997 in the administration of Benin. This task was taken by Soglo, first as an interim Prime Minister and then as a President.

The political significance of the national conference, which involved a wide selection of stakeholders, was that it created a compromise among different ethno-regional groups, which promised political stability in a democratic framework and not a dictatorial framework. Such a compromise seems to be holding up to now in that there has been democratic transfer of power from one President to another. Some actors would have preferred that the National Conference had reached a consensus and not just a compromise. As it happened it was because of the fact that the state was bankrupt that the different stakeholders agreed to the solution suggested by Bishop DeSouza (Boyi and Mede March 2002).

The question, which comes up, is whether some political actors would be ready to break the compromise in order to preserve their vested interest in the civil service system, which requires fundamental changes to make it performant. As it happens, once the crisis seemed over and the economy was picking up, the vested interests are digging into their heels and preventing further reforms. This is explained by the precariousness of political positions, starting with the President down to Members of Assembly. Party coalitions are weak and not based on clear joint programs. Political parties and leaders are considered weak in terms of discernible programs.

The National Conference was followed by several sectoral stakeholders' conferences. One of them was that of the public service and the modernization of public administration (Etats generaux de la fonction publique et la modernization de l'administration) held in 1994. This conference came out with nine recommendations.

A number of the recommendations were directed at the state which was urged to have a clear administration mission, to have a clear administrative policy, to establish a veritable rule of law and restoration of public ethics and to separate technical and political functions. Other recommendations focused on an administrative culture to be oriented towards merit, quality service to clients, management control as well as performance. The other recommendations stressed on the modernization of the public administration including the introduction of private sector management techniques into public administration (PNUD 2000 p.157).

It is paradoxical that the same stakeholders in the civil service are now reluctant to agree to reforms in the spirit expressed above. The spirit in 1990 however was that of reform in the public service management system, especially civil service pay reform.

It should be pointed out that the 1990 Conference came at the same time as the first Structural Adjustment Program after the agreement between the government and the IMF. Civil service reforms sought to reduce the number of civil servants and the share of the wage bill in current expenditure as a conditionality to World Bank/ IMF funding. This took place through two kinds of measures. First voluntary based reduction mentioned above, which took place in 1989 and 1990. The second were targeted reductions, which occurred between 1992 and 1994. The implementation of these measures led to the removal of more than 6000 employees from the public service list (RB 2000). Other measures included only one out of three retirees was being replaced. At the same time the system of automatic hiring of fresh graduates was ended. The combination of different cleaning up measure led to some results. By 1997, the share of the wage bill had declined to 39% of government revenue and 5.0% of GDP.

These reforms were made with the technical and financial support of the international community. Such favorable response was being influenced by the democratic reform occurring in the political front. The assistance was made in the context of a broad reform with the objective of establishing a modern and efficient administration, which supports the work of the government and delivers public services at a moderate cost.

When we look at pay reform during this time, we see that the Financial Law of July 1990 led to de-blocking payment by 100% of allowances and Bonus, although back pay was not given. The government under Soglo who had replaced Kerekou made this decision. As a former high official of the World Bank, Soglo was in the good books of the Bretton Woods institutions. There was also a spirit of political cooperation, which allowed to put the house in order. The financial law of January 1992 allowed for payment of salaries on the basis of all indexes as acquired by December 1985 or December 1986. This decision was made the government on the basis of progressive payment of salaries on the real index. Backpay was however not paid. Certainly, such a system of automatic salary increases every year would make back pay an enormous wage burden.

The spirit of political cooperation which existed would end in 1994 with the devaluation of the CFA franc. Yet the year had started unsuspectingly well. The financial law of January 1994 allowed increase of salary to the level of December 1988 as well as

payment of housing allowance, which had been suspended from March 1988. There was also re-evaluation of grade related index from 2100 to 2310. The former was a decision of the government the latter came through trade union pressure. Things therefore seemed to be going well for the civil servants until the devaluation of the CFA franc by 50% in January 1994. The devaluation unleashed inflationary tendencies and at times there was violent social unrest involving urban based organized labour and student groups.

What happened after President Soglo attempted to react to the devaluation made by Balladour's government in France reflects the political forces at play in Benin. Soglo had revised the budget incorporating a 10% increase in civil service pay and pensions and a 15% increase in student scholarships. The National assembly amended the figures allowing 15% increase for civil service pay and pensions and 25% for student scholarships. The National Assembly (NA) voted for this amended budget in contempt of the President who had argued that the NA had no legal mandate to make such amendments. He also argued that such a budget violated structural adjustment agreements made between Benin and the World Bank and the IMF. He caused a constitutional crisis when he used special emergency powers to block the budget.

The constitutional court, which is the supreme body in Benin, ruled in favour of the President on his prerogative on salaries, pensions and scholarship. It ruled against him on two counts. The first was on his use of emergency powers to block the budget. Secondly the court disagreed with the claim that the budgetary increases would have violated Benin's international agreement (Magnusson 1999 pp.227-228).

While the President was stressing "good economics" some of his adversaries were stressing "good social political elements". The defeat of Soglo in the election, which followed in 1996, and subsequent elections would tend to show that the social political pressures had leverage on the voters. He had attempted to woo the voters by the Rectified Finance Law of 1995, which generalized housing allowance, which was hitherto paid to only certain categories of civil servants, namely education, health and the army. At the same time following Union pressure the government increased family allowance rate from 1000 CFA to 2000 CFA per month per child. In January 1996, on the year of Presidential elections, there was salary increments to the index of December 1990. It was a decision made by the government as progressive payment of salaries on the real index. Certainly pay increases had multiplied in the years of legislative elections (1995) and Presidential elections (1996). The increases however did not help Soglo. It would seem that political forces were wary about his structural adjustment policies and the transformation envisaged to the existing system including the civil service.

6.4.5 Politics of pay reform: 1997 to the present

President Kerekou returned to power on the promises to increase employment and to limit further privatization of state enterprises as well as attacking ethnic sentiments. Such a limit might be a reaction to over zealous structural adjustment policies but they do not confront the fact that only a well performing civil service can facilitate development. The improvements to civil service reforms noted by 1997 can therefore be considered to

be fragile because they were achieved by an administration, which departed and because there are still social-political pressures preventing further reforms.

The main thrust of the reform, namely the establishment of a performance based civil service without automatic advancement, is being held back by strong opposition from trade unions which have a lot of political leverage on the government in power. Meanwhile there have been salary increases. In 1997 a cabinet decree led to the re evaluation of the grade-related index from 2,310 to 2,425. The cabinet made the decision but it followed Trade Union demands.

Other salary increments have occurred since then. In the 1998 Finance Law, salary payments reached the level of the index acquired in December 1992. In January 2000, the payments reached the index acquired on December 1994. In January 2001, salary increased to the index of 1996 while in the 2002 financial law led to salary payment on the basis of the index acquired in December 1998 and December 2000. The last payment of salaries on the real index was influenced by Union pressure. These increases might not be satisfactory but it should be noted that they are being made while concrete reforms of the civil service and public Administration on the whole are stagnating.

According to the Minister for Public Service and Administrative Reform the civil service in Benin is everywhere, in the sense of being too involved in everything, but cannot play the role of motor to development. Civil servants are mandarins, creating empires and being concerned more about their positions than to serve the citizens. Their attitude is laissez faire with poor work ethics. They are therefore their own worst enemies (Batoko March 2002).

Yet the same could be said of the political class including members of the National Assembly. Trade Unions would not be impressed by the view of the Minister because they know that politicians pursue personal career interests most of the time. They are also often corrupt and tend to be an unsatisfied privileged class. The salaries of deputies are high by Benin standards yet they claim to be underpaid.

6.5 Political steps imperative for pay reform in Benin

The document on Administrative Reform in Benin is a frank discussion of the ills of the bureaucracy in the country. It promises the elaboration of a clear mission by the government and the rationalization of the system with clear organizational structures as well as the creation of a performance based system of remuneration. The document however does not address the political barriers to the reforms, which are known to be formidable. These are vested interests working hard to maintain the largely dysfunctional public service system.

In reality, the political equation to civil service reform in Benin is linked to a number of political factors. The first is the existence of ethno-regional groupings which play an important part in the political system and contribute to the stagnation of reforms in Benin. The second is the direct link between politicians and Administration where by Ministers

appoint senior administrators from their political parties. The third factor is that of senior civil servants making an important lobby to undermine reforms because some former civil servants are important leaders in political parties. The last political factor is the organization of the whole civil service into trade unions, which exert very strong political influence in a political system where political alliances are not very stable.

The merit system has drawn up such opposition because the Public Service System in Benin contains many professional anomalies by most standards. Unlike many administrations, Senior Civil Servants in Benin can be members of political parties. The principle that the civil service is non-partisan and functions according to the merit of issues does not exist in Benin. Ministers who are politicians appoint senior members of the administration. It is a perverted French system. In France, Ministers appoint members of their "cabinet" who are technical staff with political sympathy to the ruling party. These are however personal assistants to the Minister and cannot in any way replace the French Civil Service and the career civil servants who have their mandate which they have been known to guard very jealously.

The separation of politics and administration is imperative. This issue was recognized by all the stakeholders meetings and the reform document. The burning question is how to take such a decision concretely. We observe though that while in other experiences especially in Africa it is politicians who want to control the civil service and therefore hold them at ransom in Benin it is the reverse. It is the civil servants who want leverage by seeking protection from their link to political parties and politicians. It should be theoretically possible for politicians to define an almost impersonal code of conduct for civil servants, which separates them from politics and then implement it. A professional code, which would prohibit civil servants from active partisan politics, needs to be introduced. The experience from Anglophone Africa could be relevant.

The factor of ethno-regional groupings pervades in Benin. Some of those who reject the merit system do so by arguing that performance evaluation would be affected by ethnicity, regionalism as well as link to political parties.

The factor becomes important because the executive never had comfortable majorities in the National Assembly because of political organizations along ethnic lines. Soglo who did not have a party of his own had to rely on unstable alliances. Kerekou has to work with a slim majority coalition. The only reason why Benin has not gone to its old ways is that there seems to be a consensus between the different political forces that they have to preserve the political system, that they should not go as far as creating instability because that could result in a military coup (A. Adamon March 2002). The existing inertia however would prevent economic stability. With limited resources, the current regional or ethnically based appointments might be inadequate to ensure political stability.

Together with the separation of politics and administration another step needs to be taken to create a competitive and transparent recruitment of top administrative people who would be capable of instituting the merit system professionally. Advertised applications and interviews could be used to mark the transparency of the system. The factor of direct link

between the civil service and politics, in the sense of being partisan, has undermined the civil service reforms of the merit system and the introduction of decentralization so as to improve the quality of public services to the citizens. In the case of Benin it seems the civil servants are influencing politics in order to preserve a non-performing system, which however gives some privileges to senior civil servants, including the one of being able to remain in Cotonou.

The extent of trade union organization in Benin's civil service is unrestrained. Certainly, one cannot be against the organization of workers in the civil service. The model of such organization in Benin is difficult to characterize. It is not corporatism because the state does control them nor neo-corporatism because the state doesn't seem to have a viable mechanism of "concertation" (negotiations) with the unions. They are plural but they come together regularly enough to paralyze the system of reform. It seems to be corporatism in the reverse whereby trade unions control the political system and can paralyze the reform process.

Paying trade unions to carry on their activities seem to be excessive for a political system. Lessons from France on "concertation" could be relevant here. The government discusses with the aggrieved groups when they are discontented. The negotiations however cannot be so protracted to freeze a reform process.

The Minister for Public Service believes that the government could have introduced the Merit law before 1990 when it had a majority. Or it should have been introduced Ministry by Ministry instead as national wide campaign because 5 out of 19 ministries have already come up with performance contracts. He believes that change is imperative because the 32,000 permanent workers perform at 20% while 8,000 contract workers perform at 65% (Batoko March 2002). That could be one opinion. There is need for a honest discussion with career civil servants to reach a compromise. The reforms, which in some instances borrow from business practice, cannot be taken wholesale. There is need to take into consideration the civil service career system.

7. BOTSWANA

TACTICS, SEQUENCING AND POLITICS IN PAY REFORM

7.1 Introduction

Botswana is one among African countries that have implemented considerable public service reforms, including reforms in the pay regime. The current pay reform in Botswana started with the implementation of National Development Plan 6, 1986-1991 (NDP 6). The major thrust of the reform process was to improve public service pay and incentive structures that were seen to be among the core reasons for the declining performance in the public sector. Appointment of salaries and conditions of service review commissions at a reasonable interval, salary decompression leading to high salary ratios, job evaluation, regular wage reviews and salary increases are among the major characteristics of the Botswana public service pay regime. In addition, the government has not been giving salary increase during election year. Also, compared to other African countries the pressure on the government to increase pay in Botswana is very weak. Lastly, unlike most African countries, the Botswana public service pay reform process is stable, continuous and effective. This paper is an attempt to explain the Botswana public service pay reform.

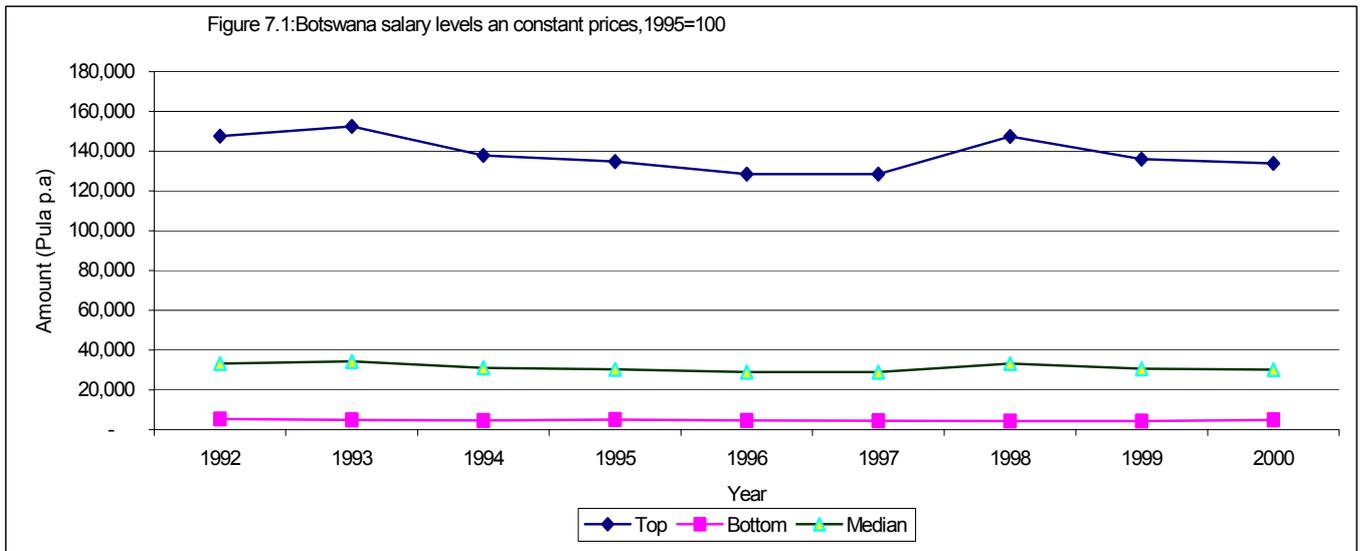
Changes in the public service pay structure in Botswana could largely be explained by politics that underlie decisions and choice of strategies being adopted in the reform process. A presence of a powerful state structure with significant level of cohesion, accountability and transparency in the policy making process has played an important role in the design and implementation of public service pay structure in Botswana. In addition, the ideological continuity as a result of both the composition of the ruling political elite and the dominance of Botswana Democratic Party (BDP) in Botswana since independence have contributed to the stability and continuity of the pay reform process. Weak opposition parties and trade unions, the absence of organized and politically oriented civil society groups, a submissive mass media and an authoritarian liberalism culture have significantly limited pressure on the ruling coalition with regard to public service pay reform decisions and implementation. The suppression of these groups has given enough room for the ruling coalition to use technical justification in public service pay reform to accomplish its political goals.

7.2 The Pay System: Structure and Trends

Over the past decade, pay levels in Botswana have remained considerably higher than those prevailing in other countries covered by this study. This unique position of Botswana is attributed to three main factors. First, high and consistent levels of economic growth accompanied by comparatively high revenues from mineral wealth have vastly enhanced capacity of Government to pay. Second, the Revised Incomes Policy of 1990 explicitly recognized the need for the public service to have a pay structure that: one, commensurately compensates the public service managers according to responsibility (through decompression of the salary structure) and two, enables the service to recruit and retain those with artisan, technical and professional skills (through a parallel progression salary scale).

However, as previously observed, preserving the purchasing power of the public service pay is a basic policy objective which even Botswana has yet to sustain (see **Figure 7.1** over the page).

Figure 7.1: Trends in Top, Median and Bottom Salary Levels in Botswana at Constant Prices, 1990 to Present



Memo items:										
Salary Compression ratio	32.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Deflator factor (1995=100)	73.5	81.8	90.5	100.0	110.1	120.6	131.3	142.3	153.3	
Nominal wage bill/GDP ratio (\$)		9.7	9.2	8.8	8.2	8.3	9.1	9.6	9.4	

Source: Annex Table 7.1 b

Up to mid 1980s Botswana was still seeing the fulfilment of social justice in terms of salary compression. It was not until 1985 when steps to decompress salaries were beginning to be taken. Even with those changes, the difference between private and public sector pay at the executive, middle and technical levels in Botswana was still very high by the end of 1980s. In 1988, for example, at the executive levels private sector salary was at least 120% more than government salaries, the difference decreasing to 11% at salary scale D3 (PCRIP 1990). Private sector pension schemes were also better than the government one. Interestingly, lowest grade government salary was 34 percent higher than the private sector (PCRIP 1990:65). Low salaries for public employees led to utilization of fringe benefit strategy as a mechanism for making up for the low salaries (PCRIP 1990).

The 1990 report of the Presidential Commission on the Review of the Income Policy (PCRIP) was a turning point in Botswana public service pay structure. Its recommendation that “levels of wages and salaries and the differential between occupational categories should be determined by market forces and the government should become a wage follower and not a wage leader” was an important contribution to the current public service pay structure in Botswana (PCRIP 1990:69). The government accepted this recommendation and started to effect it in 1992 following a report of the Presidential Commission on the Review of Salaries and Conditions of Service, (PCRSCS) 1992. The government has continued to decompress public salaries to levels that has enable it not only to retain most of its employees but also to support the top public official of the ruling party.

The Revised National Policy on Income, Employment, Prices and Profits (Government Paper No. 1, 1990) suggested among other things: the decompression of salaries for senior level staff; a parallel progression structure for artisans, technicians and professionals; and an enhanced entry salary for posts requiring scarce skills. In addition, it recommended a review of the annual staff performance appraisal process to make rewards such annual increments geared toward increasing efficiency, productivity and discipline (NDP 7:485). The policy recommended the continuation of salary decompression at the senior level until 15% percent salary differential at the senior level is achieved. The concept “equality” was also redefined, from equality in levels of income as defined by the Botswana National Income Policy in 1972 to “equality of opportunity to participate in a growing economy” under the revised National Policy on Income, Employment, Prices and Profits, 1990.

Botswana adopted its first National Income Policy in 1972. The policy was called National Policy on Incomes, Employment, Prices and Profits (NPIEPP). Rapid economic growth, social justice, economic independence and sustainable development were the pillars of that policy. The policy states that the primary concern of the government is to prevent income differential both within and between the urban and rural areas from widening. Wage restraint was seen as a means to facilitate economic growth and preventing widening income disparity. In fact, salary compression was taken as a means for attaining social justice. In addition, it was viewed as a mechanism for enabling Botswana’s products to compete in the world market as well as a means for promoting harmony and social justice. These explain why public service salaries in Botswana were below their market value.

Before the adoption of the Revised National Policy on Income, Employment, Prices and Profits, 1990, the 1972 Income policy provided the basis for Botswana public service pay structure. The 1972 Income Policy and its subsequent pay policies stipulated that government salaries were required to provide a firm guideline for employers in the private sector. The National Employment, Manpower and Income Council (NEMIC) and the Wage Committee (WC) were responsible for monitoring and ensuring that the difference between private and public sector salaries is as minimum as possible. The two organizations were also required to ensure that employers were not using the restraints wage for excessive exploitation of workers. This largely not only explains why salary differential in Botswana prior to 1990s was very small but also it was a political decision to keep salaries and wages at that level.

The 1985 salary review commission was the first to advocate for salary decompression particularly at the senior level. It was argued that salaries at a senior level failed to consistently pay rewards for increasing responsibility. While on one hand this was seen as means to maintain social justice, on the other hand it acted as a disincentive for senior officials. Thus, the Presidential Commission for Economic Opportunities, 1982, recommended the decompression of top civil service salaries. It advised the government to keep its salary structure reasonably competitive with that of the private sector in order to avoid substantial losses of key personnel to the private sector. The report of the Presidential Commission on the Review of Public Service Salaries and Conditions 1992 took the recommendation of the Presidential Commission for Economic Opportunities into account in recommending the decompression of salaries (PCRSCS 1992). Its recommendations were based on principles of equity, international and regional competitiveness, competitiveness with the private sector wages and salaries in Botswana, productivity and affordability. Since then salary differentials increased tremendously as indicated in **Table 7.1** over the page.

Table 7.1: Difference between Minimum Wage and Highest Wage in Public Service

Year	Highest Salary	Minimum Salary	Difference	Ratio
1980	18,720	1,248	17,472	15:1
1981	20,160	1,344	18,816	15:1
1983	21,768	1,452	20,316	15:1
1984	23,952	1,608	22,344	15:1
1992	108,456	3,132	105,324	35:1
1997	154,884	4,800	150,084	32:1
2000	298,596	8,328	290,664	36:1
2002	348,156	8,832	339,324	39:1

The Botswana government is systematic and more transparent in dealing with public servants salaries than most other African governments. Salary Review Commissions are appointed now and then to review government employees' salaries. There were twelve salary increases and four salary review commissions between 1990 and 2002 in Botswana. The government implemented most recommendations of salary review commissions and those that were rejected were explained in Public Service Management Directives as they are currently called³³. Out of the twelve salary increases, the National Employment, Manpower and Income Council (NEMIC) recommended seven of them, The Salary Review Commission three and Tsa Badri Consultants one. There were no salary increase decisions in that period and all were recommended by the Minister of Finance during the annual budget speech. Presidential commissions on the review of salaries and conditions of service were appointed in 1993 and 1998. These commissions' assessments were based on such factors as equity, international and regional competitiveness, competitiveness with private sector wages and salaries in Botswana, productivity and affordability. Interestingly, there has been no salary increases in election year. However, a year before election has witnessed the highest increases. In 1998, government employees in Botswana received the highest pay increase in the decade. Each employee was given 25% salary increase out of which 15% was compensation for inflation and 10% for competitiveness of public service salaries against private sector salaries and regional markets. It is important to note that this was the year when Hon. Festo Mogae (MP) was selected to become the new Botswana President replacing President Masire. Such a huge increase could also be a way of legitimising and popularising the new President. Parliamentary salaries were also increased to P250,000 (about \$50,000) a year and their pensionable retirement age was changed from 60 years to 45 years (Good 1999).

The government continued to oppose introduction of statutory minimum wages for domestic and agricultural workers largely because it would be impractical and hence unenforceable (Presidential Commission 1990). However, it seems to us if the government so wished the law could be practical and enforceable. The problem is that the ruling group is the one that is benefiting more from the absence of law that would have governed minimum wages for domestic and agricultural workers. Most members of the ruling group use domestic and agricultural workers in their farms and ranches. Lack of laws that govern minimum wage enables them to intensify exploitation of these workers. This, together with the fact that most workers have domestic workers, makes the introduction of such law politically difficult because it would make the government very unpopular.

³³ In the 1980s they were called Personnel Directives

7.3 Techniques, Tactics and Sequencing

Table 7.2 over the page provides a summary of the major public service pay decision in Botswana since 1990. The dominant feature of public service pay reform in Botswana has been the pay review commission (PRC) approach.

The latest of the review commissions was appointed by the President in December 1997, and issued its report in June 1998³⁴. This was the seventh such commission since the country's attainment of independence. Thus, on average, there was a commission every five years. However, the interval has recently been longer, because between 1985 and 1998, there were just two such commissions, in 1992 and 1998.

It has been standard practice by Government of Botswana through the years to closely scrutinize the recommendations of the successive Presidential Commission on the review of salaries and conditions of service. On every such review, Government has accepted most of the commission's recommendations and rejected or modified others. In any case, the review and acceptance of every Commission's recommendations, has been followed by a major upward adjustment in public service pay. Thus, following the 1992 commission, in January 1993, there was a 23.4 percent to 16.4 percent increase in salaries in the lower grade A3, and an across the board adjustment of 15 percent to the higher grades A2 to F0. Again, in July 1998, following the report of the commission in the previous month, there was a 25 percent salary increase across the board (see **Table 7.2** over the page).

Between the pay review commissions, Government has generally relied on the National Employment, Manpower and Incomes Council (NEMIC) to recommend salary adjustments. These adjustments have generally been modest or restrained (as low as 5 percent in 1996), and across the board. The primary objective has been to compensate public servants for inflation (see **Table 7.2**). However, as indicated in the previous section, these adjustments appear to have generally fallen short of preserving the purchasing power of the salaries (see **Figure 7.1** above).

Traditional leaders supported the colonial administration because they were the major indigenous beneficiaries of the colonial system. Their participation in tax collection system gave them an opportunity to acquire considerable numbers of cattle by fines and by the custom of appropriating strays (Molomo 2000). Chiefs were also given a commission of 10% of whatever they collected. In this respect, chiefs' and headmen's positions and wealth were strengthened by the colonial process to an extent that it would have been very difficult for a political party to wage a successful anti-colonial struggle without the support of this group. It was this group and the educated elite that provided leadership in the anti-colonial struggle.

³⁴ Republic of Botswana (June 1998), *The Report of the Presidential Commission on the Public Service Salaries and Conditions of Service, 1998*, Government Printer, Gaborone

TABLE 7.2: BOTSWANA - A SCHEDULE OF MAJOR PUBLIC/CIVIL SERVICE PAY DECISIONS, 1990 TO PRESENT

MONTH & YEAR	NATURE OF DECISION	DECISION RECOMMENDED BY	REMARKS
April, 1990	11% increase across the board	National Employment, Manpower and Incomes Councils (NEMIC)	Inflation rate (Directive No. 2 of 1990).
November, 1990	12% increase across the board.	Salary Review Commission.	Salary Structure as contained in Government Paper No.1 (Directive No. 24 of 1990).
1991	No increase	Budget speech Minister of Finance.	-
April, 1992	10% increase across the board	National Employment, Manpower and Incomes Councils (NEMIC)	Inflation rate and salary increase
January, 1993	23.4% increase for A3 and 15% increase across the board for A2 to FO.	Presidential Commission on the review of salaries and conditions of service 1998	Modification (Directive No. 21 of 1992).
1994	No increase	Budget speech Minister of Finance.	-
April, 1995	8% increase across the board	National Employment, Manpower and Incomes Councils (NEMIC)	Impact of inflation as well as the likely effect of wage and salary increases on the private and parastatal sectors.
April, 1996	5% increase across the board.	National Employment, Manpower and Incomes Councils (NEMIC)	Impact of inflation as well as the likely effect of wage and salary increases on the private and parastatal sectors.
April, 1997	9.5% increase across the board	National Employment, Manpower and Incomes Councils (NEMIC)	Impact of inflation as well as the likely effect of wage and salary increases on the private and parastatal sectors.
July, 1998	25% increase across the board.	Presidential Commission on review of Public Service salaries and conditions of service.	25% salary increase is composed of 15% compensation for inflation while 10% is competitiveness of Public Service Salaries vis-à-vis the private sectors salaries and regional markets (Directive No.18 of 1998).
1999	No increase	Budget speech Minister of Finance.	-
April, 1990	6% salary increase	National Employment,	Inflationary adjustment

MONTH & YEAR	NATURE OF DECISION	DECISION RECOMMENDED BY	REMARKS
	across the board.	Manpower and Incomes Councils (NEMIC)	(Directive No.3 of 2000). The strategy is to maintain balance between productivity growth and wages increase to ensure the country remains competitive.
April, 2001	10% increase for grade A3 to B1 and equivalent scales. 15% increase for grade C4 to C1 and equivalent scales. 10% increase for grade D4 to CJ/PSP and equivalent scales. 9% increase in general allowances nurses overtime. 30% of basic salary. 15% car allowance incorporated for salary scales D4 to CJ/PSP.	To maintain balance between productivity growth and salary increase to ensure the country remains competitive (Directive No. 4 of 2001).	-
July, 2001	5% increase for grades A, B and C bands. 10% increase for grades D4 to CJ/PSP.	Tsa Badiri Consultancy (Review of Salaries and condition of service for Public Officers).	Following Tsa Badiri Consultants recommendation (Directive No. 9 of 2002).
April, 2002	6% increase across the board.	National Employment, Manpower and Incomes Councils (NEMIC)	Inflation rate (Directive No. 1 of 2002).

In 2001, Government took the unprecedented step of commissioning a consultant to review salaries and conditions of service for public officers. The study team was informed by Government officers that the use of consultant was influenced by two factors. First, a full need to adopt, for a change, a truly professional and independent approach to the issues of public service pay. Second, the exigency to rapidly commission the task and obtain early results. In other words, the consultant was expected to provide more professional, independent and timely recommendations.

In the latter context the recommendations of the consultants, as far as the Government accepted them, contrasted with those of pay review commissions in one significant respect. While the commissions had recommended either across the board salary adjustments (in 1998) or higher salary rises for the lower grades as in 1992), the consultant's recommended higher salary rises for the higher (10 percent) salary grades (D4 to CJ/PSP), and a lower (5 percent) increase for the lower grades in the A, B and C bands.

7.3.1 Pay Reform Sequencing and Characteristics

Public Service reforms including pay reform in Botswana started with the implementation of National Development Plan 6, 1986-1991 (NDP 6). These reforms were largely a result of poor performance in the public sector. The National Development Plan 6 (NDP 6) attributed poor performance of public sector to such factors as poor discipline, low morale, inadequate incentive and shortage of staff. The major thrust of the government programme to resolve these problems focused on the improvement of the pay and incentive structure of public service. Salary decompression that started in 1985/86, the job evaluation programme that was implemented in 1988 and the establishment of a Presidential Commission to Review National Incomes Policy (PCRIP) in were the first steps towards addressing those problems. This was followed by the Presidential Commission on the Review of Salaries and Conditions of Service, 1992 and 1998 that reviewed salaries and conditions of services in the light of changes affected by job evaluation exercise and the revised National Policy on Income, Employment, Prices and Profits, 1990.

NDP 6 also saw the introduction of Organization and Methods (O&M) exercise in most government departments with the view of identifying areas that needed improvement. The O&M studies covered ministerial objectives and functions, and how they related to government policies, organizational arrangements, accountability, operational work procedures and the adequacy of human resources and management. Job evaluation exercise was concluded and gratuity payments for industrial class workers after five years of service were introduced. Manual workers were allowed to have their union that was fully recognized by the government. However, serious public service reform started in 1990 following the Presidential Commission on the Review of the Income policy, resulting in the adoption of the “Revised National Policy on Income, Employment, Prices and Profits” (Government Paper No. 1 of 1990).

During NDP 7 a number of public service reforms were implemented. These were the establishment of Botswana National Productivity Centre (BNPC), Work Improvement Teams (WITs), Job evaluation exercise, Parallel progression to improve career prospects for artisans, technicians and professionals by allowing them to reach the highest grades of the Public service within their cadre, Organizations and Methods (O&M), decentralization whereby activities formerly performed by the Directorate of Public Service Management were transferred to the ministries, Performance Improvement Project, Computerization of Personnel Information system and Localization and Training programme. During NDP 7 local government reforms focused on capacity building. In 1996/97 the Directorate of Public Service Management carried reviews of various administrative reforms it had adopted since the late 1980s.

Under the NDP 8, the Presidential Commission on the Review of Salaries and Conditions of Service gave its report in 1998. Privatization Policy for Botswana was adopted in 2000 at the time when the NDP 8 mid-term review was conducted. In 2001 the President appointed a commission to study the local government structure and give recommendations. Botswana Public Service Vision statement was issued in January

2002. Performance management system continued to be implemented under NDP 8. The “right sizing” policy is among the major guidelines of public service reforms under NDP 8. Botswana expects to complete all reforms related to decentralization, Performance Management Systems and Computerization of Personnel Management Systems by the end of NDP 8 (NDP 8 Mid-term Review 2000). The above overview shows that Botswana public service reform is systematic, stable and continuous. The adoption and implementation of National Development Plans in which public service reforms are interwoven at each six-year interval since independence is an adequate proof.

7.4 The Political Context

Control, continuity and stability that characterized Botswana politics in the colonial period have continued to be dominant features of Botswana politics in the post colonial era (Picard and Morgan 1985:130). Public service pay reform in Botswana needs to be understood within this context. During colonialism, colonialists used traditional authorities in their administration and worked to accommodate the interests of chiefs that overlapped with theirs.

In the struggle for independence, both the colonial administration and the more moderate forces including chiefs and headmen saw the Bechuanaland People’s Party (BPP) which was formed in 1960 as too radical to lead the country to independence. Instead, the colonial administration encouraged moderate nationalist leaders under the late Seretse Khama to form Botswana Democratic Party (BDP) in 1962 (Molomo 2000). The colonial administration supported BDP largely because its policies were for the maintenance of the status quo. Its moderate policies, enabled BDP to draw to its ranks the rich, the royal and the powerful from both rural and urban Botswana (Mukandala 1988). This coalition enabled BDP to win the 1965 general election under multiparty politics and its chairman the late Seretse Khama became the first president of Botswana. Thus, the ruling coalition that led Botswana to its independence was and continues to be very strong as it owns and controls both power and wealth.

However, it is important to note that some important groups including the middle and lower grades civil servants who were mostly black Batswana, and the working class were excluded from the post colonial governing coalition (Mukandala 1988). Historical factors largely account for this exclusion. The exclusion of the middle and lower grades civil servants in the governing coalition led to a continuous struggle between the political elite and public bureaucrats for their inclusion in the governing coalition. Parastatal as well as government workers complained of low wages; racial discrimination in employment opportunity, pay, housing and the use of facilities like toilets at work, and denial of avenues for expression. In addition, middle and lower level civil servants complained about the slow speed of localization of posts in the civil service. Dissatisfaction with the governing coalition partly led to a low electoral gain by the ruling party in the 1969 general election. This contributed to the decision by the ruling elite to launch an inclusive phase in the early 1970s in which among other things, the government worked to address public service employees’ complaints. Some of the measures taken by the government were “...the creation of a permanent commission on localization and training, rapid localization of positions in civil service, the disbanding of

Public Service Commission, and the creation of a directorate of personnel; the appointment of salary commission and the consequence hiking of salaries...”(Mukandala 1988:60).

With a relatively speed localization, a number of Batswana in the top civil service positions continued to increase leading to another problem. Difference in the pay structure between expatriates and the Batswana working in the public service became a serious problem in the Botswana pay policy in the 1980s. The report of the Presidential Commission on the Review of the Income Policy attests to this. According to this report (1990:101) expatriate remuneration has been a major source of concern among the Batswana. What is surprising in this report is the fact that even union representatives were more concerned with the gap between citizens and expatriate wages than with the hiked salary ratios. However, this could partly be explained by the high capacity of the Botswana Civil Servants Association (BCSA) to influence public opinion on pay issues compared with trade unions which are both financially and organizationally very weak. The position senior servants occupy vis-à-vis other groups in not only the pay policy making process but also in the politics of Botswana has enabled them to use technical reasons to enhance their importance in the governing elite, especially in the 1990s.

To address the discontent of the senior government officials over pay policy, the government decided to decompress salaries, particularly at the upper end of the salary scales where most expatriates are employed rather than to reduce expatriate’s remuneration. In essence, this was a political attempt by the ruling coalition to buy support of the top civil servants, as opposition parties particularly the BNF exploited the discontents to build its electoral support that threatened the governing coalition in the early 1990s as the discussion below shows.

7.4.1 Political Parties

Botswana has been among few African countries that continued with multiparty politics since independence. Despite being a multiparty democracy and having elections at five-year interval since 1965, Botswana has only been ruled by one party since independence. In all general elections (including the 1994 general elections in which BDP scored its lowest) BDP won a convincing majority as **Table 7.3** below shows.

Table 7.3: BDP Parliamentary Seats 1965-1999

	1965	1969	1974	1979	1984	1989	1994	1999
Total Parliamentary seats	31	31	32	32	34	34	40	40
Won by BDP	28	24	27	29	29	31	27	33
Percent	90.3	77.4	84.4	90.6	85.3	91.2	67.5	82.5
Number of Parties In elections	3	4	4	4	5	5	5	7

The achievement of BDP in elections can largely be explained by three major factors. First, the party had the capacity to adopt policies that led to tremendous economic

growth. The post-colonial government has been adopting policies that promote development and economic growth. Botswana policies are based on principles of rapid economic growth, social justice, economic independence and sustainable development (National Development Plan – NDP- 6,7,8). Government development policies adopted since independence as well as growth in the mining sector have enabled Botswana's economy to perform remarkably well. GDP growth has averaged around 6% per annum in real terms over the entire post-colonial period, while annual per capita real GDP has grown from P 1,682 in 1966 to P 7,863 in 1994/95 at 1993/94 prices (National Development Plan 8 1997). The economy of Botswana largely depends on minerals (particularly diamonds) and export of cattle. Other sectors such as finance, trade and business services are beginning to make a significant contribution to the economy (NDP 8). Botswana's Inflation rate is about 10%.

Though generally speaking, rapid economic development in Botswana facilitated the implementation of public service pay reform (in terms of affordability) political factors were more important in influencing the choice of the pay design, sequencing and timing.³⁵ For example, Botswana increased government wages and salaries by 10% in 1992 and 15% in 1993 despite the fact that the economy experienced an actual mild recession in 1992/93 when it contracted by 0.1% (NDP 8). The 1992 and 1993 salary increases could be attributed more to political preference than to technical or economic reasons. This is particularly true because technically and economically, the recession was a justification for not increasing public servants' salaries and wages. However, the growing discontent with the government performance in the early 1990s (as manifested in the lowest electoral gain since independence by the ruling party in the 1994 elections) partly influenced the government decision to increase wages and salaries for its employees.

Second, it efficiently utilized gains in the country's development programmes including education, health, rural development, roads and other infrastructure. For example, its rural development programmes, such as Accelerated Rural Development Programme, Arable Lands Development Programme and Accelerated Rain-fed Agricultural programme have enabled BDP to build political alliance with powerful members of cattle accumulators including chiefs as well as the peasantry (Tsie 1996). Investment in bore holes, vaccines and drugs, trek routes, fencing, and bull subsidy schemes that were implemented by the government were responsible for the overwhelming support BDP got from cattle keepers, who are the majority in Botswana (TSIE 1996:610).

Third, its suppression and harassment of opposition parties could also explain the ruling party dominance over Botswana politics (Mukandala 1988). The ruling coalition did not completely annihilate opposition parties. It allowed three opposition parties (Botswana People's Party (BPP), the Botswana Independence Party (BIP) and the Botswana National Front (BNF) to exist. Harassment as well as the weakness of the opposition to offer accepted alternative development strategy has also helped to strengthen and consolidate the power of BDP and its governing coalition (Tsie 1996; Weisman 1998). Since its establishment, BNF has been the leading opposition party in Botswana politics.

³⁵ Rapid economic development has increased the capacity of the state to afford the new pay reform.

With the exception of the 1994 when it won 13 out of 40 parliamentary seats, BNF has never won more than four parliamentary seats in all general elections it has participated. Another political party, Botswana Progressive Union (BPU), was formed in 1982 as a splinter group from BNF and has never won a seat.

In the 1990s, several political parties were formed as splinter groups from BNF. Out of 12 political parties in Botswana, seven of them were formed in the 1990s, and out of the seven, at least four of them were formed as splinter groups from BNF. Ideological differences, clash of personalities, struggle for positions in the party, leadership style and harassment of opposition parties by the state have been explained as among the reasons for groups to break away from BNF (Mokopakgosi and Molomo 2000). Some of the opposition parties are just one-person shows with no grassroots support. Some of them are only active during elections period. This has weakened the opposition to an extent that in the 1999 general election opposition parties won seven parliamentary seats only compared to thirteen they had won in the 1994.

The achievement of BNF in the 1994 general election is partly explained by the existence of two opposing factions within BDP that threatened not only the unity of the party but also its survival (Weisman 1998)³⁶. The division within BDP was based on regional, personal and succession factors. The certainty of President Masire's retirement, in the absence of a single obvious and agreed successor, created a vacuum in which senior ministers competed to assert their position over succession. Unlike his predecessor, Masire seemingly lacked the moral authority to impose his successor, thus exacerbating the conflict. One faction was led by Mr. Kwelagobe who was BDP Secretary General. Mr. Merafhe who was the Minister for Foreign affairs headed the other faction. Both of them were senior government ministers. The conflict was so tense that in 1994 general election BDP sponsored its candidates along Kwelagobe-Merafhe divide. This partly explains why the party got the lowest percent of parliamentary seats since its establishment. Kwelagobe-Merafhe fight made BDP fail to democratically elect its central committee in 1997. Following the recommendation of the Schlemmer report (1977) BDP worked to maintain its unity and stability. New blood with proven track record from youth and women groups were brought in its leadership ranks.

The selection of Festus Mogae to replace President Ketumile Masire and his move to appointment Lieutenant-General Ian Seretse Khama to the vice president position seemed to bring back party unity and stability to levels before 1994³⁷. It is important to note that both the President and Vice President entered parliament through appointment and the president is not elected by popular vote. The two have been able to bring party unity partly because they are party outsiders (they are not from the core of party leadership) and also the moral authority the vice President commands as a result of his father's

³⁶ Other contributory factors include: changes in BNF development programme from radical politics of socialism to social democratic programme; discontents with government's performance; increase in unemployment and crimes; rampant corruption in public service and retrenchment exercise carried by the government; etc.

³⁷ The selection of Festus Mogae and his appointment of General Ian Khama to the Vice President position was a win to the public service employees as both of them were former public servants.

legacy. The party entered the 1999 general election as united as it used to be and won a convincing majority. Thus, good leadership, party unity, the collaboration between the political elite and senior government officials as manifested by the adoption of top level salary decompression measure, the ability of the government to successfully deliver goods and services and the suppression and harassment of opposition parties have enabled BDP to maintain its dominant position over the years. The dominance of BDP over Botswana politics and the executive over other branches of government have given the ruling coalition enough room for using technical aspects to justify political goals in the public service pay reform.

7.4.2 The Dominance of the Executive Branch

The distribution of power among the three arms of the government is very much skewed in favour of the President to an extent that he is an authoritarian leader (Good, 1999). The Botswana President is not elected directly by the people. He is chosen from among and by the members of parliament who are currently forty people. The president is also an ex-officio member of parliament with full rights. The Botswana Constitution has vested sweeping powers in the president. Chapter 4, S 47(2) clearly states: "In the exercise of any function... the president shall ... act in his own deliberate judgment and shall not be obliged to follow the advice tendered by any other person or authority." However, the Constitution also calls for the president to consult the cabinet as practically as possible.

In terms of appointments, he appoints the Head of the Military and the Chief Justice of the High Court (Constitution of Botswana S90:1). The constitution also allows him to nominate four MPs. Constitutional amendments in 1998 limited the president terms of office to two five year terms. Before that, he was a president for life. The president has also capacity for social control through legal controls over opinion and information. The immigration Act (date?) gives the President unlimited powers. The President can use section 7 of the Immigration Act to declare a visitor or a foreign resident of Botswana a prohibited immigrant. A person so declared loses his/her rights to be heard by any court in the country. Since 1985, five journalists and two editors have fallen victims of that section for publishing information that the state conceived to be politically sensitive (Krook, 1995). Wage policy is also conceived to be a politically sensitive issue.

The Penal Code encompasses sedition, defamation, and contempt and can also be invoked against published and depicted information, against citizens and non-citizens (Good, 1999). Senior public officials are ready to use the defamation laws to silence those who might seek to examine their position and activities. The 1992 corruption scandal that involved five ministers and their attempt to sue the *Guardian* and the *Sun* newspapers on defamation is an example of this. Punishment involved in this law has encouraged self-censorship on the part of publishers and editors. Worse still, until late 1999 Radio Botswana (a government radio) was the only broadcasting organization in the country (Darnolf and Holme 1999:14). The Radio and the government daily paper that is distributed free of charge nationally were the major source of information to the general public. These are some of the features which show that the Botswana government is an authoritarian regime.

In addition, the National Security Act of 1986 depicts the secretive and authoritarian tendencies of the Botswana government. The Act stipulates that it is a criminal offense to publish any information that is deemed classified or confidential by the government (Good, 1996). Such provisions are vague and sweeping, allowing senior officers and Ministers to treat news or information that normally would not be viewed as a threat to national security (such as those against the ruling party or the issue of hiked salaries) as issues of state security (Grant and Egner 1989:250). “Whistle blowers” can be punished by that law.

Trade union matters and the government’s wages policy are all covered by the National Security Act. For example, in 1992 a free lance journalist Prof. Malema, Mmengi Publishers and editor Mr. Mbuya were the victims of sections 4(3) and 4(4) of the national Security Act for wrongfully receiving and publishing a secret document concerning wages (Good 1996). Like most African countries Botswana has no “right to know” legislation as well as protection for “whistle-blowers.” This acts as a disincentive for would be “whistle blowers” for fear of repression. According to Good (1999) the utilization of these laws is done with high selectivity. Dominated by MPs from the ruling party, the parliament is largely quiescent and uncritical of government policies (Good 1999). Issues of wages and salary increases are the exclusive domain of the government.

Moreover, the Directorate on Corruption and Economic Crime, which was established in 1994, and the office of the Ombudsman lack the clout to prosecute. For example, the Office of Ombudsman is not allowed to investigate matters of “national security”. Thus, existing legal and institutional frameworks in Botswana have invested too much power in the executive that he has become an authoritarian leader. The executive has been invoking his powers selectively to suppress the opposition and other politically weak groups in the civil society, including trade unions.

7.4.3 Civil Society and Labour Movement

Civil society in Botswana is weak as it is at its incipient stage. Poor political participation in Botswana is partly explained by lack of a “struggle culture “ that has made the level of political consciousness among the Batswana very low. The Tswana culture does not support resistance to authority (Molutsi and Holm 1996). Moreover, most major civil society groups get a lot of financial aid from the government, thus, limiting their capacity to challenge government decisions and actions (Molutsi and Holm 1996). Furthermore, civil society organizations are weak in Botswana because they have not been able to acquire organizational development capacity that would enable them to influence government decisions (Holm, Molutsi and Somolekae 1996). The National Security Act, the absence of the “right to know” legislation as well as lack of protection for” whistle-blowers” have reduced avenues for the citizens to file their complaints about many issues, including high salary ratio between the highest and lowest government salaries. Trade union is the only major venue for workers to express their salary and wages discontents. However, the labour movement is very weak in Botswana.

The government has taken purposeful steps to ensure that the Labour movement in Botswana remains weak. The adoption of rigid labour laws is among measures taken by the government to weaken Unions. It was only in 1977 that the labour movement was able to form the Botswana Federation of Trade Unions (BFTU). Tsie (1996) identifies four major reasons for the weakness of labour movement which are: low level of industrialization in Botswana; low level of wage labour until the 1980s; poor organization; lack of effective leadership; and fixing of minimum wage by the state. Prior to 1990, the fixing of minimum wage was an exclusive state decision rather than a product of collective bargaining between employers and workers.

Since 1991, market forces, and not the state, have been determining minimum wages. This together with the ever presence of unemployment has blurred even the little radicalism that the labour movement had. Rigid labour laws make it difficult to strike. All strikes since independence have been declared illegal according to Trade Disputes Act (Tsie 1996:607). In 1991, for example, thousands of industrial workers in central and local government and public corporations went on strike in support of their demands for a wage increase. After a week of strike the government forced the strikers back with no salary increase by threatening them of losing jobs and benefits.

The government sees trade unions are conspiratorial and subversive of social control. Trade Union and Employers' Organization Act of 1984 prevents trade unions from having full-time officers. It also allows the government to take the administration of the union (PCRIP 1990:72). The new trade union act allows not only the Commissioner of Labour to impose his/her own appointments on recalcitrant unions but also his/her representatives to attend almost all union meetings (Molutsi and Holm 1996). Thus, institutional and legal frameworks that guide the operation of trade unions in Botswana act as stumbling blocks to the success of trade union activities, particularly the issues of workers remuneration. Fear of harassment and repression by the government has eroded the confidence of union leaders in confronting the government. They have reduced trade unions to beggary.

The employment Act of 1982 deprived statutory employment rights for domestic and agricultural workers as well as public sector employees. Government employees are prohibited from forming or belonging to a trade union. This means that the law limits the collective bargaining of these employees vis-à-vis the state. Government employees are only allowed to form associations which can only consult with the government. Most workers associations depend on and are controlled by the government to an extent that they cannot speak to the press without bureaucratic approval (Holm 1989:148)

In terms of financial resources, BFTU is not allowed to get funding from external sources. It is required to rely on the subscription fees from its affiliates to finance its operations. It is not allowed to have expatriate staff. To the contrary, the Botswana Chamber of Commerce, Industry and Manpower is allowed to have expatriate staff and full-time employees and receive corporate as well as foreign funding. No strike is

allowed for essential and necessary service. Thus, this is the political context in which public service pay reform process in Botswana is taking place.

7.5 Conclusion

The above discussion shows that the political elite in Botswana has been able to establish legal and institutional frameworks that have allowed them enough room to manoeuvre in decision-making process. Generally we can argue that the pay reform process in Botswana has been systematic, continuous, stable and effective. The harassment and suppression of opposition parties, politically oriented civil society groups, trade unions, mass media have made the government very powerful in the decision making process. The dominance of the executive over other branches and the seemingly “apolitical” nature of the civil service has increased government leverage in decision-making and implementation process. The capacity of top civil servants to influence the pay regime and their position vis-à-vis salary review commissions and the ruling coalition has enabled them to use technical reasons to justify their high pay rather than “fair” pay. The discussion also shows that the design and choice of a pay structure in Botswana is more political than economic or technical. It is made to increase the cohesion of the governing coalition by including the long excluded senior public officials in the governing coalition rather than fair pay to all.

BURKINA FASO

TACTICS, SEQUENCING AND POLITICS IN PAY REFORM

8.1 Introduction

Burkina Faso like several countries in the West African Economic Monetary Union (WAEMU) has taken important and significant steps towards reforming the public service. Staffing has been cut and efforts at reducing administrative costs have been taken. The wage bill as percentage of recurrent expenditure was 64.8 in 1985 and had come down to 45.6 in 1998 (Danielson July 2001 p.7).

The major challenge however, like in the other Francophone countries making WAEMU, is that the pay reforms have stalled after the initial momentum. It has been observed that like other Francophone countries, the civil service in Burkina Faso has acted as a sponge for absorbing graduates and connecting people generally. Social connections have led to excessive recruitment in the civil service. Despite attempts to limit employment, the size of public sector although, low in terms of percentage to the population, is ever increasing. In 1985 it was 28,700 in 1994 37,100 and in 1996 it was 40,000 (Danielson July 2001 p.6-7).

At the same time Burkina Faso's economy is fragile and therefore cannot sustain a growing civil service. It is heavily dependent on cotton and foreign funding. In 2000 the economy slowed sharply because of an increased value of the dollar, higher oil prices, lower cotton prices, poor rainfall and political and social tension in the neighbouring Cote d'Ivoire which has considerable Burkinabe population (Africa Economic Outlook 2002 p.61)

The bigger challenge to public service reform in Burkina Faso is the resistance to qualitatively transform the system. The bureaucracy is overly centralized and pay is not performance based. De-clogging the overly centralized bureaucracy and creating a performance-based system will ensure quality public services to the citizens.

Concerning the remuneration system, a number of issues need to be taken into consideration. The public- private salary differential has to be reduced so as to retain competent staff within the public service system. The pay structure is however still considered to be compressed, especially after the 1994 CFA franc devaluation. Years of service instead of performance are the ones that determine the ascent of civil servants to higher position. There are no clear, transparent and objective criteria for promotion.

The most extensive reform proposals are contained in the 1998 comprehensive civil service reform, which was approved by parliament. Its implementation is stalling because of a number of political barriers. There has been resistance from Trade Unions, which are mainly based in the civil service. The power of Trade Unions increased after the political regime became fragile after the assassination of the journalist Nibert Zongo, whose death

led to widespread protests. As Jaffre put it, the obstinacy of a journalist who paid with his life has shaken the regime of Compaore at its very foundation (Jaffre 1999).

The political regime found itself facing generalized pressure. In 1999, the usually disunited Trade Unions organized a joint general strike and obtained salary increases. The military also took advantage of the instability to demand and obtain salary arrears (Jaffre 1999).

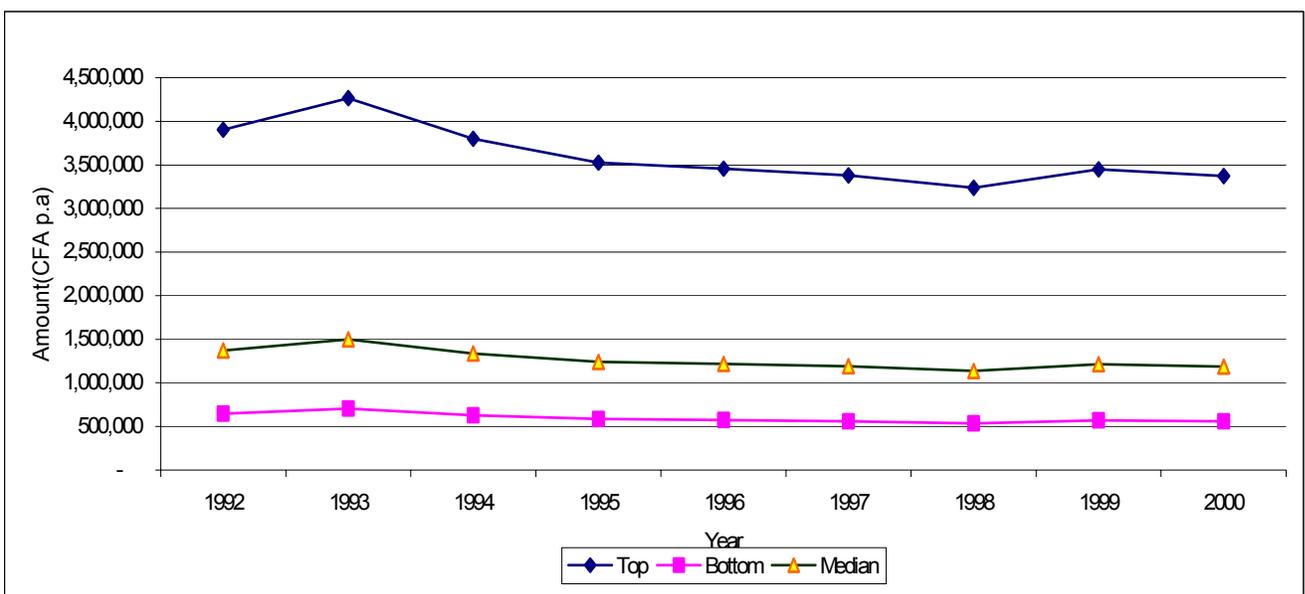
In addition to such pressures there is also the tendency of the political system to improvise rather than institute veritable reforms. The Compaore regime until “l’affaire Zongo” was manipulative, giving the impression that it was progressive and reformist. To deal with the overly centralized system the idea of decentralization came up. Decentralization is however yet to be adequately tackled properly although the government has already established 45 Regions. This number is excessive and counter-productive. Political tactics to co-opt political actors plays an important role in undermining qualitative reforms. The paper therefore aims at looking at the political factors, which have stalled the civil service reforms.

8.2 Pay Trends and Structure

Burkina Faso public service entered the decade of the 1990s with a three-year total freeze on salary increases, including those due on staff promotions. In those three years, in real terms, the salary levels of all public servants inevitably declined (see **Figure 8.1** below).

The freeze was lifted in January 1993. Concurrently, the salary adjustment index which had been slashed to 1919 points in the revolutionary austerity measures in 1987, was reinstated to 2132 points.

Figure 8.1: Burkina Faso – Trends in Top, Median and Bottom Salary Levels at Constant Prices, 1992 - Present



Memo items:

Salary Compression ratio	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Deflator factor (1995=100)	73.9	74.4	92.8	100.0	106.1	108.5	113.3	114.3	116.9
Nominal wage bill/GDP ratio %	6.4	6.3	6.0	5.7	5.1	5.1	4.9	5.5	5.8

Source: *Annex Table 8.1b*

As would be expected of a system that operates on an index system, Burkina public service has a relatively verified and simple salary structure. It comprises five scales (classes A, B, C, D, and E in descending order of seniority in terms of minimum entry requirements to each scale). Each scale (class) has three salary grades which also reflect level of minimum entry condition. Further, within each grade of the permanent and pensionable employees (i.e. A to D), there are salary steps, which range from 5 to for the grade 3s, and 14 to 16 for grade 1s (see **Table 8.1** below).

Table 8.1: Salary Structure by Qualifications and Experience

SALARY SCALES	SALARY GRADES	NUMBER OF STEPS	ENTRY REQUIREMENTS
A	1	14	Doctorate degree and equivalent
	2	9	Masters Degree and equivalent
	3	5	Bachelors Degree and equivalent
B	1	15	2 year University Diploma
	2	10	2 year Pre-University ('A' level)
	3	6	Teaching Diploma
C	1	16	Secondary ('O' level) Education and 2 years vocational training
	2	11	Secondary Education Certificate and 1 year Vocational Training
	3	7	Secondary Education Certificate
D	1	16	Primary Education and 2 years Vocational Training
	2	11	Primary Education and 1 year Vocational Training
	3	7	Primary Education Certificate
E (Non-Permanent/Non-Pensionable)	1	-	Skilled Labourer
	2	-	Labourer and 6 Months of Specialization
	3	-	Unskilled Labour

Source: *Government of Burkina Faso (1999) "Reforme Globale De L'Administration Publique"*

8.3 Techniques, Tactics and Sequencing

Table 8.2 below summarises the significant measures in public service pay. Traditionally, salary adjustments in this public service are based on the indexing model.

Table 8.2: Burkina Faso - A Schedule of Public/Civil Service Pay Decisions, 1989 to Present

DATE	DECISION REFERENCE	NATURE OF DECISION	DECISION RECOMMENDED BY
1 January 1989	-	Salary Increase. Rate in percent - 15 (average)	Technique Committee, in charge of the review of the general status of the Public Service held in 1988
1 March 1990	Zatu No. AN-VIII-023/FP/PRES of March 1 st , 1991	Freeze of increases due from 1990, 1991, and 1992 promotions	Decision taken within the context of fiscal stabilization measures required under a Structural Adjustment Programme (SAP)
1 January 1993	-	<ul style="list-style-type: none"> • End of the freeze • The restoration of the grade-related point from 2132 to 1919. Rate in percent - 9.99 	-
1 January 1993		House Allowance Rise. Rate in percent - 20	Consultations Commission Government-Teachers Union
1 April 1994	Decree 94-146/PRES/PM/MEF P/FPMA of April 25, 1994	Airing effect to the restoring the 2132 grade-related point. Rate in percent - 11.10	Cabinet in repose to the devaluation of the CFA Franc in January 1994
1 January 1996		Subjection (dependency) Allowance rise. Rate in percent - 33.33	
1 January 1996		Subjection allowance rise	Interdepartmental Committee
1 January 1996	-	Pay Rise. Rate in percent - 4 (average)	Technique Advisers Proposals
1 January 1997	-	House allowance rise for Doctors/Physicians. Rate in percent - 100	Consultations Committee government – Health Workers Union
1 January 1997	-	Subjection allowance rise. Rate in percent - 42.86 (average)	Consultations Committee government – Health Workers Union

DATE	DECISION REFERENCE	NATURE OF DECISION	DECISION RECOMMENDED BY
1 January 1997		Subjection Allowance rise.	
1 October 1997	Decree 97-408/PRES/PM/MEF of 03/10/1997	Allowance system review to take into account different sector-based increases done. Extension of some allowances to bodies (corps).	Ministry of Finance Experts
1 January 1998		House Allowance rise	
1 January 1999	Decree 99-316/PRES/PM/MEF modifying the decree 97 – 408 of 03/10/97	House allowance rise for Doctors/Physicians. Rate in percent - 50	Interdepartmental Committee
1 January 1999	Decree 98-525/PRES/PM/MEF P/MFPD of December 31 st , 1998	Pay rise. Employees are put back in the new scale drawn in the context of the Public Service Global Reform (PSGR). Rate in percent - 5 to 10	Related with the Public Service Global Reform (PSGR). Probably inspired by Political Advisers.
1999	Dialogue government-union that ended up in drawing a draft treaty which makes provision for an allowance system review by grading and raising house allowances. The implementation of this draft treaty will be spread over five years starting from 2001.		
1 January 2000	-	Allowances rise	Interdepartmental Committee
1 January 2001	Decree 2001 – 631/PRES/PM/MFP DI/MJPDH of 30/11/2001	Working-out of a new allowance system for all the magistrates coupled with allowances rise. Rate in percent - 25	Interdepartmental Committee
1 January 2001	Decree 2001 – 395/PRES/PM/MEF/MFPDI of 13/08/2001	House allowance rise and its harmonization by category. Rate in percent - from 0 to 127.27	Interdepartmental (many ministries) Technical Committee
1 January 2002	Being drafted	Other allowances rise and their harmonization by category. Rate in percent - From 0 to 100	Interdepartmental Technical Committee

In this framework:

- The index represents the number of points attached to a classification
- The grade-related point is the annual remuneration of an index unit.

- The annual remuneration attached to an index is obtained by multiplying that index by the grade-related point.
- The monthly remuneration or the grade-related balance is obtained by dividing the annual remuneration by 12.
- The owner-occupier allowance (which counts for 10% of the grade-related balance) is added to the grade-related balance to give the gross monthly salary.

Over the years, this otherwise stable and non-controversial approach to salary adjustments has been significantly de-stabilised by four major decisions:

- First, a 1987 (?) decision to slash the salary index down from 2132 to 1919;
- Second, the 1990 freeze on salary adjustments for three years;
- Third, the 1994 devaluation of the CFA;
- Fourth, the 1999 proposals to shift from automatic security based-promotions to merit (staff appraisal) based-promotions.

The 1987 decision was backed by somewhat popular revolutionary rhetoric. Consequently, there was no overt agitation by the public servants. However, subsequent agitation by the trade unions persuaded Government to appoint in 1988 a Technical Committee (another name for a pay review commission) to review the general status of the public service. The end result was a 15 percent across-the-board salary rise (outside the index system) in January 1989.

Somehow, Government was able to weather through the trade unions pressure following the 1990-1992 freeze on salary increases. By the end of it however, there was sufficient pressure to force the Government to reverse the 1987 (?) slashing of the compensation index, which it effected in 1993. Then also, Government gave-in to the teachers' union demand for a 20 percent housing allowance. Furthermore, in the following years, Government decisions reflect a crisis response approach. Even its 1999 decree for a new promotions and salary adjustment system, in the framework of a comprehensive public service reform programme, has never been effected because of resistance by trade unions, and by extension, the National Assembly.

8.4 Politics

Agriculture and its processing are the main elements in Burkina Faso's economy. Farming, cattle raising, forestry, hunting and fishing occupied 88% of the population in 1997 and accounted for 70% of export earnings and 40% of GDP. Burkina Faso's growth record over the past forty years has been uneven. After steady growth in 1960s and stagnation in the 1970s, growth resumed in the second half of 1980s but fell short of population growth rates. With a GDP per capita of US \$ 220 Burkina Faso is one of the poorest nations in the world. It is ranked 172 out of 175 in the UNDP Human Development Index (HDI). (World Bank June 2001). One notable characteristic of Burkina Faso is that the external debt is quite modest. It stands around 22% of the GNP and debt servicing is only 7% of export earnings. Such a situation is rare in Africa (Francophonie 2002).

The Constitution of June 1991 was supposed to formally put into place a semi – presidential system with a Prime Minister responsible to the National Assembly. In reality it has been a presidential system with a presidential party which is dominant. The President has turned the Prime Minister into a sort of chief minister. The state has systematically manipulated elections leading to frequent boycott of elections by opposition parties. In the presidential elections of December 1991 Compaore obtained 86.1% of the votes but only 24% of the eligible electorate had voted.

In the legislative elections of May 1992 the opposition was divided on their boycott. The party of the President, the Congress for Democracy and Progress (CDP) won 78 out of 107 seats. The opposition complained about many irregularities but the Supreme Court did not nullify the elections. Compaore then pursued a strategy of legitimisation, dividing his adversaries and co-opting some of them. In the next legislative elections in 1997 CDP won 101 out of 111 seats. In 1998 Compaore was elected President in the very first round of the presidential elections.

The 1991 constitution however provides for formal separation of the ruling party from the state. It also creates a separate executive, legislature and judicial branches. A President must be more than 35 years and is elected for two terms of five years each. The Supreme Court is divided to 3 separate high courts dealing with judicial issues, administrative law and audit of public finances. The continued presence of Compaore means that the limit of two terms of Presidency has not been respected.

8.4.1 Political systems and actors over the years

Burkina Faso received Independence in 1960 from French Colonial rule as Upper Volta under President Maurice Yameogo. Since 1960 political instability prevailed, there have been five military Coups, four constitutions and no single peaceful transfer of power from one regime to another. Between 1960 and 1983 political rule oscillated between civilian Republics (1960-66; 1970-74; 1978-80) and military regimes (1966-70; 1975-78; 1980-83).

Yameogo who ruled between 1960 and 1966 was a former Minister of Interior and then the Vice President of the National Assembly. His administration was characterized by increasing authoritarianism and corruption leading to economic decline. Rigged elections coming immediately after stringent austerity measures provoked popular demonstrations that culminated in the coming in of the army under General Sangoule Lamizana. He remained in virtual overall control for the next 15 years. (Economist Intelligence Unit 2001 p.7) General Lamizana offered power-sharing concessions to civilians in 1970-1974 and 1978-80, which were characterized by political bickering.

In 1980, there was a bloodless Coup triggered by inter party conflicts and mounting trade union unrest. The Coup brought in Colonel Saye Zerbo to power. In November 1982, amid accusations of corruption he was overthrown by a group of officers who nominated Major Jean Baptise Ouegraogo as President. This regime was characterized by an uneasy

coalition between conservative forces in the army and young radicals led by Captain Sankara who was appointed Prime Minister (PM) in January 1983. He came to ultimate power when Ouegraogo attempted to remove him from his post as PM, provoking widespread student and labor protests culminating in the junior officer's rebellion that brought Sankara to the top.

Both civilian and military regimes could not contain successfully opposition to their regimes. Fractured opposition enhanced the tendency towards authoritarian rule. The biggest losers were always ordinary citizens who, in addition to poor governance had been afflicted by drought and limited natural resources. The North part of the country is in the Sahel while the South Savannah is becoming increasingly barren. The regimes were made up of political leaders who wanted to get their hands on the national cake, which in addition was quite small. There were no serious attempts to bring a qualitative change to the situation.

The Sankara revolution between 1983 and 1987 was an exception. Apart from changing the country's name to Burkina Faso (Land of the up-right) Sankara had an anti-imperialist and anti-feudalist stance. He also espoused the need for the people to manage their own affairs. He created councils for the Defense of the revolution in every village and town. In 18 months 300 schools, 280 dispensaries, 260 dams and 1000 wells and boreholes were built improving the quality of life for many. More significant however was the Cultural Revolution which he ushered in but which he could not sustain. He also confronted the colonial legacy of an overly centralized and privileged bureaucracy. He confronted the feudal lords whose traditional powers had a stranglehold over the people.

Sankara was considered by many ordinary citizens as a hero because he broke the existing inertia of the established institutions and forces through extra-ordinary mobilization of people's energy. The revolutionary stance could not however be sustained because he could not provide a viable alternative institutional framework. His measures could only be ad hoc as long as he did not build a new comprehensive system. Meanwhile the attacked forces began to regroup. With the decline of the revolutionary momentum Sankara was becoming increasingly isolated and his policy edicts were considered confused and contradictory.

In 1987, Sankara was assassinated and was replaced by Blaise Compaore. The years of bloodless Coups were over and blood would continue to flow. The policies of socialism were replaced by State Capitalism and later by capitalism as proposed by Bretton Woods institutions. In 1991, a new constitution was instituted and presidential elections were held and won by Compaore who has won subsequent elections with varying degrees of voter participation. In fact when one looks at the political system it has the image of a manipulated multi party system. Whatever ideology the regime was claiming to follow, the political system is governed by political leaders with dictatorial characteristics. Compaore had become like a master of deception as he tried to assume a regional and international stature

Since the assassination of Sankara, up to that of Nohbert Zongo, a number of political leaders have been killed in 1989. Henri Zongo and Boukary Lingani who were close associates of Sankara were killed. In 1990, a University Professor Sessouma was assassinated. In December 1991, a grenade thrown at him killed Oumarou Ouedraogo. Other deaths were those of ordinary citizens, among them David Ouedraogo, whose death Zongo was investigating when he was killed (Jean Ouedraogo 1999 pp.164-165.)

8.4.2 Past public service reforms and their legacy in Burkina Faso

Like all Francophone countries of West Africa, over-centralization and the powerful position of the civil servants have characterized the bureaucracy in Burkina Faso, a legacy of French colonial rule.

Since Independence, the former colonies will make their additions to the bureaucratic system more or less influenced by the political path pursued by different regimes over the time.

In many instances, the additions have made the systems even more negative in that they have led to the entrenchment of the bureaucracy as a powerful vested interest, resisting qualitative change to the public service system.

It has been said that public sector reforms in Burkina Faso have been attempted in the context of over-powerful trade unions in the civil service. These unions have been so powerful that there is a broad suspicion within the country that many of the government's overturns, including military ones, were initiated by them (World Bank June 2001).

The position of these unions becomes even more critical in a situation where the number of employees in the formal sector is limited. Civil servants become significant actors with both political and social links that pervades all society. Other areas, which would have been the avenues of the formal sector, are actually controlled by the informal sector, which is very large in Burkina Faso (OECD/AFDB 2002 p.63).

8.4.3 Public Services Reforms of the First Generation 1960-1990

This first phase can be divided into two periods: 1960 – 1983 and 1983 – 1990. The first period covers the regimes of Maurice Yameogo 1960 – 66 and that of Sangoule Lamizana who ruled between 1966 and 1980, and the Coups of Zerbo and Ouedraogo. The second period covers the ascendancy of Sankara in 1983 and the dominance of socialist policies and a cultural revolution, which was abandoned in 1990.

In the first period, there was the introduction of “Voltaisation” by Lamizana when it was Upper Volta. In this program, nationals were to hold a share of all businesses. This “voltaization” is said to have created an urban elite, which was mainly based on the expansion of the civil service (World Bank June 2001). It should be noted that “Voltaization” marked the reduction of French influence and consequently the reduction

French expatriates in the civil service who remained in considerable numbers after independence in such countries like Cote d'Ivoire.

The civil service system was based on privilege. Its members had status in society. Its mission to provide service and rational order in the administration of state resources was secondary. The Sankara years attacked privilege and therefore, the elitist position of the civil service became a target. At the same time, he aimed at improvements in service delivery to the people and poverty alleviation. The civil service therefore was expected to deliver quality services.

During this period, public sector reforms involved drastic reductions in government expenditure to control deficit. The measures taken included (i) Staff cut backs in public services (ii) elimination of the perks usually reserved for top level civil servants (iii) reduction in civil servants salaries (iv) suspension of the promotions in the public service or their continuation without financial cost (v) lowering of the retirement age from 55 to 53 years for government officials (vi) elimination of subsidies to state owned companies (vii) rationalization in the management of state property and (viii) horizontal mechanisms of accountability and transparency to fight corruption and political nepotism, by creating special courts whose membership included local ordinary citizens (World Bank 2001 p.14).

These measures were a reaction to a situation where powerful trade unions of civil servants had crated a high wage bill and big public service sector without commensurate services to the people. However, while the above radical measures reduced operating costs, they did not transform the structure of the system.

The civil service actions were quite drastic and extensive but were not based on an elaborate technical model which reduce the costs of the system while at the same time create rational bureaucratic structures which recognizes the importance of hierarchy.

In the early stage of the "cultural revolution" the austerity measures bore some fruits. Between 1982-1987, there was an annual growth rate of 4.3% exceeding the rate of population growth of 3.3% during the period. There was a public sector annual growth rate of 5.8%, which was coupled with a stabilized ratio of budgetary expenditure to the GDP (World Bank 2001 p.15).

In the latter years of Sankara social tensions came to the surface. Urban wage earners expressed their discontent at the financial sacrifice they were being asked to accept. They referred to their situation as "Sankarangoise" as if it was an illness (Ki-Zerbo March 2002). At the same time major civilian institutions including traditional chiefs and churches manifested passive resistance. The private sector remained hostile. This constellation of opposing forces would lead to a situation where removing the Sankara revolution was possible, although the violence which went with it was shocking to the Burkinabe people.

8.4.4 Public Service Reforms of the Second Generation 1990-Present

The new phase starts after abandoning the mass mobilization institutions of the revolution. This abandon was hastened by the international decline of socialism. In 1989 the government issued a first draft of its overall policy framework which was based on a strategy of state capitalism under which the state continued to claim that it was pursuing socialism when in fact it was moving towards capitalism. The government adopted a more pragmatic attitude towards the middle class, business leaders and the Donors Community (World Bank 2001 p.15). Compaore had seen the need for economic liberalism, but he was not in the hurry to abandon the political cap of being a “revolutionary”. After all he had removed Sankara accusing him of betraying the revolution by becoming a mere reformist.

At the same time, in order to win over the civil servants, the government had raised the salaries of civil servants on the 1st of January 1989 by an average rate of 15%. The cabinet decided on this after a technical commission had made this recommendation following the re-examination of the general status of public administration, which occurred in 1988. The increase went with the increase of the index.

More significant reforms would start in 1990. A lot of reforms were planned and put into paper since 1990 (Ouatarra March 2002). Not all of these have been put into practice. Two developments which were significant in 1990. The first occurred in February negotiations on a structural adjustment program were initiated with the World Bank and the IMF. The second was the National Conference to the image of that of Benin, but which in the end was controlled by the government. A number of people met to chart out the future of Burkina Faso.

The World Bank/Burkina negotiations led to an agreement in February 1991. The agreement led to a Structural Adjustment Program (SAP) with the typical reforms, which go with it. Specifically the reforms were to modernize and rebuild economic information, data collection and analysis of the capacity of government. The other areas were in budget management and accounting, civil service reform and in judiciary and legislation.

In the area of civil service reform, efforts were directed to limit the big government deficit. Although the size of the civil service in 1990 stood at 34,000 employees who could be considered modest yet they accounted for 64% of recurrent expenditure in 1990. Early 1990s and service reforms aimed among other things to control the wage bill by creating a common data base on civil service between the Ministry of Civil Service and Institutional Development (MFPDI) and The Ministry of Economy and Finance (MEF). A central roster was established in 1991-92 and a census was conducted in 1994-96.

MFDI and the pay roll section of MEF manage the common database for civil service. At the same time Human Resource Management directorates (DRH) have been created in all line Ministries to prepare for de-concentration of personnel management from MFPDI (World Bank 2001 p.16). At this stage, promotions in Burkina Faso were based on

seniority and not on merit. At the same time attempts to carry out comprehensive audits in all ministries was not a success. There wasn't much support within the government. The ministry responsible for civil service was not getting much support from colleagues in the government.

Another major attempt to reform the civil service came with the April 1998 comprehensive law. This law was intended to institute merit based promotion system as well as permitting the hiring of non-statute personnel. The idea was to replace the system of tenured and overly protected civil servants with contract civil servants that were considered more efficient.

The 1998 comprehensive law (Reforme Globale de l'Administration Publique – RGAP) has not gone without opposition from Trade Unions. The law emphasizes merit, productivity and performance (Bissiri Sirima 2002). It has been argued that the World Bank, which was financing overall reforms (Compaore and Simpore 2002), pushed the 1998 Law. As a result workers are resisting the law (Bankongeu 2002). Civil servants are worried that the new system based on performance and merit would undermine them because they doubt that the system of evaluating them would be fair. Civil servants watching the manipulative regime of Compaore know that high civil service positions are given to CDP sympathizers (Jaffre 1999). It is difficult for such a system to institute a fair system of evaluating performance.

Trade unions in Burkina Faso had been weakened by the Sankara regime. After that they were confronted by a regime that sought to neutralize them, especially through corruption. The result was a bi-polarization of trade unions. There is one group, which dialogues with the government and another, which is regarded as revolutionary and is hostile to the way the economy is managed and the power politics involved. These latter unions are therefore inclined to strike than to dialogue. They are suspected to be a political opposition, which does not call itself by that name (Boubacar Abdourhamane 2000).

The most radical of the trade unions is the General Confederation of Labor (CGT-B). Its French counterpart with the same name is also the most radical and is linked to the Communist party. The CGT-B has been in the forefront of denouncing corruption, impunity, assassination, police errors and ruling party hegemony. It was not an accident that they played an important role following the assassination of Zongo. The power of trade unions has increased after it, as the unity of the trade unions in the 1999 general strike showed.

The influence of Politics over civil service pay during the second generation can be looked at in two phases. The first phase was between 1990-1998 when the President was all powerful, manipulating, co-opting and eliminating those who rebelled. The cabinet decided pay rises. At the same time the President was reacting favorably to structural adjustment programs being proposed by the Bretton Woods institutions. The second phase began with the protests after the death of Zongo 1998/99.

In the first phase politicians, especially the cabinet determined the orientation of pay reforms in Burkina Faso. The politicians would then instruct technical experts to draw possible proposals and one is picked as the technical framework. Once the decision is made the technical experts are then expected to take the necessary means to ensure implementation. Most of the decisions to increase block pay are done by the Cabinet (Conseil des Ministres). The cabinet decided on the increase of salaries in January 1989. It decided on the freezing of the salary increments on 1990, 1991 and 1992. It ended the freeze in January 1993. The cabinet decided on a salary increase of between 10 and 11% following the devaluation of CFA franc in January 1994.

The freezing of salary increments in 1990, 1991 and 1992 was done within the framework of structural Adjustment Program following the agreement with the Bretton Woods institutions. It was done in the context of “sanitation” of public finance.

Civil service pay in Burkina Faso despite inadequacies can be said to have certain elements and traditions of stability. Salaries in Burkina Faso are higher than Benin, what makes the difference is that the costs of living are higher in Burkina Faso than in Benin (S. Yonaba March 2002). More important however is that civil service paying is done promptly every month (Prof. Ki-Zerbo March 2002).

The civil service reforms in Burkina Faso have shown some progress but they are incomplete because there are important legacies, which are yet to have addressed. The first concern the over-centralization of the civil service in Burkina Faso. The second is resistance to the institution of a merit system and thirdly the resistance to decentralization. There is need to examine these barriers to civil service reform and the political barriers to such changes.

8.4.5 The politics and political process of pay reform 1990-2002

The comprehensive civil service reform, which was, approved by parliament in 1998 set a new wage and salary scale for permanent civil servants and contractual personnel. The new levels contained a broader range of pay levels and envisage promotion between categories to be based on performance. It is said that the World Bank pushed the 1998 law while the unions were against. That if it were not the World Bank the government would have dropped it because it caused a lot of turmoil (Compaore. S. and Simpore March 2002).

It was envisaged that staff under contractual regime would hold a large part of the civil service positions. The exception would be those institutions involving key policy and sovereignty functions. It was expected to allow much larger flexibility in allocating staff including on a regional basis (World Bank 1999 p.4). This is seen as important by donors and “reformists” within the government who are difficult to discern with certainty. It would seem that the technical model is considered too radical. Yet the weakness of the civil service system in Burkina Faso persists.

The government system concerning personnel is very centralized and is based on MFPDI and MEF. These two ministries are the only authority to decide the number of recruitments per ministry during the drawing of the budget. Regions or provinces do not desegregate the numbers allowed.

There are no job profiles that have been established, at least to control the professional skills of their staff. The careers of civil servants are therefore controlled from MFPDI and not from their Ministries. In reality the automatic promotion system means that a control of the career of a civil servant is non-complicated. Civil servants starting at a position together would most likely end with the same grade at the time of retirement.

In the Regions, offices have limited power on their staff. They can deploy them within their constituency but cannot hire, nor promote nor sanction the existing staff (World Bank 2001 p.7). The budgetary system in Burkina Faso does not attach the budgeted position to a Ministry or Region. The budget position is attached to the civil servant as a person and not an office. This allows the civil servant to move where he or she wants as long as political protection is provided. As a consequence, there has been an uncontrollable movement of staff, generally back to Oagadougou and Bobo Dioulasso, the two main cities of the country.

In such a situation in which civil servants are not controlled in their Ministries and who could move with his/her position, then it is difficult to institute performance based promotions. It becomes difficult to measure individual productivity in the administration. Performance based promotions can succeed if there is a transformation of the way the civil service system operates to allow for job description and budgeting based on offices and not individuals.

The total civil service established had to have a bar. At present there are 45000 workers excluding the military who make around 10,000 (Bado C. 2002). In this case, recruitment has been limited to three areas: financial management, health and education. At the same time, the margin of manoeuvre in terms of pay reform are limited which makes employees to feel underpaid. There have been established special categories of pay scales for magistrates, university teachers and medical doctors (Ouatarra March 2002).

In order to improve the quality of public service to the people, decentralization becomes imperative. In 1998, there were four decentralized laws (textes d'orientation de la decentralization). The vision behind the law is clear. It aims at empowerment down to the grass roots.

Implementation of the decentralized laws is however lagging behind. It has been argued that the government seems to have difficulties in two areas. First, in outlining the consequences of reforms on the powers of the ministries at center vis-à-vis the de-concentrated levels. Secondly, organizing the transition between an extremely centralization system and the devaluation of some autonomy to local governments. (World Bank 2001).

The government of Burkina Faso has taken some action by creating 30 provinces by the Ministry of Interior. In 1998, 15 sub-provincial offices were elevated into provinces. These measures are considered improvisation because provinces are created without the human resources and skills to actually manage these new offices. Another reason to believe that the measures are not serious is that there is a general ignorance in the central administration of the consequences of the decentralization laws. The implication of the improvisation is that decentralized system does not feel threatened by the changes which would have been the case if decentralization was going to be really implemented. The Burkinabe system if implemented would involve de-concentration with a tinge of delegation in the form of elected local councils with specific mandates of resources, but not completely autonomous from the center (World Bank 2001 p.8).

8.4.6 Susceptibility of Burkina Faso to political pressure in the public service pay reform process: The political forces

In Burkina Faso, the politicians are standing in a middle position trying to mediate between the pressures for pay reform coming from donors and those against it emanating from trade unions. While political leaders believe they are the ones setting the agenda, political reality has impacted their actions. Political fragility makes the government more amenable to negotiation.

As in other African experience, the tendency is for political leaders to go for less controversial reforms and postpones the more politically difficult ones. In such a situation qualitative changes are unlikely to occur, as the basic problems would not have been confronted. The political fragility currently lies at two levels. The first is at the level of the political system as a whole. The President himself keenly feels this. The second level is that of individual politicians who avoid making decisions, which would alienate their political constituencies, mostly political parties and groups, which support them.

The appointment of Yonli as Prime Minister was supposed to give a sign of reform. He used to be the Minister responsible for civil service and championed the reforms drawn with the help of French Technical Advisors. There was established an Inter-Ministerial Committee which is chaired by the PM and which meets every month (Y. Zerbo March 2002). It seems therefore that the mechanisms for carrying on the reforms exist, what is important is to make them effective. What is lacking however is the political courage to implement the reforms. It seems people from most ministries regard the reform as the child of the Ministry of Public Service. Reform is taking a long time because the Ministry has to convince a lot of people including colleagues to accept them (J. Bankounege March 2002).

According to the Minister for public service, the challenge of global pay reform is how to motivate civil servants while balancing the concerns of the Ministry of Finance who want expenditure control. The unions want 23% pay increase across the board and removal of income tax, which the government finds excessive.

The Ministry opted for a study apparently to make the issue technical. The Ministry realized that they needed quantitative instruments to manage the public service. Documents are therefore presented to unions so that they might come with suggestions (Mme J. Bankoungue March 2002).

The political power of the Unions however is limiting consensus. The radical CGT-B is unlikely to agree with the logic of the reforms especially the predominance of contract workers. Indeed, trade unions raised many objections to the 1998 Law. It would seem that even when the technical solutions would look rational there will still be opposition from those concerned. This is because the pills are hard to swallow and some people must lose in the process. Structural Adjustment Programs are hard to take and there are always political forces against them. This is compounded by the fact that while civil servants are supposed to take the plunge, Members of the National Assembly and Ministers have increased their salaries considerably.

The question, which all technical people need to ponder, is whether their propositions leave some room to meet local conditions. After all, one cannot introduce models drawing completely from the business administration. It has been argued that programs to reduce the total budgetary costs of the civil service through major reductions in employees, voluntary and targeted redundancies, abolition of employment irregularities and pay freezes have ignored local conditions and social aspects of the adjustment process (Fofana August 1995).

Experience from Burkina Faso and other Francophone countries has shown that the implementation of such measures have often been hijacked. The targeted people to be removed (unproductive) have remained while those intended to stay have moved out or removed only be returned in other ways latter.

Another political force in Burkina Faso, which has affected government action, is the trade union of university students. The actions of the National Association of Burkinabe students (ANEB) against government measures on University bursaries led to the closure of the 2000 University year.

8.5 Political steps imperative for pay reform in Burkina Faso

There are several political forces in Burkina Faso which are influencing civil service reform including the question of pay which becomes important to the whole equation.

We can identify the political leaders in power, politicians, political parties and other campaigns against the government, trade unions and students and other civil society organizations.

The political leaders in power play an important role: they set the agenda nationally, even when the agenda originated from donors. It has been presented above that generally the orientation of pay reforms in Burkina Faso is set by political leaders who then instructs technical people to draw up possible scenarios.

It is argued that in early 1990s donors wanted extensive changes in the civil service. The government is however resisting pressure from donors to downsize fully the civil service because of pressure from unions, which are resisting donor's proposals (Youma Zerbo March 2002).

The constraints of government power however lie in the budgetary imperatives. It is constrained by limited revenues and action has to be taken to limit budget deficits. The politicians in power are also constrained by the political environment existing in the country. The 1999 pay increases are attributed to political fragility following the assassination of the editor Zongo. This political factor can work against reform if the political system feel threatened by the possibility social unrest. Political legitimacy is required to make difficult reforms, which would affect some sections of the civil service.

The question of the merit system implies selection on the basis of performance. Many people are fearful of losing their positions. The same applies to job auditing. In private corporations it is also a source of apprehension because whole divisions could be declared redundant. They are however pushed through by boards of Directors and shareholders. In the government it requires legitimacy and integrity of government to ensure that favoritism and nepotism will not play the greater part in the exercise.

The government needs to deal with the reforms by starting from the top echelons, which would later be required to carry the reforms downwards. Without a structure at the top where positions would be achieved competitively and transparently those below cannot believe that a fair performance system can be instituted.

On the role of political parties and politicians we see opposition to reforms from MPs and leaders of political parties some of which are dominated by civil servants. In 1996, a bill to introduce performance evaluation in reorganized career plan was declared unconstitutional by MPs (Youma Zerbo March 2002). The first step has to be the government. At present there is an image that the government is trying to balance, without much success, between the requirements of a model developed by the donors and the interests unions assisted by politicians. Without compromising main principles of public administration reform, there is need for donors to work with the government on a technical model which can give the government legitimacy to implement fully

Senior Civil Servants also play a significant political role in undermining reforms and have allies in political parties, which acts as counter power. It is observed that 11 out of 20 millionaires in Burkina Faso are civil servants (C. Bado 12 March 2002). In such a situation, such civil servants will have vested interest in preserving the existing situation. Professional norms have to be established for the civil service and then be used to weed out unprofessional behavior (conflict of interest, double employment, presence on the job).

Trade Unions and student organizations exert an important political pressure. There are seven big Trade Unions in Burkina Faso. Unions are said to be less powerful than those

in Benin are, because Sankara had suppressed all of them replacing them with committees for the defense of the revolution (S. Yonaba March 2002). They have however survived. Some are more powerful than others are. The health union is strong because of influence in the rural areas. In higher education, they are weak and the government used to ignore them (C. Bado March 2002).

Since 1994, the unions have become more active; it followed the devaluation of CFA francs and the introduction of SAP. The 1998 reforms have been supported by the cabinet and the President but have been opposed by MPs and unions (Mme J. Bonkoungeu March 2002).

Thus, although the unions are weaker than the pre-revolutionary period and they are also divided, they still do play some role to limit the extent of the reform. The government needs to work together with unions to establish the principles of reforms.

Other groups which have increased their political influence are civil society organizations. These can take in the form of NGOs or networks to protest against certain incidents, mostly political assassination. The first Human Rights Movement was created in 1989 and it was against dictatorship and assassinations (S. Yonaba 2002). The government needs to create a system of legitimacy, which would encourage different forces to work for reforms together.

Some of the political barriers to the propositions of reforms lie in the little room left for the particularity of local situations. Others however are linked to the existence of vested interest benefiting from the status quo. Those with direct political influence or on alliance with politically powerful forces are undermining civil service reform notably the introduction of performance-based system of promotion and remuneration.

The government needs to provide better public services to the very poor Burkinabes. Important in this is the reduction of the control of central bureaucracy by instituting decentralization. So as to break the stranglehold of Ouagadougou and Bobo Diulaso. Such over-centralization is archaic in the twenty first century. For once, Burkina Faso could benefit from the image of Decentralization *a la Francaise*.

9. GHANA

TACTICS, SEQUENCING AND POLITICS IN PAY REFORM

9.1 Introduction

Ghanaian pay reform process seems to be divided into two divergent periods. The first period (1987-1992) was characterized by remarkable progress in effecting pay reforms. The proposed retrenchment target of 15,000 per year for three years, 1987-89 was significantly achieved: 12,000 in 1987, 12,400 in 1988, 13,900 in 1989 and 12,200 in 1990, with the retrenchment programme being extended to 1992.²⁶ Despite the problem of significant uncontrolled recruitment, by 1992, retrenchment targets had been achieved to a high degree (over 75%). Apart from retrenchment, a selective recruitment freeze was instituted to allow for recruitment of critical skills while preventing it in overstuffed (lower-level) occupational categories. In addition, by 1992, there was substantial increase in nominal pay, but only slight increase in real pay (2.1%). Pay compression ratio increased from 3:1 in 1986 to 5:1 in 1991 (which was a reform objective). Wage bill to GDP was reduced from 5.1% to 4.3%. Wage bill to total revenue (excluding grants) was reduced from 38% to 34%. Wage bill to total expenditure was reduced from 27% to 24%. Thus, in this period, most of the reform elements moved in the right direction even though the magnitudes of change were in some cases small.

However, things changed after 1992. This marked the second period (1992-2000) of pay reform characterized by reversals, declines and slowness. In the employment reform for instance, employment in the autonomous agencies had been rising, thus eating into the savings from the retrenchment because they, too, were paid from the Consolidated Fund. Moreover, during that year expenditure rose sharply from 13.7% of GDP in 1991 to 17% largely due to substantial salary increases to civil servants and selective repair of infrastructure across the country on the eve of the elections. Total revenue and grants fell from 15.2% of GDP to 12.2% (the lowest since 1982), turning a budgetary surplus of 1.5% of GDP in 1991 into a deficit of 4.8% of GDP in 1992. Due to declining external grants, the deficit had to be financed largely from domestic sources, leading to an increase in broad money of 51% (against a programmed increase of 12%), and driving inflation from 10% in 1991 to 27% in 1992.

This chapter sets out to explain the two divergent paths taken by the Ghanaian government in its efforts to implement pay reform. It should be noted that President J.J. Rawlings was in power in both periods. What explains the up-and-down trend in pay reform in Ghana? To a large extent, the answer to the question seems to lie on the politics and political realities of the country. Indeed, the Ghanaian pay reform is a clear case of the role of vested interest groups in influencing the pace and extent of pay reform. Equally at play here, just like in some other case studies, is the essence of the 'politician's dilemma' in which politicians are placed in between the intricacies of electoral needs vis-à-vis other policy preferences. The major trade off being between technical considerations for effective performance vis-à-vis partisan loyalty. In most cases, 'exigencies of electoral needs often overwhelm other commitments'. In Ghana, following the authoritarian, populist rule in the first period, President Rawlings had

²⁶ Ibid, p.4.

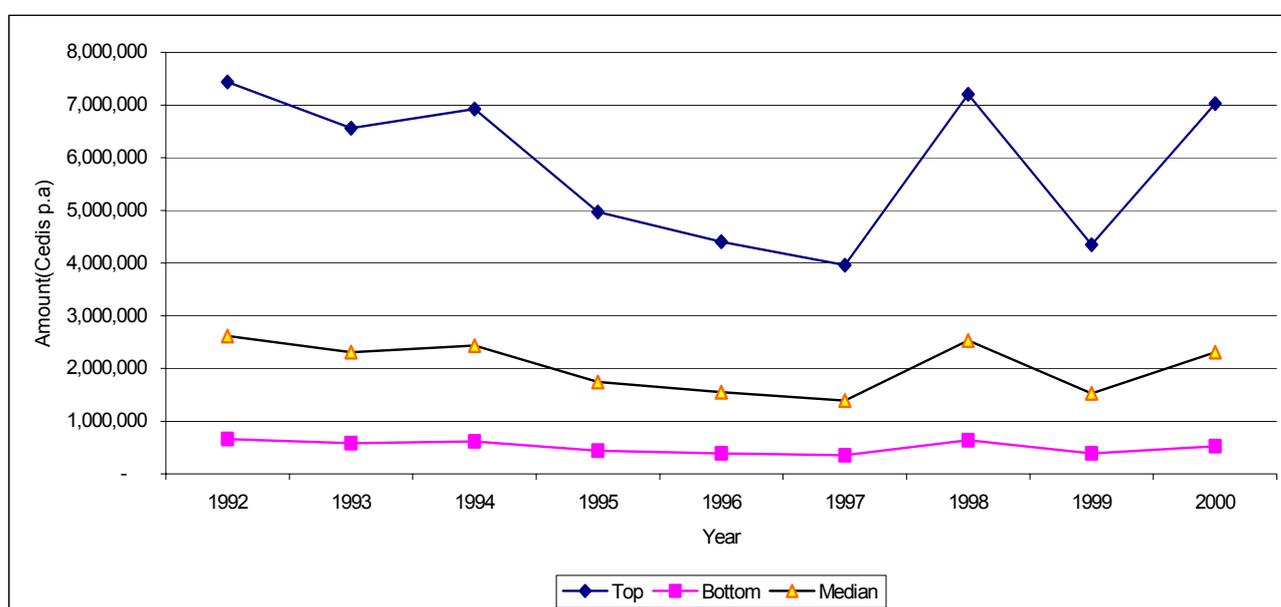
succeeded in neutralizing all the forces either through incorporation, cooptation or outright suppression. As a result, Rawlings and his party were able to effect pay reforms because they managed to seal off the reform from inflation-creating politics. With the introduction of liberalized politics in 1992, reform could not longer be considered a technical thing to be decided by state technocrats and foreign consultants. The government and the ruling party had to be susceptible to the interests and preferences of powerful interest groups, thus, in the first period; techno was in command until when politics returned in the post 1992 period.

This chapter proceeds as follows: the next section presents a political and socio-economic history of Ghana. The third section presents a discussion on the politics of pay reform in Ghana. The last section will be the conclusion.

9.2 Pay Trends and Structure

Ghana's public service, like those of most SSA countries, experienced a steady and steep decline in real salary levels in the 1980s. This trend continued for much of the 1990s. Furthermore, in terms of basic salary, it affected all salary groups (top, middle and bottom) (see **Figure 9.1** below). However, data available suggests that salary adjustments in recent years (since 1997) may have restored real salary levels to those prevailing in early 1990s.

Figure 9.1: Trends in Top, Median and Bottom Salary Levels in Ghana at Constant Prices, 1990 to Present - 1995=100



Memo Items:

Salary Compression ratio	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	13.4	13.0
Deflator factor (1995=100)	36.8	45.9	57.4	100.0	146.6	187.5	123.7	246.1	261.8	
Nominal wage bill/GDP RATIO (%)	6.1	5.9	5.7	5.6	5.4	5.3	5.5	5.7	5.2	

Source: Annex Table 9.1b

During this period of decline of real salary levels, the nominal (basic salary based) compression ratio also generally declined. The erosion of real salaries in the 1980s and early 1990s was, however, considerably mitigated by ad hoc introduction of allowances and in-kind benefits, especially for senior staff (such as private use of government and project vehicles). The severity of the resulting distortion of pay structure was given prominence by the 1994 Gyampoh Salaries Review Commission. By then, there were about 65 such allowances that were considered to be just non-transparent means of compensation, and they were on average estimated to constitute 45 percent of the net pay of the civil servants³⁸. Therefore, the trend in worsening compression ratio in the early 1990s, which is based on money value of the salaries, is exaggerated. Ghana's public service compensation remains distorted by allowances and in-kind benefits.

9.3 Techniques, Tactics and Sequencing

Since the on-set of economic liberalization and the repeal of the Prices and incomes Regulation in 1992, Ghana has found it difficult to adopt consistent framework with which to approach public service pay reform. **Table 9.1** over the page summarizes the major decisions on pay that Government made in the period between 1990 and early 2002. There were four dominant model approaches cum techniques at play during that period, as elaborated below.

First, Government unsuccessful moves to reduce (if not eliminate) the role of allowances and in-kind benefits from the pay structure. This happened in 1990 in response to pressure under the SAP agreements; but was not implemented. Four years later, Government accepted the recommendations of its Gyampoh Commission to consolidate the allowances into basic salary, but never implemented the decision. Yet again, in 1999, Government accepted the recommendations of consultants (Price Waterhouse Associates) to consolidate allowances, but this has not happened yet.

The second prominent model approach cum technique was the pay review commission. Formally, only the Gyampoh Commission was appointed in 1993. However, the process the Government adopted to review the comprehensive report of consultants (Price Waterhouse Associates) in 1997 gave it the character of a pay review commission. A "coordinating committee" comprising 38 representatives of all public sector institutions and trade unions was constituted effectively to arbitrate between the Government agencies, the different occupation and professional groups, the trade unions and the consultants. Between them, over a three-month period, at least 10 formal meetings were held to hear and discuss presentations from representatives of the various stakeholder groups. The outcomes from these initiatives fell short of what was needed and planned when they were launched. While Government accepted initially all the recommendations of the Gyampoh Commission, it implemented almost none, except triggering the second appointment process with the consultants to carry out job evaluation. There was, however, quite a significant outcome from the second process, in that Government adopted, in 1999, began to implement a universal salary structure (see **Table 9.1**).

³⁸ Price Waterhouse Associates/Ghana Public Service Commission (September 1996)

The third noteworthy “model” approach cum technique adopted by Government in the 1990s is already alluded to in the previous one, i.e. the job evaluation (JE). It is significant that in commissioning the JE, Government appears to have been under the firm impression that it could be the basis for developing a medium to long term pay reform policy and strategy. On the contrary, it appears that the controversies that followed the job evaluation results jeopardized any chances of achieving come consensus on a strategic policy framework for pay reform.

Table 9.1: Ghana - A Schedule of Public/Civil Service Pay Decisions, 1991 to Present

MONTH AND YEAR	NATURE OF DECISION	REMARKS
1990	Housing lunch, transport and leave allowances were consolidated into the basic salary.	
1993	Gyampoh Salary Review Commission appointed by the President	
1994	<ul style="list-style-type: none"> • 20% increase in salary across the board • most recommendations of the Gyampoh Salary Review Commission accepted 	
1995	35% interim increase as a result of industrial action approved by Government effective 1 st January.	
1996	<ul style="list-style-type: none"> • 30% increase and new consolidated salary structure for the Civil Service including Doctors implemented. Effective January 1996 • Consultants appointed by the Public Service Commission to carry out Job Evaluation as a basis for Medium to Long-Term Strategy 	At the same time University staff received huge increases following a strike
1997	18% increase as a result of the increase of the National Minimum Wage from ₵1,700.00 to ₵2,000.00	
1998	20% salary/wage increase across the board pending the conclusion of the 1996 Consultants’ salary review	
1999	Government accepts the Consultants report, including introduction of a Universal Salary Structure	
June, 1999	The introduction of the Ghana Universal Salary Structure (1-22 level salary structure) <ul style="list-style-type: none"> • 18% increase for levels 1-7 • 13% increase for levels 8-13 • 10 % increase for levels 9-22 Through negotiation	Following a consultancy study by PricewaterhouseCoopers
March, 2000	20%-24% increase for levels 1-7, effective March 2000. 30%-39% increase for levels 8-16, effective March 2000. 40%-42% increase for levels 17-22, effective March 2000. Through negotiation	CSA, GNAT, JUSAG, GRNA/GOVT
November, 2000	21% increase across board for all categories for the groups mentioned above.	CSA, GNAT, JUSAG, GRNA/GOVT

	As a result of the increase in the National Minimum Wage and Through negotiation	
May, 2001	31% increase for levels 1&2 22%-23% increase for levels 3-6 24%-26% increase for levels 7-16 27%-28% increase for levels 17-22 As a result of the increase in the National Minimum Wage and Through negotiation	CSA, GNAT, JUSAG, GRNA/GOVT
April 2002	Consultants appointed to develop a policy and strategy for public service pay.	

The fourth “model” approach cum technique was collective bargaining. There is evidence from the reports of the Gympoh Commission (1994) and Price Waterhouse (1996) that Government was experiencing major fiscal and managerial difficulties with the management of collective bargaining agreements (CBAs). However, the powerful trade unions thrived on these agreements, and they effectively blocked any moves to reduce the role of the CBAs in determining the trends and levels of public service pay awards. **Table 9.1** above shows just the awards that affected the entire public service. Many more others were made to the various occupational/trade union groups. This underlies the frequency of adhoc and non-strategic decisions to adjust public service pay in Ghana over the years.

In most respects, it appears correct to observe that tactics and not strategy have dominated public service pay decisions in Ghana. Thus, for example, even the appointment of the Gyampoh Commission and Price Waterhouse Consultants were essentially reactive moves to contain the pressure from the trade unions. In this environment, it has not been feasible for any sequencing to emerge.

9.4 Politics

9.4.1 The Politics of Disrupted Reform, 1957 - 1981

During the period 1957 (independence) to 1981 (last military coup) it was not possible to sustain a reform programme due to policy disruptions by frequent military coups. Under this period, Ghana suffered from what is often described as “policy-driven” economic decline. A few statistics will illustrate the steady decline during that decade; Between 1970 and 1983 (when adjustment started) per capita CDP dropped by 21%; Manufacturing index declined from 100 in 1977 to 63 in 1981, and average industrial capacity utilization was only 24% in 1981; Agricultural production fell by over 50% in all major crops between 1970 and 1983, and export of cocoa fell by 40%.

Fiscal imbalances were alarming: between 1975/76 and 1981/82 total deficit on recurrent and capital account rose by 690%; total public expenditures rose by 615% in current terms while revenues increased only by 56%. By 1983, public revenue had fallen to as low as 5.3% of the GDP as against a normal range of 12-18% in Africa. Deficits were compensated by heavy borrowing from the central bank. Fiscal expansion was in current expenditure, not in capital expenditure which declined from 35% to a low of 10% during the 1975/76 – 1981/82 period. Capacity for revenue collection had declined progressively due to institutional decay (corruption, disregard

of rules, etc) under Nkrumah's socialist policies and subsequent military mismanagement.

Nkrumah's Socialist Strategy had two major elements. First, the "big push" strategy which advocated rapid state-driven modernization based on import-substitution industrialization, as per the Seven-Year plan. This was to depend on state capital, foreign investors and donors. A major weakness of the strategy was the de-emphasis of the role of domestic private enterprise in the Plan.⁸

The second element was a social welfare system offering such welfare benefits as free or subsidized services in education, health and housing, and trying to provide workers with a minimum living wage. In 1959, the Nkrumah government ratified the ILO Minimum Wage Fixing Convention (No. 26 of 1928) and this marked a significant point in the post-independence development in minimum wage regulation. The workers had little say in the fixing of the minimum wage during the Nkrumah regime. Workers' unions were subdued and co-opted by the ruling party (CPP) which was declared to be the 'real representative' of the workers because its government had established workers' benefits, adopted employment expansion policies, and provided wide-ranging social welfare programmes.

The neo-patrimonialist state-labour relations created by the Nkrumah regime endured during the entire period of military rule in Ghana. However, workers' struggles led to formation of a Tripartite Committee in 1976 charged with the task of determining the minimum wage. The committee was composed of the Government (represented by a negotiator usually based in the Ministry of Finance – MoF), the workers (represented by the Trade Union Congress – TUC), and employers (represented by the Ghana Employers' Association – GEA).⁹ Through this mechanism, minimum wages continued to be revised periodically (sometimes annually), as can be seen in **Table 9.2** over the page.

In 1965, Nkrumah rejected conditions of an IMF loan. The loan was conditioned on acceptance of a stabilization strategy ('monetarist' in character) which went counter to his statist policies and 'structuralist' approach to reform. From then on Ghana developed a kind of IMF – phobia to be broken by Rawlings' reforms in the 1980s and 1990s. Nkrumah's big push/welfare strategy failed to be sustained, and he was overthrown in a military coup in 1966.

Stabilization Strategy was introduced for the first time by the military National Liberation Council (NLC) which took over from Nkrumah in 1966. This involved a Standby Arrangement with the IMF which included:

- Liberalization of trade.
- Financial restrictions, e.g. reduction of budgetary deficits.
- Raising of interest rates.

⁸ Ibid.

⁹ Price Waterhouse, 1996, Development of Medium and Long-Term Public Sector Salaries and Wages Policy: Minimum Wage Regulation and Practices, Accra: Public Services Commission, p.12.

Table 9.2: Changes in Nominal Daily Minimum Wage, 1970s-2001 in cedis

YEAR	WAGE IN CEDIS PER DAY	PERCENT INCREASE
1973	1	-
1980	4	300
1990	218	5,350
1991	460	112
1994	790	72
1996	1,200	52
1997	1,700	42
1999	2,900	71
2000	4,200	45
2001	5,500	31

Source: various sources, especially Pricewaterhouse (1996:12)

- removal of price controls and subsidies.
- Devaluation of the cedi by 30% against the US dollar.
- Retrenchment of 10% of the total labour force, and
- Liquidation/selling of the state farms and other state property.

Most of these elements of stabilization proved politically difficult to sustain because of the high “social costs” they entailed. There was uproar from the workers and the poorest strata of the population. Retrenchment increased unemployment while reduction of budget deficits meant that salaries (already below living wages) could not be raised. The power of the “popular forces” was demonstrated by the premature halting of privatization of state enterprises by the military government following public protest. So no systematic implementation of stabilization was possible, and therefore, in absence of economic growth, the NLC could not address the problem of continuing pay decline in a satisfactory way.

The return to civilian rule in 1969 did not last long for it to implement long term policies. The Busia’s Accelerated Liberalization Strategy was interrupted in January 1972 when the military under Acheampong took over from Dr. Busia in a coup. The Acheampong’s Statist Strategy reversed the stabilization policies of the previous regimes, and emphasizing statism and controls. In mid-June 1977 the Acheampong government reverted suddenly to the liberalization direction in a desperate effort to rescue the devastated economy, but it was rather late, for Acheampong was overthrown in a palace coup led by General Akuffo. Akuffo tried to accelerate liberalization and stabilization after the palace coup only to be interrupted by a coup on 4 June 1979. The short-lived Armed Forces Revolutionary Council (AFRC) which lasted from June to September 1979 had no new policy initiative except to tighten price controls (to appease the workers) and to declare war on the ‘kalabule’ (black market).

The AFRC handed over power to Dr. Hilla Limann of the People’s National Party (PNP) following the elections of September 1979. However, the Limann government found it difficult to design and implement a coherent reform programme for several reasons:

- (i) The democratic (electoral) process had “enlivened” social forces which could not be ignored; as during the civilian Busia administration, it was difficult to control government expenditure. As the Finance Minister declared in 1981, austerity measures were difficult because of high public expectations:

“The demands on the government with respect to the provision of goods and services are increasing and the development process must not be disturbed ... Despite the numerous pressures on government accounts and the need for reasonable thrift in fiscal management, Government is determined to live up to this expectation.”¹³

Thus, the projected budget deficit in 1980/81 rose by 200% from 1.62 bn to 4.5 bn cedis largely due to the doubling of producer price for cocoa and the tripling of the minimum wage.

- (ii) By this time, the public was not supportive of IMF/WB initiated reforms because of the previous experiences with retrenchment of workers and, especially, the bad effects of the devaluations of 1966, 1971 and 1978. President Limann himself was skeptical about IMF solutions, especially those relating to devaluation and retrenchment. On these elements he commented:

“[Ghana] has had four devaluations and each was followed by social explosions, including executions ... Every action must be related to the social climate ... The government is a major employer and we are dealing with human beings; we cannot simply carry out a massive dismissal of workers.”¹⁴

- (iii) The President had no personal power base in the country or the party. Himself a diplomat, he had been brought in the contest in the last minute when the founder of the party, Imoru Igala, had been disqualified. Dr. Limann could not therefore manage the divergent forces within his own party (PNP) which were opposed to reform.

Furthermore, there were strong vested interests in the status quo. For example, the rightwing of the PNP – including its central committee, was “dominated by the party financiers who were anxious to exploit the import-licensing and administrative control systems to recoup their investment in the party, and hence were opposed to devaluation and liberalization.” The Youth Wing of the Party, imbued with the militant radical Nkrumahist tradition, saw reforms as being inspired by imperialism and capitalism. Thus rejecting them on ideological grounds.”¹⁵

¹³ Ghana, Budget Proposals for 1981-82, 30th June, 1981, pp.4,9. Quoted in Hutchful, op.cit.,p.13.

¹⁴ Quoted in Jonah, K., 1989, “The IMF and the Government of Ghana, 1960-1987”, in Hansen, E. and Ninsin, K., 1989, The State, Development and Politics in Ghana, London: CODESRIA, p. 109

¹⁵ Hutchful, op.cit., p.14.

- (iv) There were disagreements and distrust between politicians and technocrats. In 1981 a policy proposal formulated by Ghanaian technocrats with assistance from WB personnel was rejected by the Minister for Finance who, working with his own advisors, had drafted an alternative set of proposals which came to be known as “Plan B” as opposed to “Plan A” of the technocratic team. The alternative proposals would be a fall-back position in case negotiations with the IMF failed. As it happened, however, the parliament rejected the 1981 budget proposals based on “Plan B” and the Limann government failed to reach agreement with the IMF. The ensuing policy paralysis in the midst of economic crisis and unmet expectations of the popular forces (including workers) was a fertile ground for the 2nd Rawlings coup on 31 December 1981.

Thus, throughout this period, most public institutions had responded to the economic crisis by “creating” more and more allowances: workplace lunches, transportation, health care, and many other allowances. The government price controls were also targeted to benefit workers and officials who had gone as far as inventing “ghost workers” as a survival strategy.

It is therefore clear that senior public servants would not want a reform which would make these “perks” transparent and taxable. They will shuffle their feet even if promised higher salaries which consolidate these perks; for such a move lowers their ability to manoeuvre behind the scenes and continue creating new allowances and perks.

9.4.2 The Period of Sustained Reform (1982 – 1992)

The Provisional National Defence Council PNDC) under Ft. Lt J.J. Rawlings (which replaced Dr. Limann’s administration in 1981) was a coalition of a wide range of popular forces born out of the economic crisis, institutional decay and state legitimacy deficit. It included urban workers, junior civil servants, trade unions, students, leftist and Nkrumahist organizations, defence committees, etc. All these actors had consensus on one thing, namely that reform was necessary. It was also clear to most actors that an economic reform that would lead to growth was necessary before the parameters of a public sector pay reform are defined. However, it took a whole year before an agreement on economic policy and a reform programme was reached by these internal actors – and this may have contributed to the sustainability of the resulting ERB under Rawlings’ military phase (1983-92).

The de-institutionalization that had occurred under military mismanagement ironically proved to be an asset for the reform, and Rawlings took full advantage of the situation. Eboe Hutchful has elaborated on this irony:

“While the literature has placed the stress on political institutionalization as the decisive element in successful adjustment, I would argue, on the contrary, that in the Ghanaian case, the initial stages of adjustment were actually facilitated by the degree of de-institutionalization that had occurred in the state and politics in Ghana. This de-institutionalization was discernible at several levels: first, the breakdown of ‘traditional’ (re-distributive) norms of political legitimation; second, the

disengagement of key social groups from state economic networks; and, third, bureaucratic decline and disarray. These may have facilitated the initial stages of stabilization in Ghana by devaluing the state and politics as a resource base, by dispersing or fragmenting bureaucratic and social resistance, and by endowing the military backed regime with unprecedented political space within which to take tough and unpopular decisions”.²³

Following the coup, Rawlings set up an Economic Review Committee in which he tried to balance two ideological orientations which had always dogged Ghanaian reform effort, namely “structuralism” and “monetarism”. The structuralists in the Committee were influential neo-Marxists who were opposed to the IMF monetarist solutions, especially devaluation, in favour of a more basic structural transformation of the economy. They would therefore like a reform which was not inspired by the IMF. The monetarists, on the other hand, were favourably disposed toward agreement with the IMF. Most popular organizations allied to PNDC, especially the unions, were against devaluation, and therefore it took long for the committee to agree on a proposal to negotiate with the IMF.

The Committee reconciled these two sides by producing a mid-range version which formed the basis of the government’s three-year programme for Reconstruction and Development (1984-86). The reconciliation proposals tried to solve very fundamental political problems, for example, the following three goals:

- (i) Retaining support of the popular forces: thus during the first year of the reform, internal distribution of essential commodities was to be taken over by “peoples’ Shops” under control of the “Peoples’ Defence Committees” (PDCs). Later the so-called “Committees for Defence of the Revolution” (CDR) at different levels and workers’ committees were also given a role, especially in the war against corruption, hoarding, black-marketeering, etc.
- (ii) Reconciling ideological leanings of the structuralists and monetarists. For the structuralists, the recovery programme (1984-86) would lay the foundations for a ‘self-reliant’ and integrated national economy; and the state would still have monopoly over import-export trade pending the restructuring of the basic institutions involved in this sector. For the monetarists, the reform established a ‘sound macroeconomic framework’ covering fiscal and monetary policy, prices and incomes, and emphasized rigorous adherence to financial discipline, etc.
- (iii) Bestowing ideological legitimacy on IMF stabilization by giving the programme a “local” revolutionary colour. This was necessary because IMF stabilization had not produced positive results in the past. It took skilful convincing (including threats and reprisals) to get the anti-IMF radicals such as the June 4 Movement, the New Democratic Movement (NDM), etc. agree to the idea of negotiating with the IMF.

By the end of 1984, Rawlings had succeeded in neutralizing all the forces which had resisted stabilization in the previous regimes – either through incorporation; cooptation or outright suppression. This depoliticization enabled the PNDC to leave the reform work to a carefully selected local team of excerpts/technocrats assisted by

²³ Ibid., p. 158.

external consultants. Thus, from 1986 to 1992 (when politics returned) technic was in command.

Performance of the ERP during the military period, 1983-92, has been lauded by the World Bank and other observers. A few statistics will bear this out:

- Government revenue as a share of GDP rose from 5.3% in 1983 to 14.4% in 1986 before declining to 12% in 1992;
- With (generous) external grants and other inflows, revenue rose to over 16% of GDP in 1986 and average 15.7% between 1988 and 1992;
- Real expenditure (discounting external inflows) rose from 7% of GDP in 1983 to an average of 14% between 1987 and 1991, before increasing sharply to 17% in 1992. This sharp increase was a result of a large increase in civil service salaries during this election year and other election-related expenditures, including repair of socio-economic infrastructure across the country as a way of attracting votes;
- Budgetary deficits were wiped out between 1986 and 1991, but a large deficit (5% of GDP) was registered in 1992 (election year);
- Recovery of external resource inflows: official grants and long-term concessional loans rose from less than 1% of GDP in 1983 to about 10% by 1990;
- Gross national investment grew from 3.7% of GDP in 1983 to 16% in 1990; and
- Overall GDP growth averaged 5.2% per annum between 1987 and 1989, declining to 4.4% in 1990-93.

With regards to the public sector pay and employment reform, the Rawlings' government had a lot to deal with. The pay structure was too compressed to attract or retain professional and managerial staff. It had a compression ratio of 2.2 (i.e. ratio of top to bottom salaries), and salaries were low for all levels. Manpower shortage at the higher levels went hand-in-hand with over employment at the lower levels, producing a civil service of more than 300,000 in 1983 for a population of 12m, or 2.5 civil servants per 100 inhabitants, in contrast to the proportion in other African countries which was less than 2. The pay/employment reform was part of the wider Civil Service Reform Programme (CSRP) which started in 1987 (funded by UK-ODA and WB), with a focus on capacity building, including appropriate compensation to increase morale and work effort in the delivery of services.²⁵ CSRP's objective of improving compensation was complemented by the ERP/SAP's objective of improving revenue performance.

²⁵ Louis de Merode, 1991, "Civil Service Pay and Employment Reform in Africa: Selected Implementation Experiences", World Bank, Division Study Paper No. 2, Institutional Development and Management Division, p.4.

The employment reform included an outplacement or redeployment programme, including information, counseling and placement services, vocational training and apprenticeships; assistance for agricultural settlement, and credit for self-employment. Not all retrenches benefited from the outplacement programme – much depended on “technical know-who” (i.e. corruption).

In addition, a number of actions were undertaken. These related to the pay structure, pay and grading reform, job evaluation, performance – based pay system, improvement of annual pay and incomes policy, and improvement of payroll administration. Some of these elements of the pay reform met with resistance, leading to delayed implementation. For example, the intention to replace the existing pay structure of 126 scales with a unified 15-grade structure was found to be incompatible with the budgetary objectives agreed with the IMF and WB, and was resisted strongly by civil servants who thought their earnings would be affected negatively. The grading exercise was therefore shelved by the government.

Job evaluation proved to be so difficult that it had not been completed by 1992. Similarly, introduction of performance-related pay was found to be unworkable due to several contextual constraints: (i) reliable individual performance appraisal process had not been instituted; (ii) pay was still so low that civil servants had to use part of the official time to supplement official earnings; and (iii) merit-related culture was still lacking in the civil service, and therefore assessments of staff by departmental heads could include non-merit (or non-performance) considerations.²⁸

Thus, the achievements by 1992 may be considered noteworthy, but by no mean dramatic. Most of the reform elements moved in the right direction even though the magnitudes of change were in some cases small. This is no mean achievement considering the total lack of direction in the earlier periods. Rawlings and his PNDC were able to achieve this largely because they managed to seal off the reform from inflation-creating politics, as we shall see in the next section.

Although the reform process was clearly top-down, with little popular inputs, the Rawlings’ regime designed several tactics to create the impression of popular participation in the general reform (ERP/CSRP/Pay/Employment) through the use of such “populist-revolutionary” organizations as the Committees for the Defence of the Revolution (CDRs) in the war against corruption, hoarding, etc. Demands of the workers were skilfully suppressed through a combination of divide and rule tactics, charismatic appeals and threats. Thus the reform implementers in the bureaucracy were shielded from the “politics of allocation” outbursts coming from the organized civil society, particularly the unions. These tactics, or “Rawlingsismo”, as they have been called by some people,³¹ constituted a form of “benevolent authoritarianism” which removed politics from the reform process in order to achieve planned targets.

Also, Rawlings was able to create an internal constituency supporting the reform. This consisted of the State House which showed uncompromising political commitment to carry out the reform, the cabinet which included strong pro-reform

²⁸ Ibid, p.6.

³¹ See Hutchful, op. cit., pp. 8, 160, 198-9, 244 for the use of the concept of Rawlingsismo.

personalities (e.g. Kwesi Botchwey at MoF); Ghanaian experts working with external consultants in the civil service, and the populist-revolutionary organizations created or promoted by the regime. In addition, Rawlings ensured that the military remained committed to the reform. Previous military interventions (including two of Rawlings, 1979 and 1981) were partly a result of half-hearted or selective implementation of stabilization reform measures which ended up making the economic situation worse. Hence there was strong “political management” of the reform entailing mobilization of support for the reform, on one hand, and depoliticization of the reform process, on the other hand, especially in regard to the retrenchment programme.³²

Furthermore, the regime decided to swallow the bitter pill of donor conditionalities which had not been possible in the past. While remaining critical of the conditionalities, Rawlings realized that a comprehensive reform (as opposed to the selective approach of previous regimes) was necessary and that donor conditionalities helped to enforce commitment: “The interest of Ghana, the Fund and the Bank have coincided somewhat because we see the need to do some surgical work on our internal and fiscal policies.”³³ Reform actions such as pay decompression, downsizing or retrenchment would probably not have been undertaken to that extent with pressure from donors due to political considerations. Thus donor conditionality had a catalytic effect on the pay reform, partly also because up to 1992 the volume of aid was adequate and delivery timely.

Moreover, Ghana adopted an “enclave approach” which granted a measure of management autonomy to selected institutions and agencies considered to be of strategic importance, allowing them to depart from civil service pay and employment policies. This strategy was adopted due to government’s inability to provide substantial increments to all civil servants. This has continued to pose equity problems which generate “institutional politics of allocation”, with those left out pressuring the government to extend the privilege to them.

9.4.3 Reform under Democratization (1993 – 2000)

Throughout this period implementation of pay reform policies had not made much advance: real average wage remained low; salary structure was still compressed; the public service was still losing qualified personnel; allowances still remained a dominant feature of the compensation package; and stakeholders were losing faith in the ability of the pay policy to meet their needs.

In the employment reform for instance, employment in the autonomous agencies had been rising, thus eating into the savings from the retrenchment because they, too, were paid from the Consolidated Fund.

Introduction of the “Ghana Universal Salary Structure” in 1999 based on recommendations of the Price Waterhouse Associates may have rationalized public service pay but has not resolved the problems of low wages and compression. The structure provides for 22 salary levels, each incorporating several incremental steps,

³² Louis de Merode, *op. cit.*, p. 23.

³³ Quoted in Hutchful, *op. cit.*, p. 154.

ranging from an entry level of 1.8 million cedis to a terminal point of 26 million cedis a year. To address the problem of compression and inability to raise pay substantially for all, the government introduced a performance agreement system in 1997. This was initially for Chief Directors but was in 1999 extended to Deputy Directors and Heads of Departments.

It seems to us that, though institutional weaknesses continue to exist, the main constraints on reform sustainability during the 1990s came from the declining economy and the liberalized politics. We shall look at these briefly.

9.4.4 Liberalized Politics and Declining Economy

The Rawlings' regime was able to transform itself from a populist, authoritarian regime into a broad-based political machine for purposes of multiparty electoral politics, and to achieve resounding electoral victories in 1992 and 1996. His winning National Democratic Congress (NDC) was a coalition of divergent interests now held together by the principle of give-and take negotiations rather than by one-sided control.

The relatively smooth political transition to constitutional rule and pluralist politics brought many new actors into the political arena. For example, civil society associations multiplied and acquired vibrancy; trade unions found independence and new strength to confront both employers and the state; the multiparty parliament gained vibrancy; the District Assemblies (created in 1988 amid criticism that they were instruments of central control) were now functioning as local instruments of participation and representation; a new business class also emerged with independence and a tendency to split political loyalties between the government and the opposition.³⁵ Under these circumstances, reform could no longer be considered a technical thing to be decided upon by state technocrats and foreign consultants. The government and the ruling party had now to use money to "buy" support from strong actors in the political arena (including the voters) thereby destabilizing the macroeconomic fundamentals. In fact the government was accelerating divestiture of public property so as to get money to finance budgetary deficits. As Hutchful comments:

“... in this sense, it was political liberalization that stimulated further economic liberalization, rather than the other way around. This was also reflected in the expansionary influence associated with the elections. Both the 1992 and 1996 elections were accompanied by a major surge in government spending and public sector borrowing.”³⁶

According to Eboe Hutchful, “Liberalization affects how policies are perceived, received, and legitimated, by giving social and economic interests enhanced political space in which to articulate interests, negotiate with government, and organize opposition.”³⁷ Government leaders blamed liberal democracy or return to constitutional government for the failure to sustain the gains of reform achieved under

³⁵ Hutchful, *op. cit.*, p.2. 14.

³⁶ *Ibid*, p.221.

³⁷ *Ibid*, p.219.

the PNDC (1983-1992). Rawlings himself lamented what he termed ‘constitutional anarchy’:

“A constitution should make the machinery of democracy run smoothly. But so far, we seem to be bogged down by details, and if we become obsessed by procedural details rather than results, national development can end up as hostage ... The complexities of constitutional procedures are slowing down government’s ability to respond to the concerns of the people ... In our situation democracy can be very costly. The opposition sometimes seems to oppose just for the sake of opposing, not for any particular goal of their own”.³⁸

Thus, government’s inability to manage the challenges of political liberalization was offered as an explanation for the slow-down in reform, suggesting that political and economic liberalization can contradict each other. This theme has recently been explored by several scholars.³⁹

Government technocrats and bureaucrats also blamed democracy for removing reform initiative from the bureaucracy (where it had always been) and bringing it to the political arena, being debated vigorously in Parliament, District Assemblies, media and other public fora. The reform policy framework under the PNDC monolithic structure and under the current democratic structure have a big contrast. The PNDC had combined executive and legislative functions, maintaining a monolithic structure or ‘one-stop-shop’ “where policy changes and initiatives could be effected instantaneously. The constitutional separation of executive and legislative authorities, by contrast, caused delays.”⁴⁰

Under the present democratic structure, debates on economic and pay reforms cannot focus narrowly on the so-called “rational interest”, they reflect interests of political parties, interests of workers, interests of the parliament and parliamentarians, the District Assemblies, the MDAs, and many other political actors. Constitutional legitimation of opposition and political pluralism necessarily makes agreement on reform slow and its sustaining difficult.

It is under democratic politics rather than under authoritarian rule that government leaders want to use pay calculatively as a form of patronage for political gain. This means that they are not enthused by ‘rationalized’ schemes of pay promoted by the IMF/WB to which they pay lip service.

³⁸ Quoted in Ibid, p. 218.

³⁹ See, for example, Haggard, S and S. B. Webb (eds), 1994, Voting for Reform: Democracy, Political Liberalization, and Economic Adjustment, New York: OUP; Nelson, J. M. (ed), 1994, Intricate Links: Democratization and Market Reform in Latin America and Eastern Europe, New Brunswick: Transaction Publishers; and Przeworski, A., 1991, Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America, New York: Cambridge University Press.

⁴⁰ Hutchful, op. cit., p. 218.

The workers, on their part, have continued to use their newly found freedom to heighten pressure for pay raise. As can be seen in **Table 9.3** below, salary increase in the civil service and other public services during the 1991-2002 period reflect political considerations more than anything else. Out of 54 cases of pay increase decisions, 14 (or 26%) were based on various social/equity considerations, including adjustment to the level of cost of living or to the increase in the National Daily Minimum Wage. Such across-the-board salary adjustment became necessary because the ever-rising inflation led to a steady decline in real wages at all levels of the Universal Pay Structure.

In a substantial 17% of the cases decision for selective increases for particular levels were made following strike action by a union or unions. In 20% of the cases, pay raise was awarded following negotiations with unions which have collective bargaining agreements (CBA). Given the pressure from the workers and their unions, the government was inclined to take every opportunity which permitted pay raise. Thus, in 9% of the cases, selective increases were awarded following introduction of the Ghana Universal Salary Structure (1999); in another 9% of the cases a government relief package to all civil servants was given pending implementation of the Price Waterhouse report.

In 7% of the cases there were increases following introduction of mechanized payroll (1966); in 5% of the cases selective increases were given to correct distortions in relativities, and in another 5% of the cases increases were awarded due to consolidation of allowances into the basic salary.

Table 9.3: Reasons for 54 Pay Increase Decisions for the Civil Service and other Public Services

NO.	REASON FOR DECISION	NUMBER OF CASES	PERCENT
1.	Across the board increase due to various reasons or considerations, including adjustments to raised national daily minimum wage	14	25.92
2.	Increases following successful negotiations with unions which have collective bargaining agreements.	11	20.37
3.	Selective increases for particular levels following strike action by unions.	9	16.67
4.	Selective increases following introduction of the Ghana Universal Salary Structure (1999).	5	9.26
5.	A government relief package to all civil servants pending implementation of the Price Waterhouse report.	5	9.26
6.	Increases following introduction of mechanized payroll (1996).	4	7.41
7.	Selective increases to correct distortions in relativities.	3	5.55
8.	Increases due to consolidation of allowances into basic salary.	3	5.55

Source: Ministry of Finance and various other sources.

Political liberalization had increased the power of negotiation and resistance of the unions and other civic groups. Three events of 1995 illustrate this development. In one case striking industrial workers and civil servants repeatedly besieged the Ministry of Finance, sealing off the building as a way of exerting their pay raise demands. In another case, a daring popular demonstration dubbed “Kume Preko” (i.e. “Kill me Now”) mounted against a proposed 17% VAT forced the government to shelve it. In a third case, the government retreated on a proposed 300% increase in electricity utility rates, following outcry from industry, public, parliament and NDC’s own mass organs. The President himself intervened to suspend the increase.

As a result of these humiliating actions, the government decided to accept a World Bank sponsored Civil Society Policy Dialogue to allow CSOs to voice policy concerns and make an input into the policy process. Thus, from May 1996, the government promoted several “national forums” on the economy.

The ruling party, National Democratic Congress (NDC), itself had internal divisions, being made up of regional, ethnic and special interests which could be held together only through award of sinecures and patronage benefits. Thus the party itself began to engage in corrupt behaviour, for example, influencing the award of lucrative state contracts to party supporters and financiers who were also the prime beneficiaries of the divesture programme. The party was held together by pragmatic exercise of patronage rather than by a particular ideological or programmatic vision; and therefore its priority was retention of incumbency rather than sustainability of the economy and pay reform.

While in the 1992 elections the NDC had won largely due to Rawlings’ popularity, in the 1996 elections the party won by developing and “servicing” a broad base of support. The party lost in the 2000 elections because the gains of the so-called “Ghana reform miracle” achieved during the 1983-1992 decade had by then been completely eroded. The pre-1983 features of the public services had reappeared: corruption, ghost workers, moonlighting, policy procrastination, etc.

Growing corruption and policy distortions had alienated donors, leading to contraction of aid infusions which had sustained both the reform process and legitimacy of the Rawlings’ regime. Consequently the regime was defeated decisively in the December 2000 presidential and parliamentary elections despite much investment in the campaigns.⁴¹

9.5 Reform Prospects in the Post-Rawlings’ Era: 2001 Onwards

The new government took over power in January 2001 (following electoral victory in the December 2000 elections). By this time, the gains of the pre-1992 reform (stable economy and disciplined adherence to planned reform targets) had literally been eroded. The government was therefore aware that its top priority had to be restoration of fiscal stability to jump-start the stalled economy so as to raise growth rates and

⁴¹ Ayee, Joseph R. A., 2001, Deepening Democracy in Ghana: Politics of the 2000 Elections, Vols One and Two, Accra: Freedom Publications Ltd.

employment as well as reduce the intensifying poverty in many areas of the country. The aim was to maintain real expenditure at the 2000 level.

In the pay regime, the new government continues to be guided by the pay reform recommendations of the Gyampoh Commission (1994) and Price Waterhouse Associates (1996 and 1997). The only significant new idea adopted in the public sector reform policy framework of June 2002 is the introduction of a Selective Accelerated Salary Enhancement Programme (SASE).⁴⁶ This programme, already implemented in Bolivia, Uganda, Mozambique and Tanzania as a medium-term pay reform strategy (MTPRS), brings the medium-term salary levels forward for selected jobs and positions.

The SASE scheme is selective in two ways: first, enhanced salary is targeted at posts that are likely to have the greatest impact on service delivery, the reform effort and the strategic outputs of the government. Second, the scheme will be phased-in over the medium term. SASE will first be introduced in ministries, departments and agencies (MDAs) which have the following characteristics: (i) have leading roles in change management and potential impact on the socio-economic well-being of the average citizen; (ii) have formulated strategic plans for implementation of their reform programmes; (iii) have established performance improvement targets; (iv) have performance measurements in place, etc.

SASE is expected to be in place in such MDAs by January 2003. However, going by experiences of countries which have implemented it, this may be an unlikely target. For preparations take long, especially because donors insist on tough “preparedness” conditionalities.⁴⁷ Furthermore, a transparent approach to the selection of the positions and MDAs has to be agreed upon by public servants and donors.

These processes of selection will certainly generate “politics” within the bureaucracy. The politics of identifying and selecting MDAs and positions for accelerated pay takes longer than a year going by experiences of Tanzania, Bolivia and Mozambique. There will also be arguments about salary differentials. Bureaucratic politics will also continue because the (1999) universal salary structure has been made flexible to allow separate scales for organizations which have such things as special duties and responsibilities; are more commercial; have submitted themselves to reform, etc. Organizations which fail to meet these conditions may “shuffle their feet” in disappointment. There are also politics of downsizing the government through retrenchment; they start in the bureaucracy before spilling over to the wider society.

It is clear that the wage bill savings from the retrenchment component of the pay reform cannot meet the cost of SASE. Thus initially a fund to supplement salaries of SASE MDAs and positions will have to be set up with donor assistance. The assumption is that, as the government makes salary adjustments in line with the Medium-term Pay Reform Strategy (MTPRS) each year, the gap between actual pay

⁴⁶ The following discussion of the Ghanaian SASE idea is based the consultancy report by Valentine, Theodore R and Victoria J. Cooper, 2002, Ghana – Public Sector Reform Policy Inception Paper: Final Report, op. cit., pp. 14 – 20.

⁴⁷ For example, donors want to see in place approved MDA’s restructuring plans being implemented, performance improvement targets, evaluation mechanisms, and penalties for non-performance

levels will narrow, thus reducing the need for extra financial commitment as the government's ability to pay competitive compensation out of the general wage bill rises.⁴⁸

The policy of the new government also intends to address three other issues, namely the salary structure, the allowances and the institutional framework. The current structure has a compression ratio of 1:13 for 22 levels. This is considered a demotivator for professional and management-level public servants, as the difference in compensation is not significant enough for the differences in responsibilities.

Allowances and non-cash benefits are still well-entrenched despite the reform efforts of the 1980s and 1990s. These continue to provide an element of inequity in the compensation structure and creates perception of unfairness to many public servants – especially the lowly paid who do not have access to these perks. Hence the need to eliminate, consolidate or standardize the allowances and other perks. Furthermore, a good balance is required between the wage bill (i.e. pay) and expenditure on operations and maintenance; for conducive working environment requires both satisfactory pay and working tools.

The new government intends also to continue to strengthen the institutions responsible for implementation of the pay reform. High on the agenda are: (i) the Public Services Commission (PSC) whose mandate was revised in 2000; it will provide human and administrative services through its two divisions – Human Resources Division and Management Services Division; (ii) a joint committee composed of the Economic Management Team (EMT) and the Minister of Manpower Development which will provide guidance to the PSC; (iii) Ministry of Manpower Development and Employment which supplies government negotiator with unions and associations having collective bargaining agreements (CBAs) or without CBAs; and (iv) the Ministry of Finance which supplies essential information to the government negotiator regarding the unions.

Finally, the new government intends to increase dialogue with all reform stakeholders. As we have already indicated, initial implementation of the pay reform was undertaken without adequate communication with the stakeholders to enable them to understand what to expect. There was no open and honest discussion and agreement between the government as employer and stakeholder groups (e.g. unions) which remained unaware of the budgetary constraints the government was facing.

Thus, as a strategy for controlling expenditure burst, the new government sought consensus on the management of the economy by organizing six workshops in early 2001, culminating in a National Economic Dialogue (NED) in March. The dialogue was attended by a variety of actors and stakeholders, including representatives of unions. Vital decisions were made and the government promised to implement them all so as to restore macroeconomic stability and economic growth. The government, organized labour and employers participating in the dialogue expressed commitment

⁴⁸ Valentine, et al., op. cit., p. 16.

to ensure that the programme of freezing real expenditures at the 2000 level remained on track. It will be recalled that this political strategy was first used by Rawlings in 1997 when a similar dialogue was conducted under the name of National Economic Forum (NEF), but the decisions reached were not implemented by his government.

The goal of freezing real expenditures, including wages, at the 2000 level is understandable but it may be politically difficult to sustain. Already the average ratio of Ghana's wage bill to current expenditure for the 1989-95 period had reached 40%, compared with 32% of Singapore, 30% of Kenya, 28% of Botswana, and 12% of Korea.⁴⁹ The freeze will, however, increase corruption, moonlighting and payroll fraud in the public services. Already the ghost worker phenomenon has risen to alarming proportions: 10,000 ghost names were found on the payroll of the Ministry of Education (MoE) alone in 2001. Other payroll fraud examples which are currently prominent include unauthorized payments; unauthorized promotions; loading "back pay" on existing staff salaries; and leaking of taxes on income collected by the Internal Revenue Services (IRS).⁵⁰ These findings suggest that despite the new government's expressed determination to press ahead with the reform, the going will not be easy.

⁴⁹ Joe Amoako – Tuffour, 2002, "Ghost Names, Shadow Workers, and the Public Sector Wage Bill", in Legislative Alert, vol. 02, No.1, January 2002, p.2 Chart 1.

⁵⁰ *Ibid.*, p.3.

10. TANZANIA

TACTICS, SEQUENCING AND POLITICS OF PAY REFORM

10.1 Introduction

Tanzania is highly ranked in its efforts to carry out pay reforms. Compared to other countries, Tanzania has been placed at the “forefront of ‘best practices’ of reform.”³⁹ Described as ‘persistent and bold’ in pursuit of Civil Service Reforms (CSR), Tanzania is believed to have attained several accomplishments. Whereas there were 355,000 civil service employees in 1992, by 1998/99 their number had declined to about 264, 000, a 26% reduction in the size of the civil service. As a result of control over employment levels, Tanzania has been able to keep its aggregate wage bill within the budget. Whereas it was 40% over the budget in 1994, by 1999 the aggregate wage-bill was only 2% above the budget. In addition, Tanzania’s job grade structure was streamlined from 196 to 45 grades, the number of allowances being reduced from 36 to 7 only.⁴⁰ Hand in hand with these measures was a steady rationalization of government employment which was effected through the re-imposition of a hiring freeze and the suspension of all promotions.

However, despite all the ‘bold’ steps and successes mentioned above, Tanzania’s record in dealing with issues of pay enhancement and incentive systems has not shone with as much successful. Even after eight years of pay reform, salary differentials are still lower than the pay reform targets. A recent report (JERG) has indicated that the salary structure is still compressed in such a way that some professionals like engineers, economists, doctors and nurses, “are seriously under-graded relative to their responsibilities and job content. Conversely, low-level technical, clerical and manual posts are often over-graded.”⁴¹ This trend is evidenced even in salary adjustments made by the government. Whereas in 2001 salaries at the bottom end were raised by an average of 12% those at the top were increased by roughly 6 percent across the board.⁴² In so doing, the core objectives of pay reforms of attracting, retaining, and motivating qualified manpower are at best still a dream. The situation is made even worse by the fact that it is the upper-middle and top-level civil servants that have experienced significant losses in real take-home pay over the years.

Moreover, the average public service salary remains far below the level of the mid-1970s.⁴³ Plans to implement annual salary adjustments have not been followed through. The wage-bill-to-GDP ratio, which was expected to rise progressively, has been declining, going below the pay reform benchmarks. For example, “the ratio for the FY 2001/02 was 4.2%, which is below the 4.4% proposed by the MTPRS.⁴⁴ The MTPRS proposed wage-bill ceilings were supposed to rise progressively from a wage bill/GDP ratio of 4.4% in FY 1999/00 to 4.9% by FY 2003/04. Indeed, as Valentine’s

³⁹ O. Therkildesen (1998) as quoted by T. Valentine (2001) “On the Consequences of ‘Successful’ Pay Reforms: Evidence from Tanzania”, February, p.19

⁴⁰ Valentine (2001) op. cit., p. 18-19

⁴¹ KPMG 1999 Report as quoted by Valentine (2001 op. cit., p. 21

⁴² Civil Service Department Staff Pay Adjustment Circular, 2001

⁴³ Valentine (2001) Revisiting and Revising Tanzania’s Medium-Term Pay Reform Strategy (MTPRS)” December, DfID Reprt, p. 8

⁴⁴ United Republic of Tanzania, 1999

report concludes, “ there appears to be a low government commitment to financing its wage-bill requirements”.⁴⁵ Ironically, whereas there are often temptations by governments to go over and above the required wage-bill % to GDP ratio (e.g. Zambia), in Tanzania it appears that the government often prefers to spend less than what is provided for under the proposed pay reform wage-bill to GDP ratio. Funds set aside to improve civil service pay have sometimes been re-allocated to other public expenditures.

This chapter sets out to explain the above paradox in public service reform in Tanzania. Two major questions cry out for answers, namely: why is it that the Tanzanian government has been ‘bold and persistent’ in pursuit of some aspects of pay reforms but not others? Relatedly, what explains the Tanzania government hesitation to undertake proposed measures to improve its pay enhancement and incentive system? Answers to these two questions need to be sought through an examination of Tanzanian’s politics and political system. As argued in the theoretical framework section, there are variations among politicians’ in dealing with the so called ‘politicians’ dilemma’. The dilemma results from the difficulties in making a trade-off between technical considerations for effective government effective performance on the one hand and partisan considerations of political support. Choosing between these two depends largely on the characteristics of the political system and the strength of the party. Politicians in well-institutionalized parties with developed electoral machines and networks for delivering benefits are more likely to invest some resources in developing technical expertise in order to improve the party’s performance in office.

It is within this context that the Tanzania government has been able to carry out wide-ranging measures in pursuit of pay reforms. The ruling party, Chama cha Mapinduzi (CCM), is a well-institutionalized party with long-established political support and networks. The CCM position has been strengthened by the existence of a weak and disorganized opposition. In addition, the ruling party’s leverage in pursuit of pay reforms is strengthened by the limited influence of trade unionism in the country. Due to the weak negotiating capability on the part of Tanzanian workers, pay adjustments have been effected within the *paternalistic model* of discretionary pay awards rather than as a result of *collective bargaining* between labour and the government. It is also important to point out that the ruling party’s popular support seems to be largely founded on its inherent inclination to the of ‘equality’ for all (whether real or rhetorical), which is a legacy of the country’s policy of ‘socialism and self-reliance’. As a consequence, ‘equity’ considerations account for the government’s hesitation towards effecting radical salary decompression.

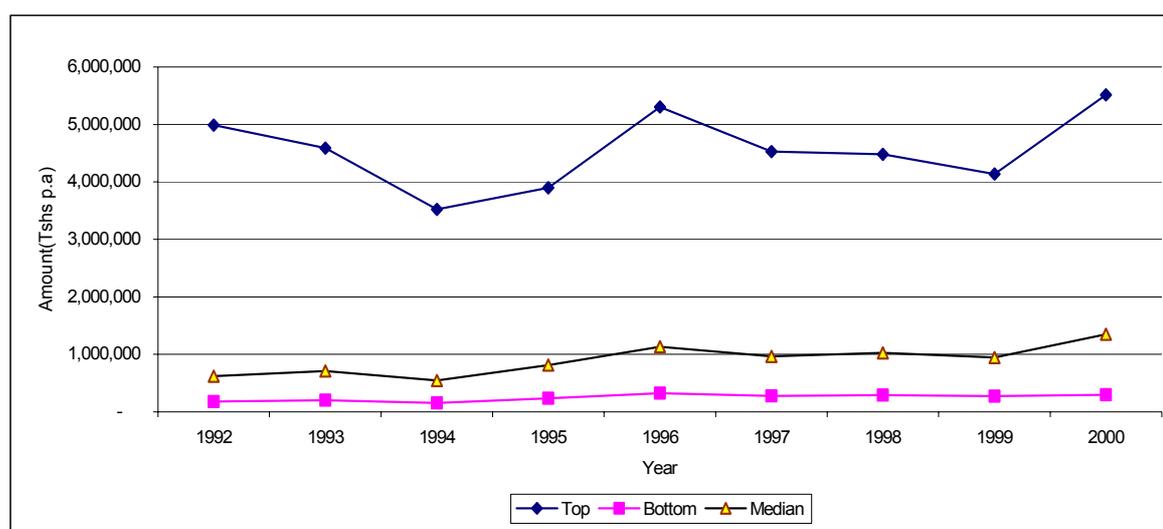
The remainder of this chapter is arranged as follows. The next section presents a brief overview of the country’s political history, focusing mainly on the bases of political support for the regime as well as pay policies and practices. The third section examines the politics of pay reform in Tanzania, highlighting the reasons behind pay reform decisions and practices.

⁴⁵ Valentine (2001) op. cit., p.21

10.2 Pay Trends and Structure

For longer than a decade, until 1994, Tanzania's public service experienced a continuous downward trend in real basic salary⁴⁶. Since 1995, however, this trend has generally been reversed. In 1996, all but duty/responsibility facilitating allowances as well as most monetized in-kind benefits were consolidated into basic salary. As a result, the basic salary in real terms then rose to a level above that of, four years earlier (see **Figure 10.1** below). However, as the Figure shows, the salary increases in the subsequent two years were not high enough to compensate for the effect of inflation, especially for the top salary groups.

Figure 10.1: Tanzania salary levels at constant prices: 1995=100



Memo Items:

Salary Compression ratio	28.0	22.6	22.6	16.7	16.3	16.3	15.3	15.3	18.6	17.6
Deflator factor (1995=100)	45.8	57.3	74.6	100.0	125.7	147.2	162.5	176.1	185.0	
Nominal wage bill/GDP ratio (%)	2.7	3.4	3.4	3.7	4.1	4.3	3.8	3.5	4.0	

Source: Annex Table 10.1b

In 2000, following adoption of a policy and medium term strategic framework for public service pay reform in the previous year, Government made comparatively hefty salary increases, ranging from 14 to 53 percent. In line with the medium term strategy targets, the highest salary raise was given to these middle to senior salary grades where most technical and professional staff fall, and the lowest to the junior salary grades⁴⁷.

⁴⁶ Kiragu K (1998), *Civil Service Pay Policy Issues and Options* in Tanzania National Symposium on Civil Service Reform (ed Rugumanu S.), University of Dar-es-Salaam Press.

⁴⁷ Republic of Tanzania.....

10.2.1 Pay Reform in Tanzania

Available data indicates that the issue of compensation in Tanzania in general, and pay reform in particular, has gone through four phases briefly described below: post-independence phase (early 1960s); ujamaa phase 1966-1986; liberalization phase 1987-1996; and the transparency phase of today.

Public service pay in the years immediately after independence was characterized by a continuation of the colonial pay policies in which pay was adequate to meet the subsistence and needs of the employees; the differences between the highest paid and the lowest paid employees was very wide, and pensions were adequate. Most importantly, *Uhuru*⁴⁸ opened up avenues for public servants to engage in all kinds of accumulation and they became one of the leading elements of the “*Wabenzi*”⁴⁹ class. The emerging perceived inequalities led to labour strife (1964-1965 strikes), university students’ crisis, and disquiet in the ruling party, TANU. The government responded by slashing salaries including that of the President himself, withdrawing luxury cars, instituting national service stint for the educated elite to disabuse them of their colonial and elitist hangover and eventually promulgating the Arusha Declaration in 1967.

During the years of socialism and self-reliance, the issue of public salaries was part of the general Party and Government wages and incomes policy. Briefly, it was driven by the desire to assure a decent living income to each and every Tanzanian, be it on the farm or in the factory. Equity was pursued very vigorously and the differences between the lowest and highest paid shrunk very significantly. A stringent pay as you earn (PAYE) policy was part of the package. The leadership code prevented public servants from earning more than one income, engaging in business and so on. A system of pan-territorial price controls tried to keep most commodities affordable. Significantly, a very pervasive subsidization, entitlement and allowed system developed. Places of work provided transport, food (breakfast, lunch, tea and snacks), child support (four children), affordable housing; recreation (sport, dancing ensembles), clothing (uniforms), paid leave, hardship loan and so forth. There were also avenues for “voice” at places of work in form of TANU branches, as well as workers’ councils. Workers were also encouraged to start gardening/farming collectively and even individually to supplement their incomes. Land, public transport, as well as farming input (fertilizer) were made available. Finally, it needs to be appreciated that public servants as a group and especially those in middle and senior levels were not viewed in a favorable light by the party. They were perceived as products of colonial and later bourgeois education, who were not very enthusiastic socialists. A parallel party apparatus was created to oversee their work. The problems of the later years of this phase are now well known. A deepening economic crisis brought in a sharp decline in incomes in general and salaries in particular. Public servants and others began to engage in all kinds of licit and illicit activities to make ends meet. A sharp struggle developed within the ruling party, CCM, and between the party and the Government, as well as between the latter and donors, over economic policy, including income policy. The resulting social and economic misery, and corruption engendered political instability, including the planning of a military

⁴⁸ Independence.

⁴⁹ Owners of Mercedes Benz.

coup that was nipped in the bud. The stage was set for President Nyerere to step down from the Presidency, ushering in a major policy shift.

Pay policy between 1986-1996 during President Mwinyi's presidency was heavily characterized by the dismantling of the pillars of the previous policy. Socialism and self-reliance were abandoned in favour of economic liberalism. The Zanzibar Declaration replaced the Arusha Declaration. The leadership code was formally shelved. *Ruksa* (permission) was given to public servants and others to engage in business and earn more than one income. Significantly though, salaries were very low. There was no important pay raise. The government policy was to allow employees to take on in other activities to supplement their incomes, and hopefully help in the economic recovery. As part of this policy, the workweek was shortened to five days in order to allow workers to attend to their projects or “*miradi*” on Saturdays.

However, employees also engaged in what Aili Tripp calls “*mipango*”, schemes of earning income at one's place of work, which were at the core of corruption that continued unabated.⁵⁰ Concurrently, the allowances' mania continued and even increased. Pressure to consolidate these allowances and make them transparent was resisted out of fear of exposure in the senior ranks of the civil service which could lead to trouble from the “socialists” in the party. Finally, it is important to underscore the point that in the last years of this phase 1990-1995, the Government was increasingly seen as corrupt by significant stakeholders such as the Tanzanian public, President Nyerere and donors. Consequently, donor withheld their support.⁵¹ The pay reform initiatives need to be seen within this perspective.

The new government, that assumed power in November 1995, vowed to clean up the mess created by its predecessor with regard to corruption, weak governance and economic recovery. It is in that context that what was called a “bold decision” was made, i.e., to consolidate salaries and do away with most allowances. The interesting question is whether the decision was taken to enhance pay or transparency. Evidence points to the later. The President and the Government have not been very concerned about the levels of pay especially of the middle and senior ranks. The medium-term pay reform is on the one hand appreciated as a serious effort to improve governance in the medium and long-term. It is not seen as urgent in the short term. The issue has not been given high priority. The argument of losing these people to the private sector is not taken seriously. They are still seen as relatively privileged when compared too other workers as well as peasants, etc. Thus, according to the President, commitment on enhancement of pay levels “hinges on the rate of growth of our economy and enhancement of government revenue.” That is why the 2000 pay raise was shelved in favour of funding the 2000 presidential and parliamentary elections. The 2001 substantial increase could not take place because of the population census. One has yet to see whether these kinds of positions will continue.

⁵⁰ Aili Tripp, *Changing the Rules: The Politics of Liberalization and the Urban Informal Economy* in Dar es Salaam. Berkeley: University of California Press.

⁵¹ Samuel Wangwe and Brian Van Arkadie, (Editors) *Overcoming Constraints On Tanzanian Growth: Policy Challenges Facing The Third Phase Government*. Dar es Salaam: Mkuki Na Nyota Publishers, 2000, p. 102

It also needs to be noted that while most allowances have been consolidated into salaries, and efforts continue to eliminate “*mipango*” or corruption—petty or otherwise in the public service, employees still continue with their “*miradi*” or projects. Doctors operate clinics and teachers provide private tutoring services. The government is aware of this.

The relatively larger increases given to lower-paid groups have been a result of several reasons. First and foremost is the residual ideological commitment to equity and fairness. There is a continued appreciation of the hard lives of the lowly paid. Politically, the party and parliament have occasionally spoken on behalf of these groups. It has been politically prudent in the era of multiparty, competitive politics to boost the pay of the lower-paid groups.

Relatedly, the government remains very sensitive to charges of giving disproportionate pay increase and/or benefits to senior levels in the public service. In 1999 a newspaper--MAJIRA--was banned for a while for publishing alleged proposed new salaries for senior officers.

Regarding the decision path, the pay policy paper was prepared after consultations led by the Civil Service Department. It was discussed by the Inter-Ministerial Technical Committee (consisting of all Permanent Secretaries) and tabled before Cabinet. There is a general broad agreement, even within the ruling party, over the importance of the medium term pay reform. This was also reflected in Cabinet.

In Tanzania, in the context of a comprehensive PSR initiative, a team of technocrats at the Civil Service Department painstakingly prepared a pay reform strategy in 1998. On this basis, a medium-term pay reform policy was presented to Cabinet in October 1998. After several sessions with minor modifications, but hesitantly, Cabinet approved the policy. Implementation commenced in FY1999/2000. In the next fiscal year (2000/2001), however, the President turned down the proposals for the budget allocation needed to continue implementation of the policy. In FY 2001/2002, salary adjustments were 6 per cent for senior officers but 12 per cent for low-grade staff. Furthermore, the President expressed the wish for selective awards in favour of judicial officers and other legal sector professionals in the public service.

Sensing severe resource constraints in the implementation of the pay reform strategy from domestic resources, and with a view to sustaining some progress in pay reform, the Civil Service Department devised an interim scheme of Selected Accelerated Salary Enhancement (SASE) within the medium-term policy framework for implementation on a ministry-by-ministry basis with the support of the donors. Donors responded positively, and they have supported SASE in three ministries so far, i.e. Civil Service Department, Ministry of Health and the Ministry of Finance. It is important to note that a ministry is only eligible for SASE upon completion of a performance improvement plan for service delivery.

Table 10.1: Tanzania - A Schedule of Public/Civil Service Pay Decisions, 1989 to Present

MONTH & YEAR	NATURE OF DECISION (e.g. salary/allowance increase by x%, new benefits for a particular group, benefits cancelled, allowances consolidated pension benefits raised, etc)	DECISION MADE BY (e.g. The President, Cabinet, Minister, Head of Public Service, etc.	DECISION RECOMMENDED BY (e.g. Head of Service, Salaries' Commission, Consultants, Unions, etc	REMARKS/OBSERVATIONS
July 1989	<ol style="list-style-type: none"> 1. New Salary Structure introduced with the following scales: <ul style="list-style-type: none"> • Operational Service Scales (OS) • General Scales (GS) • Rare Profession Scales (RP) • Super Scale (SS) 2. Minimum salary was increased by 26.14% while the maximum salary was raised by 338.53%. 3. Annual salary increments remained frozen for the year (they were frozen since July 1986). 4. Teaching allowance formally introduced at 25% of salary for teachers of general subjects and 30% for science teachers. Responsibility allowance for head teachers and principals was also introduced 	<p>Cabinet</p> <p>Cabinet</p> <p>Cabinet</p> <p>Cabinet</p>	<p>Nsekela Salaries Commission of 1998</p> <p>Nsekela Salaries Commission of 1998</p> <p>Ministry of Education and Civil Service Department.</p>	<p>Before the new salary structure with four scales, there was basically a salary structure with one scale the MS Scales, (Mshahara wa Serikali), to which all employees belonged.</p>
July 1990	<ol style="list-style-type: none"> 1. Salaries were increased by 20% on average. 2. Annual salary increments were allowed again. 3. House maintenance allowance of 40% of salary for entitled officers was introduced. 	<p>Cabinet</p> <p>Cabinet</p> <p>Permanent Secretary Establishments</p>	<p>Head of Public Service</p> <p>Civil Service Department</p>	<p>The impact of salary increments for four years was that salaries did not reflect staff seniority. Annual pay increments were halted in July 1986. However the allowance should not exceed 48% of the employees' salary.</p>
July 1991	<p>Salaries were increased by 40% at the minimum and 15% for top grades.</p>	<p>Cabinet</p>		
September 1991	<p>Fuel Allowance, car maintenance allowance and kilometre allowance were redefined and re-introduced.</p>	<p>Permanent Secretary Establishments</p>		

MONTH & YEAR	NATURE OF DECISION (e.g. salary/allowance increase by x%, new benefits for a particular group, benefits cancelled, allowances consolidated pension benefits raised, etc)	DECISION MADE BY (e.g. The President, Cabinet, Minister, Head of Public Service, etc.	DECISION RECOMMENDED BY (e.g. Head of Service, Salaries' Commission, Consultants, Unions, etc	REMARKS/OBSERVATIONS
September 1991	Fare allowance of 1000/= and 300/= was introduced for cities and towns.	Permanent Secretary Establishments		
September 1991	Allowances for purchases of domestic appliances like refrigerators, cookers bicycles air conditioners and sewing machines were re-introduced.	Permanent Secretary Establishments		The advances were halted in 1975 due to financial constraints.
January 1992	<ol style="list-style-type: none"> 1. Teaching allowance for teachers was raised as follows: <ul style="list-style-type: none"> • Teachers/Tutors for ordinary subjects 50% of salary (from 25%). • Teachers/Tutors for science subjects. 55% of salary (from 30%) 2. Responsibility allowance for Principals was raised by 50% percent. 	Cabinet Cabinet	Head of Public Service Head of Public Service	
July 1992	<ol style="list-style-type: none"> 1. Salaries were increased by 42.8% at the minimum level and 15% for the higher grades. 2. Responsibility allowance for Heads of Sections, Heads of Independent Departments, Heads of Sections in regions and districts was introduced. 3. Duty allowance and overtime allowance for drivers reintroduced. 	Cabinet Cabinet Permanent Secretary Establishment	Civil Service Department Nsekela Salary Review Commission	
November 1992	Housing Revolving Fund for Civil Servants re-introduced to give loans for construction, buying or repairing of houses.	Cabinet	Civil Service Department	The fund was abolished in 1972 after the formation of the Tanzania Housing Bank (THB). However few civil servants (low mans) have been able to benefit so far because the size of the fund is very small (how much) compared to the demand.

MONTH & YEAR	NATURE OF DECISION (e.g. salary/allowance increase by x%, new benefits for a particular group, benefits cancelled, allowances consolidated pension benefits raised, etc)	DECISION MADE BY (e.g. The President, Cabinet, Minister, Head of Public Service, etc.	DECISION RECOMMENDED BY (e.g. Head of Service, Salaries' Commission, Consultants, Unions, etc	REMARKS/OBSERVATIONS
July 1993	Cost of Living Allowance (COLA) of between 1500/= to 2000/= per month was introduced for all civil servants.	The President	Trade Unions	Trade Union had proposed to raise the minimum salary to 94,000/= (from 3,500/=).
July 1994	<ol style="list-style-type: none"> 1. Salaries were increased by 100% for the minimum salary and 48.3% for the top pay. 2. Cost of living allowance (COLA) was abolished. 3. Minimum Pension raised by 316% (from 480/= to 2000/= per months). 4. Fuel allowance and car maintenance allowance was increased by between 100 to 470 percent depending on seniority. Mileage allowance was increased by 60 percent. 	<p>Cabinet</p> <p>Permanent Secretary Establishments Cabinet</p>	<p>Civil Service Department</p> <p>Minister of Finance</p>	
July 1995	<ol style="list-style-type: none"> 1. Salaries were increased by 75 percent for the minimum pay and 71% for the top pay. 2. Government decided to consolidate some allowances into the basic pay. These were: <ul style="list-style-type: none"> - Domestic Servant Allowance - Water And Sewerage Allowance - Special Skills Allowance - Teaching Allowance - Medical Allowance - Topping Up Allowance - Judicial, Allowance - Driver's Allowance 3. Following consolidation, a new salary structure with sixteen different scales, in the basis of professional categories of staff was 	<p>Cabinet</p> <p>Cabinet</p>	<p>Permanent Secretary Establishments after studies done by the Civil Service Reform Programme.</p>	

MONTH & YEAR	NATURE OF DECISION (e.g. salary/allowance increase by x%, new benefits for a particular group, benefits cancelled, allowances consolidated pension benefits raised, etc)	DECISION MADE BY (e.g. The President, Cabinet, Minister, Head of Public Service, etc.	DECISION RECOMMENDED BY (e.g. Head of Service, Salaries' Commission, Consultants, Unions, etc	REMARKS/OBSERVATIONS
	<p>introduced. The scales were:</p> <ul style="list-style-type: none"> • Operational Service Scales (OSS) • General Service Scales (GSS) • Arts Teachers/Tutors Scales (TAS) • Science Teachers/Tutors Scales (TSS) • Engineering Teachers/Tutors Scales (TES) • Medical Operational Service Scales (MOS) • Paramedical Staff Scales (MTS) • Pharmacists and Chemists Scales (MPS) • Human Doctors and Dentists Scales (MDS) • Medical Specialist Scales MDS (S) • Aircraft Technician Scales (PMT) • Rare Professions Scales (PME) • Aircraft Engineers Scales (PMA) • Legal Staff Scales (LPS) • Legal Leader Scales (LPS (A) • Top Leadership Scales (ASS) 			
October 1995	Introduction of Hire Purchase arrangement, for motor vehicles and motorcycles.	Permanent Secretary Establishment		The beneficiaries are supposed to pay 40% of the cost of the motor vehicle. This has proved to be very difficult given the low salaries and high cost of the vehicles. The arrangement has so far not worked.
July 1996	<p>1. A new salary structure with three scales was introduced. These were:</p> <ul style="list-style-type: none"> • Tanzania Government Operational Service Scale (TGOS) 	Cabinet	Head of Public Service	The sixteen scales salary structure was abandoned after just one year of application partly due to complexity in managing such a multitude of scales.

MONTH & YEAR	NATURE OF DECISION (e.g. salary/allowance increase by x%, new benefits for a particular group, benefits cancelled, allowances consolidated pension benefits raised, etc)	DECISION MADE BY (e.g. The President, Cabinet, Minister, Head of Public Service, etc.	DECISION RECOMMENDED BY (e.g. Head of Service, Salaries' Commission, Consultants, Unions, etc	REMARKS/OBSERVATIONS
1998	Benchmark Study for the Civil Service. 2. The remaining non-incidentall allowances were consolidated into the basic pay. These were: <ul style="list-style-type: none"> • House rent assistance allowance • House maintenance allowance 	Secretary Civil Service Department Permanent Secretary Establishments	Programme (CSRP)	
January 1999	Public Service Medium Term Pay Policy approved. The policy envisaged raising public service pay by between 15 – 17 percent on average per annum over a five year period to 2003/04, targeting higher increases for professional, middle level technical and managerial staff.	Cabinet	Civil Service Department	
July 1999	1. Implementation of the medium term pay policy began. Salaries were increased accordingly by 13 – 17 percent to lower grades, 45-53 percent for middle to senior grades and by 34-55 percent for top civil servants. 2. The Public Service Pensions Fund (PSPF) was launched. It is a contributory scheme with employees contributing 5 percent of their salaries while the government (as the employer) contributes 15 percent, making a total contribution of 20 percent. The retirement age was also raised from 55 to 60 years.	Cabinet Cabinet	Head of Public Service Minister of Finance	The salary increases were well above the rates in the medium term pay projections, a very The fund was launched following the enactment by Parliament of Act No. 2 of 1999, the Public Service Retirement Benefits Act. positive move. The scheme has a five-year “building up” period and becomes fully operational in July 2004. The new scheme replaced CAP. 371, of 1932; as amended in 1954. An Ordinance for regulating Pensions Gratuities and Allowances

MONTH & YEAR	NATURE OF DECISION (e.g. salary/allowance increase by x%, new benefits for a particular group, benefits cancelled, allowances consolidated pension benefits raised, etc)	DECISION MADE BY (e.g. The President, Cabinet, Minister, Head of Public Service, etc.	DECISION RECOMMENDED BY (e.g. Head of Service, Salaries' Commission, Consultants, Unions, etc	REMARKS/OBSERVATIONS
	3. The minimum pension for civil servants was raised by 400 percent from shs.2000/= to shs.10,000/= per month.	Cabinet	Minister of Finance	to cater for permanent employees working in the Central Government. It was a non-contributory scheme paid out of the consolidated fund. Pensioners receive two cheques per year each being pension payments for six months. The cheques are paid through sub-Treasuries.
February 2000	Government adopted the Selective Accelerated Salary Enhancement (SASE) scheme, an innovation which is an integral part of the Medium-Term Pay Reform Strategy (MTPRS), aimed at quickening the pace of improvements in service delivery.	Head of Public Service	Permanent Secretary Establishments	SASE is designed to target salary enhancement for key professional, technical and managerial personnel whose efforts are critical to the improvement of service delivery, management of reform efforts and the production of strategic government outputs. Through the scheme, donor funding complements the MTPRS to systematically accelerate the pace of salary enhancement for key managerial, professional and technical staff in line with the Government medium term pay targets.
March 2000	Start implementation of the recommendations of Job Evaluation and Job Grading Exercise review schemes of service and grading structure.	Permanent Secretary Civil Service Department	Job-Evaluation consultants KPMG	Full implementation of the recommendations likely to take time due to budgetary constraints (wage bill ceiling).
July 2001	1. Salaries were raised by 12% for the minimum salary and 6% for the top Pay.	President	Head of the Public Service	The salary increases were below the projected increases in the policy which envisaged average increases of between 15 – 17% per annum.

MONTH & YEAR	NATURE OF DECISION (e.g. salary/allowance increase by x%, new benefits for a particular group, benefits cancelled, allowances consolidated pension benefits raised, etc)	DECISION MADE BY (e.g. The President, Cabinet, Minister, Head of Public Service, etc.	DECISION RECOMMENDED BY (e.g. Head of Service, Salaries' Commission, Consultants, Unions, etc	REMARKS/OBSERVATIONS
	<p>2. The minimum pension was raised by 20% from 10,000/= to 12,000/= per month.</p> <p>3. National Health Insurance Scheme (NHIS) for civil servants was launched with employees contributing 3% of their salaries and the government also contributing 3% towards the scheme.</p>	<p>Cabinet</p> <p>Cabinet</p>	<p>Minister of Finance</p> <ul style="list-style-type: none"> • Trade Unions • Master Workers Council for Government employees • Government • Civil Servants 	<p>The NHIS was established following the enactment by Parliament of the National Health Insurance Fund Act No.8 of 1999, which officially came into effect on July 1, 2001.</p>

10.3 Tanzania's Political History

Post-colonial Tanzania has had three major political characteristics:

- (a) a one-party political hegemony;
- (b) an egalitarian ideology; and
- (c) civic peace, unity and stability.

10.3.1 One-Party Hegemony

Tanganyika attained its independence from the British in December 1961. A merger between Zanzibar and Tanganyika in 1964 led to the formation of the United Republic of Tanzania. At independence, Tanganyika had inherited a 'Westminster style' political system with a multi-party constitution. There were four political parties when Tanganyika achieved her independence, namely, the Tanganyika African National Union (TANU), the United Tanganyika Party (UTP), the African National Congress (ANC) and the All-Muslim National Union of Tanganyika (AMNUT). Among all these, TANU was the most significant political party with nationwide popular support. Having played a leading role in the struggle for independence, TANU was able to attract political support from all categories of people including peasants, workers, traders and other organized associations. In both pre-independence multi-party elections (1958 and 1960), TANU won with an overwhelming majority. It is this victory that was partly used as a justification for the establishment of single-party rule. A few years after independence, Tanzania's political leadership put forward a rationale for introducing a one-party system. Julius Nyerere then made it clear that what the country needed was "unity and, indeed, there was no room for differences". In May 1965, Tanzania became a *de jure* one-party state, the first African country to constitutionalise one-party rule. The 1977 merger between TANU (from Tanzania Mainland) and the Afro-Shirazi Party (ASP) of Zanzibar, which led to the formation of Chama cha Mapinduzi (CCM), consolidated single-party rule even further. It was at this time when the party, CCM, was declared supreme both in practice and in law.

The supremacy of the party left very little room for other independent organizations to operate outside the party's structures. Following this, all independent civic organizations, with the exception of the church, were systematically suppressed, disbanded or co-opted into the party/government structures. The labour movement was the main victim. The militant trade unionism that existed before independence came to be regarded as a threat to the party and its ideology. Waves of strike waves had continued even after independence, demanding better wages, job security, recognition and rights of collective action. In 1962 for example, there were 152 strikes involving 48,434 workers with a loss of 414,474 man-days.⁵² The Tanganyika Federation of Labour (TFL) was behind all the strikes. As a result of the conflict between trade unions and the government, several pieces of legislation were enacted which put an end to independent and militant trade unionism in Tanzania. Stubborn trade union leaders were either detained or co-opted by the party/government. The final blow came with the parliamentary Act no. 18 of 1964 that disbanded and outlawed all trade unions. Instead, a party affiliated trade union called the National

⁵² Issa Shivji (1986) p. 227

Union of Tanganyika Workers (NUTA) was established. NUTA Secretary General and Deputy Secretary General were both appointed by the President. The Secretary General was also the Cabinet Minister for labour matters, who then appointed all key NUTA officers, members of the executive council and regional branches. Rather than being a representative of workers' interests and demands, throughout the single-party period, NUTA became the organ of the party entrusted with the responsibility of promoting the party's policies and ideology among the workers. Indeed, at that particular time, Tanzania's workers constituted a critical source of the party's popular support.

Furthermore, the party's policy of 'socialism and self-reliance' outlined major socio-economic and political policies and programmes. The 1967 'Arusha Declaration' called for the nationalization of all major means of production. As a result, the number of parastatals multiplied more than seven times from a mere 64 parastatals in 1967 to 450 in 1987.⁵³ This went hand in hand with the expansion of the civil service. It is reported that between 1966 and 1980, established posts in the civil service grew by a phenomenal 230 percent. As a result, the total civil service employment in this period outstripped the growth of both GDP and employment in the larger economy by more than three times.

10.3.2 Egalitarianism

Along with that, the 1967 Arusha Declaration brought with it strict rules intended to bring about equality particularly between leaders and the public. As Nyerere once clarified, "...the essence of socialism is practical acceptance of human equality".⁵⁴ With the promulgation of the policy of 'Socialism and Self-reliance', the government's approach to compensation of wage earners in general and public servants in particular sought to achieve three principal objectives. First was the need to redress the disparity in incomes between urban wage earners and smallholder rural farmers. Second, in the true spirit of socialist egalitarianism, was the resolve to arrest the emergence of a 'self-seeking elite'. And last but by no means least was the abiding desire to achieve social equity through unremitting efforts at narrowing income differentials.

It is on this basis that a socialist code of conduct was put in place in order to regulate and guide leaders' actions and behaviour. According to the 'leadership code', the party leaders and government employees in high and middle ranking positions were not allowed to acquire shares in companies and parastatals, draw more than one salary, own more than one house, or rent out their houses. It is government's commitment to reduce income differentials that had a profound effect on the structure and levels of earnings in the Civil Service and the parastatal sector. In this regard, the government placed two incomes policy instruments at its disposal. One was to restrict or even freeze the growth of salaries of personnel in top income brackets while allowing the wages and salaries of personnel in the lower strata to catch up. The motto was: "Standing still at the top while the bottom 'catches up'," ⁵⁵ The other policy

⁵³ Andrew Kiondo (1996) "Politico-Economic Development" in W. Strom (ed) Change in Tanzania 1980-1994

⁵⁴ Julius Nyerere (1968) *The Arusha Declaration Teach-In*. President Nyerere's Speech to the Dar-es-Salaam University College students.

⁵⁵ Valentine (1984) p. 56

instrument was progressive taxation in respect of both direct and indirect taxes. Whereas the nominal value of the minimum wage was adjusted upwards seven times to compensate its recipients for inflation between 1968 and 1981, in the same period the top salary ranks were adjusted only once, and very marginally, in 1974 when all pay scales were revised upwards by sh.100 and sh.60 per month in urban and rural areas, respectively or 1%, whichever amount was the greater.⁵⁶

Also, minimum wage earners were exempt from income tax; average wage earners got a 40% relief; and the tax rate for middle-grade wage earners rose slightly from 12.5% to 13.9%. On the other hand, the tax rate for top salary earners jumped from 25.7% to 28.1% and, when the Act was revised in 1980, the rate rose to a punitive 31.1%. Simultaneous with this incomes policy was the government's power to keep in check prices of essential commodities, such as food staples, which constituted the shopping basket of lower income groups. This was done through price controls and subsidies. On the other hand, goods purchased mainly by people in high-income brackets were highly taxed. Between 1968 and 1980, progressive taxation combined with the differential wage adjustment policy to give rise to a situation in which the nominal disposable (post-tax) earnings of top salary earners dropped by 13.3% while those of employees on minimum wage increased by a phenomenal 226 percent!⁵⁷ The nominal disposable earnings differential between the highest and lowest salaries in the Civil Service dropped from 50:1 in 1961 to 33:1 in 1967 to 15:1 in 1974 and 5:1 in 1981⁵⁸.

However, the majority of middle and top ranked civil servants were also compensated by a number of allowances and other fringe benefits provided by the party or the government. After all, the top and influential portion of this cadre are themselves policy makers in their own right. The most significant allowances were transport and housing allowances. In 1986, a loan facility to enable civil servants to purchase vehicles and motorcycles was re-instituted following its abolition in 1975. The policy gave priority to officers in managerial and other senior positions. Officers with government vehicles allocated for their exclusive use were given priority to purchase them, invariably at give-away prices. Car allowances boosted the recipients' take-home pay tremendously as their monetary value was invariably much higher than the value of basic pay.

The severe economic crisis that faced the country from the late 1970s to mid 1980s brought about a sharp decline in incomes in general and salaries in particular. Public and other servants began to engage in all kinds of licit and illicit activities to make ends meet. In order to rescue the economy, the government eventually reached an agreement with the International Monetary Fund (IMF) in 1986 over the implementation of an Economic Recovery Programme (ERP), the first in a succession of structural adjustment programmes (SAPs) underwritten by the Fund, in close collaboration with the World Bank and other donors.

⁵⁶ *ibid*

⁵⁷ Valentine (1984) p. 58-59

⁵⁸ Mukandala (1983) p. 260

10.3.3 Civic Peace, Unity and Stability

The most notable phenomenon about Tanzania's political system is its generally sustained tradition of civic peace, unity and stability. Tanzania has been able to maintain social peace even while undertaking massive economic restructuring, which involved, among other things, extensive retrenchment of civil servants. The continued civic peace and political quiescence can be explained by the nature of the country's political system itself. Whereas, on the one hand, the state/party was limiting public political space, the party's emphasis on issues of equity, social justice and electoral competition appealed to a majority of citizen on the other hand. The state was praised in its effort to unite more than 120 ethnic groups into one unified nation. The provision of social services up to the early 1980s maintained an impressive record. For instance, about 41% of the rural population had access to safe water, compared with an average of 19% for rural Africa as a whole. The literacy rate was about 62% compared with an average literacy rate of 49% for Africa, and primary school enrolment was 73% compared with an average of 68% for Africa⁵⁹.

In addition, Tanzania's parliamentary elections that allowed for intra-party competition also contributed in generating citizens' support toward the political system. Though these were one-party elections, the influence of voters' choice on the circulation of the elite in parliament was so high that even prominent politicians, front-benchers and long-standing back-benchers were frequently voted out. This generated a sense of political confidence among the electorate that they could influence the recruitment and the composition of the ruling elite.

With the beginning of the 'third wave' of democratization, popular support for the ruling party, CCM, has not diminished. In a national referendum held by a Presidential Commission to collect peoples' views on whether Tanzania should establish a multi-party system or not, 77.2% of the respondents favoured a single-party system as opposed to only 21.5 percent who favored the introduction of a multi-party system. At the time of the transition from single-party to multi-party system, Tanzania's ruling party still attracted a great deal of popular support. The electoral results from the 1995 and 2000 general elections demonstrate this continued support for CCM. **Tables 10.2** and **10.3** over the page present the electoral results.

⁵⁹ *Economist Intelligence Unit, Country Profile 1986/87*

Table 10.2: The 1995 and 2000 Parliamentary Elections

Political Party	1995 Elections		2000 Elections	
	Number of Seats	Percentage of Seats	Number of Seats	Percentage of Seats
CCM	186	80.20	202	87.45
CUF	24	10.30	17	7.36
NCCR-M	16	6.90	1	0.43
CHADEMA	3	1.30	4	1.73
UDP	3	1.30	3	1.30
TLP*	-	-	4	1.73
TOTAL	232	100	231	100

*Did not win any seat in the 1995 elections.

Source: National Electoral Commission Reports, 1997/8 and 2001.

Table 10.3: The 1995 and 2000 Presidential Elections

Candidate/Political Party	1995 Elections		2000 Elections	
	No. of Votes	%	No. of Votes	%
B. Mkapa – CCM	4,026,422	61.8	5,863,201	71.7
I. Lipumba - CUF	418,973	6.4	1,329,077	16.3
A. Mrema - NCCR-M (95) - TLP (2000)	1,808,616	27.8	637,115	7.8
J. Cheyo - UDP	258,734	4.0	342,891	4.2

Source: National Electoral Commission Reports, 1997, 2001.

As the **Tables 10.2** and **10.3** above indicate, the ruling party, CCM, has been able to attract a significant level of electoral support in both 1995 and 2000 general elections in comparison with the other political parties. Conversely, the influence of the opposition appears to be declining in terms of votes and number of seats won. Whereas in the 1995 elections opposition parties secured a total of 46 parliamentary seats, in the 2000 elections, their number of seats declined significantly to only 29. Moreover, since 1997, opposition parties in Tanzania have been preoccupied with internal conflicts largely associated with poor leadership, mismanagement and disorganization. As a result, some opposition party leaders have been either overthrowing each other from office, switching parties, suing each other in court, resigning or defecting to the ruling party. To the larger majority, the opposition parties are seen to be lacking credibility and capability to influence the policy process. Tanzania's pay reform process therefore needs to be seen within the above context.

10.4 The Politics of Pay Reform

Since the adoption of Civil Service Reforms (CSR) in 1991, the Tanzania government has been supportive of civil service reforms (CSR) in general and pay reform in particular. Indeed, the CSR period has coincided with the government's readiness to carry out extensive socio-economic and political reforms. In this case, the 'reform path' has been the reference point for the ruling party and hence for the presidency. Though to differing degrees, both Presidents Ali Hassan Mwinyi (1985-1995) and Benjamin Mkapa (1995-2005) have been staunch supporters of market-oriented

liberal policies. The significant level of popular support for the ruling party CCM has enabled these two pro-reform presidents in their respective presidencies to basically “do what they want”.

The most challenging tasks for them have been to govern effectively in order to improve the party’s performance in office and to preserve the bases of political support (rather than to create new ones). In dealing with the trade-off between technical considerations for effective government performance vis-à-vis partisan considerations, the government has often opted for the former. It is only when there was a perceived or actual threat to the status quo that the two presidents tended to move towards partisan considerations.

During President Mwinyi’s presidency, pay policy was heavily characterized by the dismantling of the pillars of the previous policy of socialism and self-reliance in favour of economic liberalism. This was embodied in the adoption of macro-economic reforms, which were premised on the free market, and in the replacement of the Arusha Declaration with the Zanzibar Declaration, which permitted party leaders and upper-middle and top civil servants to engage in business and earn more than one income. The government policy was to allow employees to engage in other activities to supplement their incomes, and hopefully help in the economic recovery. As part of this policy, the work-week was shortened to five days in order to allow workers to work on their projects on Saturdays. The policy enabled the workers to go for the ‘exit’ option to boost their incomes outside the government salary offers, which were low. The exit option had adverse consequences for the efficiency and effectiveness of public services. This period was characterized by low work morale, mismanagement, embezzlement of public funds and increasing corruption.

It is noteworthy that, throughout Mwinyi’s first term, there was no significant pay rise. This was the period the IMF-sponsored Economic Recovery Programme (ERP) in which reduction of public expenditure played a critical role. Indeed, annual salary increases in the public service were frozen for four years, from July 1986 to July 1990. This was despite the falling living standards of the majority of public servants. The Workers Organization Union (JUWATA) proved to be toothless in pressing for a pay rise.

The above pursuit of ostensibly technical solutions in the face of extreme low pay and misery for the work force need to be understood within the imperatives of regime sustainability of the means of legitimation, administration and coercion. The Tanzanian government gave in to multilateral donors’ demands and accepted a Structural Adjustment Package.

However, beginning 1990, Mwinyi’s government faced three types of challenges that led to changes in pay practices. First, early 1990 marked the beginning of transition politics from a single- to a multi-party system. A Presidential referendum on which party system was to be adopted took place. Citizens were asked to choose between keeping the old monolithic political system or changing to a multi-party competitive one. Relatedly, for the first time in 30 years, opposition groups were allowed to organize and their voices to be heard. In July 1992 the multi-party constitution was formally adopted and 14 political parties received their registration. Second, the period between 1992 and 1995 was characterized by political party campaigns for the

scheduled 1995 general elections. Each party worked hard to enroll new members and mobilize electoral support. Thirdly, this was also the time of workers' struggle for autonomy, recognition and the right of collective bargaining. The period between 1993 and 1994 witnessed nationwide strikes organized by the Organization of Tanzania Trade Union (OTTU) and teachers. Attempts to form an independent trade union for teachers bore fruit when the Teachers Trade Union (TTU or CHAWATA) was registered in 1993.

All this created a sense of threat to CCM and its government and hence the changes in pay policy and practices as evidenced by the proliferation of tax-free allowances. The government's initial strategy was to win senior civil servants on its side. In 1990, senior officers entitled to either free or rental housing and who lived in their own houses, became eligible for house maintenance allowances to a maximum value of 40% of their salaries. In the same year, fuel, car maintenance and kilometre allowances were redefined and re-introduced.

Such allowances, however, left unresolved the groundswell of popular discontent, especially among the low-paid, junior categories. To address this problem, adjustments were made to the allowances regime to render it less exclusionary. A monthly bus fare allowance of Tshs. 1000 and Tshs 300 was introduced for cities and towns, respectively. In addition, allowances for purchase of domestic appliances like refrigerators, cookers, bicycles, air conditioners and sewing machines were re-introduced. In 1992 Government took the issue of employee housing a step further by announcing the launching of a Government Housing Loan Fund to enable public service personnel to acquire soft loans for home construction. Moreover, teaching allowances for teachers and responsibility allowances for Principals were raised by about 50% in January 1992. Also, responsibility allowance for heads of sections, and departments in regions and districts was introduced in July 1992. In the same month, duty allowance and overtime allowance for drivers were re-introduced. In July 1993, cost of living allowance (COLA) of between 1500 to 2000 Tshs per month was introduced for all civil servants. As the list shows, this was indeed the period of allowance mania.

Pressure to consolidate these allowances and make them transparent was resisted out of fear of exposure in the senior ranks of the civil service that could have led to trouble from the 'socialists' in the party and generally 'from below' in the larger society. As the then CCM Secretary for Ideology, Political Education and Training commented "consolidation would make salaries look too big while the lowly paid ones had no allowances and therefore with nothing to consolidate".⁶⁰

Apart from the allowances, there were significant salary increases for various categories of civil servants. The annual salary increments that were frozen in 1986 were brought back in July 1990. In 1994, a year before the first multi-party elections, the civil service average nominal wage was raised by a phenomenal 74%. The pay raise ranged from 100% for the minimum wage to 48.3% for the top salary. Also, as a result of pay consolidation, in July 1995, salaries were increased by 75% for the minimum wage and 71% for the top pay. Elections were held a few months later.

⁶⁰ Interview held on the 24th Sept. 2001. M Hon. Kingun

President Mkapa assumed the reigns of power in November 1995, vowing to clean up the mess, supposedly created by his predecessor, with regard to corruption, weak governance and economic decline. It is within this perspective that what has been called a 'bold' decision to consolidate salaries and do away with most allowances was taken. In order to enhance the transparency of the compensation system, a long list of non-taxable allowances, totaling around 36, were consolidated into taxable basic pay during 1995 and 1996. In 1997, the last of the non-salary allowances, namely rent assistance and house maintenance allowances, were abolished, although the government was to backtrack on this one in a matter of two years.⁶¹ Also, the grading structure was streamlined by reducing the number of job grades and pay scales. Between Financial Years 1993/94 and 1998/99, the number of grades was reduced from 196 to only 45, and the pay scales from 23 to four. Hand in hand with these measures was a steady rationalization of government employment or retrenchment, as it is popularly known. The circular announcing the pay increase for FY 1997/1998, for example, coupled that with a re-imposition of a hiring freeze and a suspension of all promotions.⁶²

Further steps were taken by the Mkapa government. In pursuit of government's aim to attract and motivate technical, professional and managerial personnel, a Medium Term Pay Reform Strategy (MTPRS) was introduced in 1999. It sought to turn the established, socialist-inspired differential pay adjustment system on its head and proposed pay rises ranging from 13-17% for the lower grades, 36-45% for middle to senior grades and 34-55% for the top senior civil servants. What is more, government sought to specially reward the **core** of "highly qualified and highly tasked" senior officers when it adopted, in February 2000, a Selective Accelerated Salary Enhancement (SASE) scheme, which targeted salary enhancement for key professional, technical and managerial personnel "whose efforts are critical for the improvement of service delivery, management of the reform efforts and the production of strategic government outputs." In July 1999, true to the spirit of the new pay reform policy, the top salary was raised by a hefty 55% while the bottom salary was increased by a puny 17%.

Moreover, in an important departure from the established policies of non-contributory pensions and virtually free health care for civil servants, the latter were now required to start contributing 5% of their pay to a government's pension fund and another 3% to medical insurance fund.⁶³ The idea was to beef up resources in order to raise the levels of the benefits. Both of these policies were indeed bold decisions taken by the government.

Although the 1999 adjustments were more or less on target, the figures for the 2001 adjustment indicate a reversal of the projected trend. Whereas salaries in the bottom TGOS scales were raised by an average of 12.0%, the scales above that, including the top scale, were increased by roughly 6% across the board.⁶⁴ The policy had not stalled; it actually moved in reverse gear! Rather than increase the top and upper-middle cadre pay, the government seems to be resorting back to allowances. It will be recalled that the last of such allowances, namely the housing allowance, was

⁶¹ URT, CSD

⁶² *ibid*

⁶³ CDS Staff Pay Adjustments Circular, 1999

⁶⁴ CDS Staff Pay Adjustments Circular, 2001

consolidated only in 1998, four years after pay reform had begun to be implemented. Even then, this category of allowances was reinstated in the following year and is still operational in the present period. This trend seems to suggest that the ghost of *ujamaa* socialism may have come to haunt the government. The latest pay adjustment (for FY 2002/2003) favours those in the upper brackets but only very marginally.⁶⁵

A consultant's evaluation of the Medium Term Pay Reform Strategy after two years of implementation indicated that actual salary scales were, on average, 16% and 32% below the targets in the first and second years, respectively; a considerable divergence between actual salary levels and pay reform targets. The most disadvantaged during the changes in question were the middle- and upper-middle level personnel who had been affected by the consolidation of non-taxable allowances from 1995-98. The least affected were those at the bottom and those at the top. What is more, salary differentials were found to be much lower than the MTPRS targets, suggesting a negation of the assumed performance-improvement objective of the pay reform strategy in question.⁶⁶

Also, the wage-bill-to-GDP ratio, which was expected to rise progressively, actually fell over those first two years of MTPRS implementation. For example, the ratio for FY 2001/2002 was 4.2%, compared to 4.4% in the previous financial year. It is suggested that the Ministry of Finance did not take the MTPRS into consideration when setting wage-bill ceilings from year to year. Government's customary annual salary adjustments thus did not conform to the MTPRS targets.⁶⁷ To some analysts, these developments reflect "low Government commitment to financing its wage-bill requirements".⁶⁸ The government's hesitation to decompress salaries is also expressed by the Chief Advisor to the President, Hon. Kingunge Ngombale Mwiru, when he says, "the party appreciates the policy to increase pay. The critical issue is the difference between high vs low pay".⁶⁹ Hence, equity consideration is likely to have come into play in the slowing down of wage decompression.

Moreover, the president is reported to have been difficult to convince on the propriety of a large wage-bill, which the pay reform policy in its present form implies. What one reads from the available evidence is that the President seems to have oscillated between cautious support and measured resistance. Being the Chair of the party, the President seems to realise that the legitimacy of the government and the party is founded on its pursuit of equity and social justice. It is this determination on the part of the CCM government not to look "too extravagant" in its spending on top elites that, in 1999, the *Majira* newspaper, was banned for a while for publishing what it claimed were proposed new salaries for senior public officials. As the Hon. Kingunge commented on this episode, "*Majira* was banned for its attempt to create conflicts between the government and the people".

Thus, although pragmatism and performance-related pay are the buzzwords in Government circles, the President can ill-afford to ignore this 'socialist' constituency in his party because of the support and influence it enjoys within the larger society. It

⁶⁵ *ibid.*

⁶⁶ URT, 2001, p. 18-19

⁶⁷ *ibid.*

⁶⁸ *Ibid*, p 21

⁶⁹ Interview with the Hon. Kingunge on the 24 Sept. 2001

is easy to imagine therefore why the Medium Term Pay Reform Policy may not have had a smooth sail at State House, given its in-built inequities, as described above. This may be the most likely explanation for the fact that, as often as not, differential pay adjustments continue to favour public service personnel in lower pay scales, contrary to MTPRS design and targets. It has also been reported that part of the pressure on the President has emanated from Parliament, which tends to voice a “trade union” perspective on pay reform.⁷⁰ This is a perspective sympathetic to the interests of those on low pay, the group that gained most from the earlier phase of pay reform, but one that is disadvantaged by the current arrangement under the MTPRS.

Relatedly, a weak link with SASE is that the President and the Cabinet are reported to have expressed strong reservations on the sustainability and political propriety of a public service remuneration scheme that is dependent on donor funding.⁷¹ Furthermore, there is the question of prioritization of competing public needs and demands. In the current conjuncture, poverty reduction, in the context of the Poverty Reduction Strategic Paper (PRSP), is the “big issue” that constitutes the reference point in the allocation of public resources. The priority sectors in this regard include the social sectors (education, health and water), agriculture and food security, roads, and the legal and judicial system. Then there are crosscutting issues relating to poverty eradication including governance, the environment, gender, HIV/AIDS, employment and urban poverty (URT, 2001). Second-line issues include security, law and order, capital investment and the public debt. Salaries trail behind as part of what is described as “residual” issues.⁷² Thus, according to the President, commitment to enhancement of pay levels “hinges on the rate of growth of our economy and enhancement of government revenue”. Yet, other areas have been given higher priority over salary issues. For instance, following the low level of donor response to requests to finance the general elections in 2000, it is reported that Government financing of the elections ate up a substantial proportion of its revenue, making inroads into other items of expenditure. That is why the 2000 pay raise was shelved in favour of funding the 2000 Presidential and Parliamentary elections. Equally, the 2002 census must have made it difficult for the government to effect substantial pay raises.

Institutional preferences and orientations seem to have some effect on the pay practices. Whereas, the Civil Service Department submits salary adjustment proposals in keeping with prevailing pay reform (in this case MTPRC) targets, the Ministry of Finance sets wage-bill ceilings that are supposed to be “consistent with the fundamentals of the budget framework,” currently the Medium Term Expenditure Framework (MTEF). It has been alleged that the Public Service Pay Reform Policy priorities are essentially ignored by the Treasury in setting annual wage-bill ceilings.⁷³ However, institutions do not operate in a vacuum. The power of the Treasury to ignore the MTPRS targets is also derived from the larger framework set by the government.

⁷⁰ Interview with Mr. J. Rugumyamheto, Permanent Secretary, Civil Service

⁷¹ *ibid*

⁷² Based on the interview with the Commissioner for Budget, 2001

⁷³ URT, 2001, p. 66

10.5 Concluding Observations

The President's disproportionate emphasis on sustainability, social services (health, water, education, employment) and 'equity' at the expense of pay enhancement and a proper incentive system is made possible, and indeed politically feasible, by the nature of the political system itself. First and foremost, regime legitimacy and stability have provided an opportunity for the Tanzanian government to undertake 'bold and persistent' decisions on pay reforms. Secondly, the government has seldom been subjected to effective trade union pressure in its wage policies. Civil servants in technical and professional categories are the least trade-union inclined. Even with periodic government-labour consultations, workers have hardly been able to exert a meaningful impact on their earnings. The established model of wage adjustments in Tanzania has essentially been a paternalistic one, typified by the May Day rally Presidential pay awards. The precedence of the paternalist over the collective bargaining model of pay adjustments clearly reflects the powerlessness of organized labor. It is important to point out that, in spite of the new legal dispensation that seeks to create an enabling environment for free collective bargaining and independent trade unionism, many of the laws that hamstring trade unions and virtually outlaw strikes are still on the statute books. Also, given the nature of Tanzania's virtually disturbance-free political and industrial history, industrial disputes have come to be popularly perceived as inimical to the national interest. Any group of workers making radical demands or threatening industrial action incur the likelihood of being depicted as purveyors of discontent and a menace to 'peace and tranquillity', the two attributes that political leaders normally project as the mainstay of the national ethos. Ideology seems to have got the better part of economics. For these reasons, pay reform is likely to remain, for quite some time, a top-down initiative.

Finally, the Tanzanian case seems to suggest that regime legitimacy and stability do create some space for the government to 'prioritize' in relation to the requirements of both the public and donors. Thus one may wonder whether the Tanzanian government would have acted differently in its pay reform process, even with an improved economy and a more favourable public revenue situation.

Another important lesson to be drawn from the Tanzania case is that donor influence can be enormous only when the donors' preferences tend to coincide with what the government wants. However, this government appears to enjoy a high degree of legitimacy and stability.

11. UGANDA

TACTICS, SEQUENCING AND POLITICS IN PAY REFORM

11.1 Introduction

Uganda's economy is hailed worldwide as among the few success stories of impressive economic growth in developing countries. In 1985/86, the Ugandan monetary economy had grown at minus 1.1%. In 1986/87, it grew at 3.8%. Nine years later in 1994/95, the Ugandan economy grew by 10.0% per annum. This growth rate is by international standards a remarkable achievement. It is clearly reflected in the government budget. Whereas in 1986/87, the overall budget was 4.6% of GDP financed by bank borrowing, in 1994/95 it was 7.8% financed by savings.ⁱ This improvement is an outcome of the increase in government revenue collection. Between 1990/91, when Uganda Revenue Authority (URA) was established, and 1994/95, tax revenue collected increased nearly fourfold, from only Shs 135.95 billion to Shs 522.23 billion as **Table 11.1** below shows.ⁱⁱ

Table 11.1: Tax Revenue Collection, 1988/89 – 1995/96

Year	Tax Revenue Collected in UShs. (billions)	Tax Revenue as % of GDP
1988/89	44.6	5.16
1989/90	89.6	6.81
1990/91	135.9	7.84
1991/92	179.7	7.00
1992/93	286.6	7.85
1993/94	374.0	9.56
1994/95	522.5	10.76
1995/96	625.5	11.60

Source: Bisamaza 1999: 51.

During this period, the Ugandan shilling stabilized against major currencies. The combined consumer price index for the 12 months up to May 1995 was only 2.9% as opposed to 256% in 1986/87. Besides, the country's balance of payments position remarkably improved from a deficit of US\$79 million in 1986/87 to a surplus of US\$70 million in 1994/95. The reserves increased more than six-fold, from US\$31 million in 1986/87 to 200 million in 1994/95.ⁱⁱⁱ

In spite of this impressive rate of economic growth, the government position is that the wage-bill cannot be raised from the current level of 4.9% to 6% of GDP as envisaged in the Recommended Pay Strategy. This would require an increase in the government budget by 3.6% of GDP, holding wages constant as a share of the government budget, which cannot be realized under any plausible scenario for future growth in the resource envelope. Another alternative, which seems to be the most realistic scenario, according to the government position, is to hold the government budget constant as a share of GDP, then raise the wage-bill to 6% of GDP. But this would necessitate a reduction in non-wage recurrent expenditure by about 18% which is incompatible with maintaining minimum standards for the delivery of services.

It is important to note that Uganda, despite its impressive economic growth in recent years, does not compare favourably with other countries in Sub-Saharan Africa in terms of its government wage-bill as a percentage of GDP. Whereas the average for Sub-Saharan Africa is over 6.5% of GDP (1996 data) the Uganda wage-bill is only 4.9% of GDP. There is therefore a very strong case for increasing the proportion of the wage-bill.

But according to the Ministry of Public Service (2001), the scope for enlarging the wage-bill envelope is limited in the medium term for a number of reasons. Firstly, tax revenues have stagnated in recent years. Secondly, in view of political priorities, and from a development perspective, there are no programmes to cut back. Besides, the donors may not be readily forthcoming to assist in pay reform programmes.

Thus, according to the Treasury, due to resource constraints facing the budget, “there is very limited room for raising salary levels in the medium term for the majority of government employees.”^{iv} As such, Mutebile (2000: 6) predicts, many public officers will probably enjoy no real increase in their salaries over the next three years (i.e., until 2003). He also argues that the critical resource constraints are unlikely to be overcome in the longer term. He concludes that pay reform will only be successful if it is implemented abreast with other measures to restrain the expansion of the wage-bill. The current plans to increase the size of the public service payroll to 237,000 by 2004/5 is therefore seen by the Treasury as a major obstacle to pay reform. Thus, to reduce the size of the public service outside the vital social sectors of education and health is one of the preconditions for success of pay reform.^v

The Treasury position is that having a unified public service with a single salary structure, although attractive in principle, is difficult to be realized if salary levels in the public service are competitive with those in the private sector. Given that situation, Mutebile suggests the need for the government to adopt an option which many countries favour in their public service reforms, i.e., “a diversified structure for the public service with a small core of professional cadre and a more flexible salary structure which provides room for paying higher salaries on a selective but transparent basis to compete with the private sector for expertise which is in short supply.”^{vi}

In Uganda, just as in many other developing countries, which have undergone public service reforms since the 1980s, pay levels for public servants are substantially below the market rates. Public service monthly salaries are, on average, about 42% of the salaries for comparable jobs on the market. This great disparity broadly cuts across all levels, with most jobs falling within the range of 30% to 50% of the private sector scales. There are some exceptions to this general pattern. The lower cadres in the public service are in some cases, better remunerated than their counterparts in the private sector. The disproportionate remuneration levels of public servants are more pronounced for the middle and senior administrative, technical and professional groups.^{vii}

It is evident that, even in developed economies, salary levels for public servants are generally below those of comparable jobs in the private sector. However, the difference is not that big. Public service rates are normally between 75% and 80% of those offered in the private sector. Despite this deference, the public service is competitive in that it combines a reasonable salary and good pension schemes. As

such, public staff is expected to perform to or even above private sector standards; and sanctions are taken against those who fall the required standard.^{viii}

Pay reform in Uganda started since 1989 but it has not reached or approached the desired levels. Pay is still inadequate; the pay structure is characterized by distortions, lack of transparency and inequity.^{ix} The salary structures in Uganda are highly distorted and disjointed. The Ministry of Public Service complains:

...the disjoints and distortions reflect a weak and fragmented management of the compensation system in the past. Somehow, the mandate or planning, regulation and control of pay awards appears to have slipped out of the MPS (Ministry of Public Service) as many decisions to adjust pay have been politically decided before a due process of technical analysis of the measures and evaluation of their implications. This should not happen in future.^x

In an attempt to rectify these problems of pay distortions, the MPS in Uganda has completed a comprehensive job evaluation exercise and has achieved the following:

- (i) comparatively graded jobs across the various public service groups on the basis of qualifications, training, knowledge and weight of responsibilities;
- (ii) gauged the disparities in pay among the jobs of the same grade; and
- (iii) objectively indicated what adjustments in pay among the various job grades and across cadres are needed to ensure fair and transparent compensation for all in the Public Service.^{xi}

The argument raised by MPS is that the ideal solution to the problem is the adoption of a “single-spine” salary structure. In the medium term, however, it argues that it is not feasible in terms of wage-bill implications. According to MPS estimates, to eradicate the distortions would require increasing the wage-bill by more than 50%.^{xii} Pay reform is not executed with the scope and at the pace at which the other aspects of reforms are accorded, such as privatization, retrenchment and ministerial reorganization. Thirdly, the process has not been regular, systematic and consistent. This chapter seeks to explain the politics of pay reform in Uganda especially during the period 1990 to the present.

11.2 Pay Trends and Structure

In the 1980s, the public service pay system in Uganda virtually collapsed. Pay level for majority of public servants was less than US\$ 10 per month. Therefore, the case for public service pay reform was strongly argued in the 1992 report of the Public Service Review and Restructuring Commission that was established by the President in 1989. This report was the blue print that guided public service reform in Uganda throughout the 1990s.

In the mid-1990s, public service pay was considerably raised in real terms for all categories in the Uganda public service. In 1990, the monthly wage of a primary school teacher was just about US\$ 3. The monthly wage was raised to \$12 in 1993, to

\$40 in 1994, to \$69 by 1996⁷⁴. In this period furthermore, virtually all in-kind compensation and perks (such as housing, utilities, cars, etc.) were “monetized” and together with allowances consolidated into a unique salary. Concurrently, there was unprecedented downsizing of the public service. The total number of public servants was reduced from about 320,000 in 1992 to about 150,000 in 1996.

In late 1990s, however, as employment levels stabilized and the wage bill envelope tightened, there were difficulties in sustaining pay reforms, in terms of raising the monthly wage to a target “minimum living wage”, as recommended by the 1989 Presidential Commission. Thus, for example, the rise in the dollar-equivalent monthly wage of a teacher recorded between 1990 and 1996 was reversed in 1997, with a drop from \$ 69 to \$67 (see **Figure 11.1** over the page). Also, there was agitation by some groups in the public service (teachers, police, medicals, and judiciary) for select pay awards. The issues of future policy and strategy for public service pay again came to the fore.

In late 1998, the Government of Uganda commissioned a firm of consultants to implement a pay reform project. The key recommendations by the consultants included: reducing public service employment to levels that were affordable and consistent to raising the pay levels; moving to a unified public service-wide salary structure; adopting a target salary compression ratio of 20 to 1; and raising salaries to levels that were benchmarked (at about 75 percent) to comparable private sector (market) levels over a five-year period⁷⁵. On the basis of those recommendations, the Ministry of Public Service embarked on the development of a policy paper for a strategy for public service pay reform.

In this process, the Ministry of Public Service and the Ministry of Finance, Planning and Economic Development (MOFPED) found themselves at loggerheads. The former was pushing for large increases in the overall wage bill allocation in the budget (an annual rise of at least 17.5 per cent over six years), while the latter held that only marginal additional resources could be allocated to the wage bill in the medium term. Confronted with a severe budgetary constraint on the wage bill envelope in the short- to medium-term, the central tenets of the strategy that was initially drafted by the Ministry of Public Service were for the medium-term (up to six years): pursuit of equity in compensation on the basis of a unified pay structure, a target compression ratio of 20 and the implementation of the job evaluation results carried out by the consultants. In the long-term (about ten years), the Ministry was proposing market-benchmarked pay levels for all cadres of the public service.

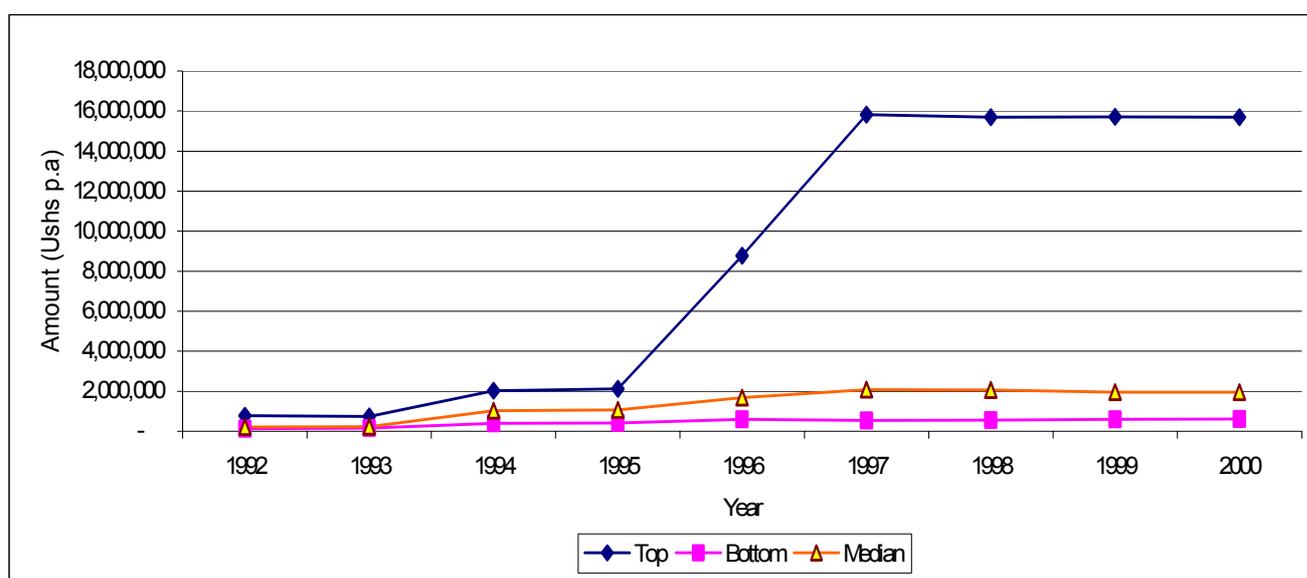
Meanwhile, the country’s top political leadership focused on the need to raise pay just for the lower grades of the public service. In particular, the President wanted to reward frontline workers only rather than implementing a comprehensive pay reform. In the circumstances, the Ministry of Public Service faced difficulties in finalizing a strategy consistent with the budget framework and that would receive top-level political support. Moreover, MOFPED could not support the draft strategy. Hence, in FYs 1998/99 and 1999/2000, modest salary increases were approved only for the lower grades of the public service. Significantly also, in this period, Uganda’s

⁷⁴ PricewaterhouseCoopers and Manchester University (2001), a Report for DFID.

⁷⁵ KPMG Peat Marwick (June 1999), Report to Ministry of Public Service, Government of Uganda.

members of Parliament legislated to delink their compensation system from that of the public service and awarded themselves (including Ministers) hefty salary rises. At the same time, the top public servants received high salary increases through a new scheme that converted their services to contract tenure. In FY 2000/2001, again, lower grades in the public service received salary increases averaging 10 percent while the middle and senior officers received only 5 percent. Also, select salary awards were made to officers serving in the judiciary and medical services. Thus, the losers who received least or no pay gains in this period were the public servants in the middle to senior (technical, executive, professional and managerial) job grades. It is against this background that the Ministry of Public Service continues the search for a feasible and effective pay reform strategy.

Figure 11.1: Uganda salary levels at constant prices 1995=100



Memo Items:

Salary	5.8	4.8	5.0	5.0	14.7	29.2	27.9	26.6	25.4	25.4
Compression ratio										
Deflator factor (1995=100)	68.9	88.5	94.3	100.0	107.5	115.9	122.6	128.7	135.2	
Nominal wage bill/GDP ratio	1.7	1.6	1.9	2.5	2.7	3.4	3.3	3.9	4.0	

Source: Annex Table 11.1b

11.3 Techniques, Tactics and Sequencing

Pay reform in Ugandan has several parallels with the Tanzanian one. Three are especially noteworthy.

First, serious reforms, including a pay increase, were undertaken in the late 1980s and early 1990s when a crisis was perceived. The public service was too large. Corruption was rampant, and non-performance was rife. Everybody, led by the President, as a way to reduce corruption and encourage better performance, embraced pay reform.

Secondly, pay reform was implemented as a policy package, including retrenching about one half of the civil service. Politically, this was done voluntarily as retrenchees were given an attractive pay package financed by donors.

Thirdly, there is general agreement that after the crisis passed, pay reform was politically downgraded to a low priority. The President, especially, does not think pay reform is a critical issue. On numerous occasions he has directed that resources budgeted for the public service be allocated to the defence forces. During the 1999/2000-budget year, Ugandan Shillings 18 billion was reallocated from salaries because of the crisis in the North. In 2001, US\$ 6 billion has been diverted to address “strategic intervention in the economy.” Like in Tanzania, a pay raise is contingent on other things being equal, and they more often than not are not.

There is also considerable evidence of higher authorities not being comfortable with the public service. In the early years of the movement, public servants were at times perceived as hostile fence-setters or even outright followers of the main political parties. While there has been a change, some hostility remains for example towards the police force (now commanded by an army person).

Given the size of the public service, about 170,000, faster across the board pay reforms would involve large sums of money. These resources would have to be raised either through increased taxation or denying resources to other activities that the government has found politically too costly to do.

The Government however, has been mindful or sensitive to the possibility of the issue of a pay raise assuming an increased profile in the national political debate, possibly leading to unwanted strikes by employees in critical sectors like health—doctors went on strike in 1995-96. Measures have therefore been taken to manage the issue and politically defuse it. It included the following:

- a) Selective pay increase to certain categories of employees, especially professionals--doctors, lawyers, economists (though they were later dropped) and State House workers.
- b) The de-linking of public service pay and pay of politicians especially Ministers. In the past, Ministers received the same pay as Permanent Secretaries. Deputy Ministers were equal to Deputy Permanent Secretaries, and so forth.
- c) Decentralization also lessens pressure on the Government to raise pay as considerable authority and attention shifted to the local levels where the votes are.

Allowances and perks are creeping back through the back door especially for the senior employees and politicians. In this, Uganda resembles Tanzania of the eighties and early nineties.

Table 11.1: Uganda - A Schedule of Public/Civil Service Pay Decisions, 1989 to Present

MONTH & YEAR	NATURE OF DECISION	REMARKS/OBSERVATIONS
April 1989	Public Service review and re-organisation Commission (PSRRC) set up	The PSRRC was appointed to examine and make recommendations to reform the Public Service to make to more efficient and responsive to the basic needs of the citizens of Uganda
July 1989	<ul style="list-style-type: none"> • Salaries raised by 40% • Professional allowance introduced for specific groups, in the service 	<ul style="list-style-type: none"> • The salary review done during Budget process • Incentives paid by donors introduced in FY 1986/87 as when Government introduced the Economic Recovery Programme in order to motivate staff working on Donor projects • Professional allowance introduced gross distortions in pay levels for public officers
July 1989	30% monthly Responsibility Allowance paid to Auditors and Air traffic controllers abolished	Professional Allowance replaced with Responsibility Allowance.
July 1989	Allowances revised upwards by 100% and new allowances introduced	The allowances revised included Duty facilitating allowances, per diem, training allowances, facilitation allowances, mileage rates etc.
July 1989	<ul style="list-style-type: none"> • Grading of jobs in the Public Service reviewed • Revision of other allowances not covered under C.S.I No.4 of 1989 • Housing allowance of 40% of basic salary introduced for unhoused officers • Every officer eligible for housing 	The Housing Allowance was not implemented
July 1989	Motor Vehicle Loan Scheme (Co-ownership Scheme) introduced	The Scheme was intended for Senior Government officials
August 1989	Revised rates of night allowance (within Uganda) communicated in C.S.I No.4 of 1989 dated 20 th July 1989 cancelled due to financial constraints	The old rates of Night Allowance continued to apply
October 1989	Maintenance and operational allowance for Co-owned Vehicles introduced	The allowance was meant to assist Public Officers meet maintenance and operational costs of the Co-owned vehicles
October 1989	Provision made for lunch and dinner allowance to be aid to staff whose nature of work require them to remain in the office working during the time of the said meals	The rate for lunch and dinner allowance was left to the discretion of the Accounting Officers
October	Terms and conditions of service for Ministers, Ministers of State, Deputy	Changes including salaries, rate of gratuity, responsibility

MONTH & YEAR	NATURE OF DECISION	REMARKS/OBSERVATIONS
1989	Ministers and other Political Leaders reviewed	allowance to replace entertainment allowance, consolidated housing of Shs.500,000 p.m. for unhoused Ministers.
October 1989	The rates for Night Allowance (within Uganda) revised	The new rates were lower for staff from U8 and below
December 1989	Rates for maintenance and operational allowance for officials co-owning vehicles with Government revised	Increases to take into account cost of lubricants and fuel
January 1990	Professional Allowance for Natural Scientists introduced	The allowance was effective 1 st July, 1989 when other professionals received the allowance
January 1990	The rates for Lunch and Dinner allowance standardised	The rate for lunch and dinner was standardised at 1000/= per meal
January 1990	Salary and retainer fee for members of Government Commissions, Councils, Tribunals, Committees and Boards revised	
March 1990	Integrated Establishment, staffing and payroll control system introduced	A new computerised payroll system and staffing controls introduced
July 1990	<ul style="list-style-type: none"> • Revision of Salary by 22% across the board • Categories of Government employees to be paid Professional Special allowance expanded • Responsibility allowance introduced in July 1989 for some categories of staff was abolished • The new Grading Structure communicated in C.S.E. No.6 of 1989 implemented. 	Salary review done during the Budget process
August 1990	Reduction of Group Employees in the service by 50%	<p>i) The GoU/IMF agree on several targets for downsizing⁷⁶ the Civil Service as a core performance criteria for Enhanced structural Adjustment Facility (ESAF)</p> <p>ii) The reduction excluded Group Employees in the Health sector</p>
December 1990	Rates for maintenance and Operational Allowance for co-owned vehicles, Mileage Allowance and Bicycle Allowance revised	Rates revised due to the increase in cost of fuel and spare parts

⁷⁶ Reduction in the size of the Public Service was a strategy adopted to ensure a smaller and well-paid Public Service.

MONTH & YEAR	NATURE OF DECISION	REMARKS/OBSERVATIONS
July 1991	Salaries increased by 43% across the board Professional/Special Allowance continue to be paid to some categories of staff Consolidated monthly allowance introduced for staff not receiving professional allowance	Salary Review done as part of the budget process. Professional/Special Allowance paid through the pay roll, District Administration and Urban Authorities paid the allowance within their own budgetary provisions
July 1991	Consolidated Allowance for Permanent Secretaries introduced	Responsibility Allowance which was being enjoyed by some Permanent Secretaries was abolished
September 1991	The rationalisation of Ministries from 38 to 21	-
July 1992	i) Salary Revised by 85% across the board ii) Professional Special and Consolidated Allowance continued to be paid iii) Professional/Top up allowance for Teachers introduced iv) Night allowance rates (inland travel) revised	Salary Review made as part of the budget process and revision of the Night Allowance
July 1992	Rationalisation of incremental rates in the salary structure	Decision made to facilitate smooth computerisation of the payroll
July 1992	Retrenchment of over-due leavers' categorised as non-performers, over-aged, drunkards etc	1 st Retrenchment exercise in the Uganda Public Service. Retrenched Staff not aid pension sued Government and were paid pension benefits in FY 2000/2001
April 1993	i) Uganda Civil Service Reform (CSRP) vision, objectives, strategy and plan approved by Cabinet ii) One of the long-term vision of the CSRP was to create a smaller civil service with better pay and more efficient staff and where civil servants will be paid a living wage	Rationalisation of structures, functions and staffing levels made in order to achieve greater efficiency
June 1993	Reduction in the number of group Employees by 30% as a result of ministerial reviews and rationalisation	-
July 1993	i) Salaries increased ii) Auditors and legal/Judicial officers, medical officers and Dental Surgeons receive 40% additional salary over and above other public officers iii) Professional and Consolidated allowances continued to be paid iv) For Teachers the professional/Special Allowance was abolished and replaced by top-up allowance	Salaries review made as part of the Budget process. The percentage increase varied from scale to scale i.e. 20% (U1), 45% (U3), 33% at U8 and Support Staff

MONTH & YEAR	NATURE OF DECISION	REMARKS/OBSERVATIONS
July 1993	Monetisation of Domestic Servant's Benefit paid to Entitled Officers	The posts of Domestic servants for entitled officers were abolished
July 1993	Civil Servants allowed to participate in Trade Union activities	i) Trade Union rights were formally enjoyed by Group Employees only ii) With the introduction of Trade Unions, machinery had to be developed to regulate collective bargaining in the Public service and remuneration was to be one of the negotiable items
November 1993	Salary, Retainer fee and allowances for members of Government Commissions, councils, Tribunals, committees and Boards	-
January 1994	The vehicle co-ownership scheme and co-ownership allowance abolished	The Coopers and Lybrand Report on Monetisation of Benefits of October 1992 estimated the cost to Government of providing co-owned vehicles to be higher than pool vehicle i.e. Ushs.13.17 million and 5.49 million per annum per vehicle respectively
January 1994	i) Salaries increased by 20% ii) Auditors, legal professionals and medical workers awarded an additional 40% over and above the rest of the civil servants iii) Professional, Special and Consolidated allowances continued to be paid iv) Salaries for the Teaching Service were not revised and they continued to be awarded a Top-up allowance	Saving realised to facilitate increase of salaries in FY 93/94
March 1994	The Pensions Act (Cap. 281) was amended	i) Provided for automatic recomputation of pension wherever changes in salary or other factors occurred, thereby introducing parity in pension levels among different generations of Pensioners. This provision was backdated to 1988 and estimated cost of 86 billion in pension arrears. ii) Increased the retirement age from 55 to 60. iii) Introduced survivors benefit
April 1994	Policy decision made to sell government pool houses to sitting tenants in line with Government policy to divest itself from housing civil servants	Some Institutional houses were identified for retention by Government/Local Government

MONTH & YEAR	NATURE OF DECISION	REMARKS/OBSERVATIONS
April 1994	Terms and conditions for Deputy Permanent Secretaries and their equivalents reviewed	-
July 1994	State house staff receive a living wage	-
July 1994	Salary, Retainer fees and allowances for members of the government Commissions, Councils, Tribunals, committees and Boards created the Local Governments (Resistance Councils) Statute 1993	Catered for those categories that were not covered in 1993
July 1994	Remuneration for Judges, Magistrates and State Attorneys enhanced and monetised	Monetised items included basic pay, housing, transport, telephone and utilities. In the case of Judges, 500,000 p.m. to enable them acquire houses but remained housed by Government
July 1994	Incentive allowances paid to Public officers revised	Agreed that the incentive allowance will be reduced by 25% over a four year period as salaries increased
July 1994	<ul style="list-style-type: none"> i) Salaries increases ranged between 57% (U1) to 33% (U8 – Group Employees) ii) Housing benefit monetised and housing allowance introduced iii) Medical Personnel receive 40% over the FY 1993/94 basic salaries iv) Mulago Hospital consultants and other medical staff who were teaching at Makerere University awarded salaries equivalent to their counterparts in the Medical School at Makerere University v) Professional, Special and Consolidated allowances were subsumed in the enhanced salaries and abolished. 	Housing allowance rates were based on salary levels, as a start 25% of the approved rates was paid except for Entitled officers who received full rates
November 1994	The Group Employee Scheme abolished and Support Staff Cadre introduced	-
December 1994	Central Government Group Employees in Districts de-linked from Central Government and excess Employees employed retrenched	Severance packages paid to retrenched Group employees. Districts had to get loans from government to pay severance packages to Group employees.
December 1994	Voluntary Retirement Scheme introduced	All staff eligible to apply except staff serving in District and Urban Councils' those on temporary terms and those who had attained 55 years of age (retirement age)
January 1995	Payroll monitoring unit created to monitor wage-bill expenditure, establishment control and handle payroll matters	Two units created, for Traditional Public Service and the Teachers.
March 1995	Monetisation of benefits for National Political Leaders and entitled	For the specified officers the monetisation was approved

MONTH & YEAR	NATURE OF DECISION	REMARKS/OBSERVATIONS
	Officers	by the National Resistance Council (NRC)
July 1995	Sitting Allowance for Public officers invited by Appointed Bodies to serve as members of interviewing panels introduced	-
July 1995	<ul style="list-style-type: none"> i) Salary increased by 10% except for those earning enhanced salaries such as legal professionals ii) Housing allowance increased to 40% iii) Special Teachers Allowance (STA) for Primary School Teachers introduced iv) Cash ration for police and prisons increased from Ushs.12,000/= to Ushs.15,500/= p.m v) Top-up for medical personnel teaching at the medial school to ensure consistency with counterparts at Makerere University vi) Government ceased to rent private houses for public officers 	Salary review made as part of the Budget process STA was 2,200/= p.m for Teachers in U1 – U6 and 3,640/= for U7
November 1995	Government made a Policy Statement on pay for the Public Service to National Resistance Council (NRC) the then Parliament	-
December 1995	Support staff integrated into the mainstream, and they became permanent and pensionable	-
July 1996	<ul style="list-style-type: none"> i) Consolidated salary package introduced and salaries increased by 5% (except for special groups) Entitled Officers and Legal Professionals) ii) Allowances of salary nature paid through the payroll were abolished. iii) Incentive allowances paid by Donors abolished Living wage targets set by the PSRRC achieved for lower level staff U5c – U7.	<ul style="list-style-type: none"> i) Salary decisions based on Government policy statement on pay made in November, 1995 to the National Resistance Council (the then Parliament) ii) The consolidation did not take into account the impact on terminal benefits. iii) The living wage target was set at Shs 70,000/- at U7 by the PSRRC in 1990.
May 1997	Special Voluntary Scheme for Support Staff introduced.	Voluntary scheme was aimed at achieving reductions rapidly and willingly than a compulsory programme. Universities and Local Government support staff were excluded.
July 1997	i) No change in Salary Levels from the previous FY due to budget pressures	Lunch Allowance for Medical Workers was a result of negotiations between Government (Employer) and the

MONTH & YEAR	NATURE OF DECISION	REMARKS/OBSERVATIONS
	ii) Lunch Allowance introduced for professional and non-professional medical workers (both Central and Local Government)	Ugandan Medical Workers' Union
January 1998	Salary enhancement for UI (unentitled) to U5b except Officers earning enhanced salaries. Living-wage targets set in 1990 by PSRRC achieved	The lower level staff U5b below were excluded because they had received the targeted minimum living wage in FY 96/97. The universities and Army personnel were also excluded.
July 1998	Special Voluntary Retirement Scheme introduced excluded Local Government, Universities and staff working in Essential services	Severance packages paid from donor funds
July 1998	<ul style="list-style-type: none"> • Pay Reform made one of the five national priority programme Areas. • Salaries raised by 5% and 10% for UI to U5b and U5c to USS3 (support staff) respectively • Allowances for the Army (UPDF) consolidated into the salary. 	Salary Review made as part of the budget process
December 1998	The recruitment freeze lifted	The recruitment freeze lifted when Ministries/Department were restructured and establishment levels determined.
July 1999	Salary increase U5c-U7 of 5% and U8 – USS3 of 10% with exception of Officers earning enhanced salaries.	No salary increase for Public Officers in U1 – U5b
November 1999	The Salaries and Allowances for (Specified Officers) determined.	Specified officer include judges, IGG, Auditor General, Inspector General of Police, Commissioner of Prisons, Chairman and Members of the Commission. The salaries were effective 1 st July 1998 and allowances 1 st October 1999.
January 2000	Mobil Telephone Allowance introduced for Ministers and Permanent Secretaries	-
July 2000	<ul style="list-style-type: none"> i) Salary increase of 5% fir staff in U5b – U1 and 10% for U5c to USS3 excluding public officers receiving enhanced salaries ii) Lunch Allowance for professional medical workers integrated into salary iii) A modest start made in implementing the Pay Reform Strategy 	<ul style="list-style-type: none"> • Ushs.2.2 billion was allocated for Pay Reform. The funds were used to enhance salaries for the medical sector. • Salary review was part of the budget process.
September 2000	Facilitation for Ministers and Ministers of states standardised	Introduced Medical and revised Mobile telephone allowance for Ministers
November	Cash ration allowance re-introduced for Central Government Police	Shs.69,000 paid to staff across the board. The funds were

MONTH & YEAR	NATURE OF DECISION	REMARKS/OBSERVATIONS
2000	Staff.	raised from savings with the Police Department budget.
April 2001	Housing Allowance for Members of Commissions introduced	The members had been excluded from the Housing benefit under the Specified officers Act.
May 2001	Responsibility Allowance for Ministers and Ministers of State introduced	The allowance was effective 1 st September 2000
June 2001	Cash ratio allowance re-introduced for Central Government Prisons Staff	Shs 69,000 paid to all Central Prisons staff across this board. The funds were raised from savings within the Prisons Department.
July 2001	i) Salary increase for lower level staff U5c receive 10% salary increase ii) Salaries for staff (U5b – U1) enhanced in line with the Pay Reform Strategy iii) Cash Ratio Allowance for Police and Prisons staff. Consolidated into salary	<ul style="list-style-type: none"> • Salary review done through the Budget Process. • Ushs 15.6 billion was set aside to facilitate salary enhancement for middle to senior level managers and professionals except those earning enhanced salaries.
July 2001	Salaries and allowances for Members of Parliament revised	-
July 2001	Facilitation for Permanent Secretaries reviewed and standardised	Introduced Medical Allowance and revised rates for Mobile telephone allowance.

11.3.1 Pay reform and the public service reform

In 1990, the government consisted of 29 ministries and 15 agencies with about 320,000 employees. A serious decision on ministerial and administrative restructuring started in July 1991 when the number of ministries was reduced, through a Presidential directive, from 38 to 21.⁴¹ At the end of 1994, the overall civil service had been reduced by 47%, from 320,000 to 170,000 employees and the army had also been reduced by 44.4%, from 90,000 to 50,000 soldiers.⁴²

When the government of Uganda launched the civil service reform programme (CSRP) in 1989, Ghana was being acclaimed as the leading country in civil service reform. Today, it is Uganda which is hailed as an exemplary case of success in civil service reform in Africa.⁴³ By 1997, Uganda's record of performance in aid utilization and project implementation had been affirmed, and consequently, Uganda was selected to become the first country ever to benefit from the IMF and World Bank sponsored debt relief package for heavily indebted poor countries (HIPC). This opportunity could have been used by the government of Uganda to hasten the implementation of pay reform.

The implementation of pay reform in Uganda has been relatively slow. This could in part be explained by the divergence of views between politicians and civil servants as well as between the various government departments. Key actors have both common and diverse conflicting interests. Even government departments tend to differ on various issues relating to public service reform in general and pay reform in particular.

Downsizing, for example, is one of the controversial aspects of reform between ministries. There is hardly a consensus to determine the optimum size of the public service. Initially, for example, a figure of 150,000 staff was given as the target to be achieved by 1994. There was, however, disagreement between the Ministry of Public Service and that of Finance and Planning. Most ministries, represented by the Ministry of Public Service strongly argued that they were understaffed. The Ministry of Finance and Planning, on the contrary, argued that increase in staff numbers would obstruct its plan to pay a reasonable wage, as one of the prerequisites for performance improvement.⁴⁴

After a long controversy, the size of the public service was ultimately reduced by about 54% to 164,00 in a five-year time. The reduction of the size had relatively less political cost than initially envisaged by both politicians and bureaucrats. This could in part be explained by the type of measures used. These measures entailed the removal of overdue leavers and 'ghost' employees; the abolition of group employees scheme, and retrenchment (forced redundancy and voluntary retirement scheme).⁴⁵

11.3.2 Pay as an incentive system

There have been some improvements in salary scales since the 1980s. However, the current salary structure for public servants is still miserably "inadequate for attracting, retaining and motivating the calibre of staff that Government needs if it is to provide the quality services which taxpayers deserve."⁴⁶ By 2000, for example, salary levels in Uganda were around 42% of comparable levels in the private sector. But even this

average distorts the larger differentials in certain key positions. Consequently, the government is unable to effectively compete with the private sector, NGO and donor organizations for the best professional staff, especially in areas which require specialist skills such as accountants, economists and lawyers.”⁴⁷

The Ugandan Government, in principle, accepted the recommendations given by the Public Service Review and Reorganization Commission (PSRRC) for improving the transparency and equity of the remuneration structure. The Government expressed its commitment to a phased progression towards a remuneration level corresponding with the qualifications, experience, and responsibilities of public service employees. As a first phase of the salary enhancement scheme, in the 1991/92 fiscal year, salaries were increased by a factor of 43% across the board. In 1992/93 salaries were increased by over 85% on basic pay; further increments were also awarded in the 1993/94 fiscal year. All these increments, however, did not significantly raise remuneration scales to the “living wage” levels recommended by the PSRRC.⁴⁸

The provision of allowances for some sections of employees continued and raised the real pay levels. These allowances were such as the professional allowance, top-up allowance for teachers and non-cash benefits such as free housing, and transport for entitled officers. In the 1994/95 fiscal year, the Government introduced two major policy changes – it divested itself from the responsibility for housing officers and the existing pool of houses were to be sold off, with priority being given to the sitting tenant. Secondly, the government decided to consolidate all allowances into the basic salary as a means to remove distortion.

In a statement to Parliament on November 23, 1995, the government announced that it had reviewed the remuneration policy and pay structure in the civil service and it had decided that the pay system in the civil service should seek to achieve the following four key objectives:

- (a) The total cost to the country of public service remuneration – the public sector wage-bill must be affordable within the context of a rational and non-inflationary public expenditure policy;
- (b) All public servants should receive at least a living wage, i.e., a wage necessary to ensure that the recipient has sufficient income to maintain an adequate standard of living for himself and his immediate family, at the level of his appointment;
- (c) The remuneration package of a public servant should be as transparent and simple as possible, and should ideally consist of a single consolidated taxable salary, without the provision of additional allowances or non-cash benefits. This package should be sufficiently attractive to motivate and retain him to perform to the highest standard of which he is capable and at which he should be judged; and
- (d) The public service salary structure should be harmonized, rationalized and equitable throughout Uganda for all groups of staff. Selective salary awards should be discouraged as much as possible. Accordingly, the government is in the process of working out a new salary structure based on the on-going job evaluation and grading exercise.”⁴⁹

In the following fiscal year 1996/97, an election year, the government showed its initial commitment by increasing the wage-bill by nearly 38%, from Ushs.160 billion to Ushs.220 billion. In the 1997/98 budget, however, the progressive trend of salary enhancement was thwarted by a number of reasons, including lower than projected revenue collection, the financing of local government elections, and the costs of the introduction of Universal Primary Education (UPE).⁵⁰ Besides, in the year 2000, about Ushs.18 billion was moved because of the crisis in the North. Again, about Ushs.6 billion was directed to address strategic intervention in the economy, hoping that when the crisis passes, money can be restored, this has not happened.

These programmes were considered by politicians to be of higher national “political” priority than remuneration of public service employees as one government Ministry of Public Service official commented: “Funds are found for many political commitments but not for salaries.”⁵¹ Thus, it is quite obvious that, in practice, there is no serious political commitment to the stated objectives of pay reform.

This low commitment could be partly deduced from the government strategy to improve service delivery first, and then improve pay. Again, the government tends to select certain sectors (such as the Revenue Authority, and Judges) for better pay packages. These selective remuneration schemes are implemented without proper preparations and therefore those who get pay raises are pulled down by those who do not have a pay raise. The differential, for example, between a graduate who joins the civil service at Ushs.300,000 and another one who joins the Revenue Authority and gets paid Ushs.1 million is too much. This certainly kills the morale of the underpaid sectors and employees. The results of a job evaluation study, for example, confirm that “the recent salary awards for the officers in the judiciary are not fair because they were not accompanied by corresponding pay rises for other professionals whose qualifications, job skills and responsibilities are in some ways even higher.”⁵²

Selective salary awards are usually unfair and arbitrary and, as one official clearly observes, they are “politically engineered.”⁵³ It is arbitrary partly because the select institutions have no clear performance benchmarks for monitoring their performance. Why are certain sectors better rewarded, than others? This is not simply an economic consideration, there is also a lot of politics in it. Sectors that are more strategic to the regime are more likely to be rewarded than those considered to be of little strategic significance. It is tenable, for example, to tell teachers that the wage-bill does not allow any salary increase, but those with guns would hardly understand that language.

While equity considerations are among the key objectives of pay reform as stated above, in practice there is no serious commitment to it. In 1998, a decision was adopted by the Cabinet that the target compression ratio in the Uganda Public Service, measured as the ratio of the salary of the highest paid public servants (i.e., Chief Justice) and the lowest paid support worker should fall to 20:1. Currently that compression ratio is 34:1. The move towards that goal is too slow. It seems there is no firm intent to move in that direction. The government, in fact, claims that such a target of the compression of the salary structure may be incompatible with the policy objective to recruit, retain and motivate public officers with sensitive or heavy responsibilities, and/or with skills in scarce supply.⁵⁴

11.4 Politics

The National Resistance Movement (NRM) assumed power in Uganda in 1986 after ousting the Tito Okello military junta. Before the NRM military take-over, the country was characterised by politically motivated violence and untold misery. Between 1971 and 1986, it is estimated that about a million people lost their lives. Thousands of people languished in prisons without trial; thousands more fled into exile. The economy was in shambles. When the NRM came to power, there was little hope for a breakthrough in forging political stability and achieving economic progress.^{xiii} Thus, political instability that characterised Uganda for nearly two and a half decades (1963 – 1986) is one of the salient features distinguishing Uganda from her two East African neighbours (Tanzania and Kenya).

Although Uganda is now relatively stable, it still faces a significant degree of insecurity. Internally, two groups, the Lord's Resistance Army (LRA), and the Allied Democratic Front (ADF) have been conducting organized rebellion. Although neither rebel group poses a serious threat to the survival of the government¹⁴, a lot of resources are committed by the government to fighting those groups. As a result of rebel-movement activity in the North, Uganda has had hostile relations with the Sudan. The Sudanese government persistently accuses the Ugandan government of supporting the Sudanese Peoples Liberation Army (SPLA). Until recently, Sudan was in return giving sanctuary to the Lord's Resistance Army (LRA) rebels fighting the Ugandan government. Also, until very recently, Uganda has been involved in a military engagement in the DRC, an engagement with grave military, political and economic implications for the country.

Apart from the security concerns, the analysis of pay reform in Uganda has to be located within a broader political and ideological context by briefly explaining the evolution and character of the NRM. The NRM has undergone ideological change. It started as a populist movement aspiring for political and socio-economic equality.¹⁵ Its initial ideology was virtually scientific socialism, arguing a case for poor sections of the society – among the popular masses, peasants, workers and transient groups like the youth and students.¹⁶ Over time, it has changed from its initial revolutionary rhetoric into a reformist Movement.¹⁷

Ali Mazrui characterizes Museveni in the same way. He says: "ideologically, Yoweri Museveni started on the left. In the 1970s he was virtually a Marxist-Leninist...Museveni's years in the 1990s have been inspired by a shift to the right."¹⁸ The Movement, just like, most movements, is constituted by diverse groups with different interests and with different ideological orientations. The members of its ruling caucus led by Museveni, however, are from the Ntare School and the University of Dar es Salaam liberation days. The caucus, under Museveni, was greatly influenced by Marxism, Fannon, Rodney and the Mozambique liberation experience. It believed in revolutionary violence to transform the state into a pro-people state. This background, according to Mushemeza still influences the current movement politics and practices.¹⁹

With time, Robert Michel's "iron law of oligarchy" seems to have come true. The NRM has degenerated into an exclusively elitist system dominated by a single political faction which is allegedly forging social change by claiming to represent the

general will.²⁰ On assuming power in 1986, the NRM Government was somehow accommodating of various interests. It was a fragile politico-military coalition which accommodated diverse interests such as the monarchists and federalists, old politicians from the Democratic Party (DP) and Conservative Party (CP) as well as leaders from the various insurgent groups with whom it sought a consensus.²¹ It was universally accepted as liberator, investing in making the state efficient and effective, including investing in pay reform. Increasingly, and as political survival became a problem, resort was made to selective strategic pay raises. But now, having stabilised itself the NRM, suffers from an obsession with a “strong state” syndrome. Its pillars are now a highly politicised army and a powerful intelligence network. It exerts tight control over all associations with the potential of exerting substantial influence over the policy process.²²

According to Ssenkumba (2000:6), the decision-making processes in Uganda have been taken over by the political-military bureaucracy at the expense of the elected representatives. He argues that it is a clique of technocrats in the state bureaucracy which is exclusively responsible for shaping Uganda’s political economy.²³ He further claims that “one individual, the president, dominates not only the main political tendency, the NRM, but also the state apparatus.”²⁴ Yoweri Museveni, the NRM Chairman and the country’s president has been elevated to the position of “a superman who supposedly knows everything, sees everything, thinks for everybody and is revered by sycophantic politicians as infallible in conduct.”²⁵

Power is concentrated in the executive. Between 1986 and 1990, the legislature (National Representative Council) was fused with the Executive. The Chair of the Movement was the Chair of the legislature and Head of State. The Movement Vice Chair used to preside over its sessions. But on important matters, e.g., finance, the President was the Chair. Under the 1995 Constitution, powers of parliament were substantially enhanced. In practice, however, such powers cannot be effectively utilized as parliament is dominated by *movementists*. These powers can only be effectively utilized under political pluralism. Within the NRM, the military wing is perceived to be very influential. “Those in the Cabinet who are not from the military are forced to support the military line. The military runs other branches of the state and grows at their expense. The Chief Inspector of Police, for example, is currently an army general. Money is never vired from the military but vice versa.”²⁶

The movement is still in power in Uganda. The Ugandan polity is referred to by NRM supporters and sympathetic foreign observers and politicians as a “no-party democracy”. It is, however, acknowledged by many other observers that, of the three East African countries, Uganda is the least democratic. The nature of the state is a very important explanatory factor of resource allocation.

There is an argument raised that the NRM government has no ideology on pay; this is reflected in the NRM 10 point programme.²⁷ But ideology does not have to be clearly stated. A regularised pattern of decisions and actions does indicate an ideological orientation, however vaguely. For example, Uganda’s pay reform has been driven less by equity considerations, as has been the case in Tanzania. Market considerations have received much more attention tempered by political considerations as will be shown below.

Turning to the media, there are a large number of newspapers some of which have been doing a good job of exposing government abuse of power, human rights violations and injustices. There are also more than 10 privately owned FM radio stations and more than 4 privately owned TV stations. With the exception of the Central Broadcasting Service (CBC) FM radio, which tends to deal with political issues surrounding the Buganda monarchy, much of what other radio stations broadcast is pure entertainment partly because of the fear of state sanctions. The same fear exists among the newspapers which tend to practice self-censorship – they restrain themselves from discussing issues of civil and political rights as well as socio-economic rights.²⁸

Among important political variables in explaining pay reform is the bargaining strength of trade unionism.

11.4.1 Trade Unionism

The dire conditions of the Ugandan economy in the eighties made the living conditions of workers very difficult. This was more so in the context of general insecurity and generalized chaos in the country. Workers therefore started agitating for a pay rise as soon as conditions allowed.

Trade Unions in Uganda are now legally organised under the umbrella of the National Organisation of Trade Unions (NOTU). NOTU has 17 affiliates; these include: Uganda Railway Workers Union, Postal and Telecommunication Workers Union, Uganda Electricity Board Workers Union, Uganda Public Employees Union, National Union of Plantation and Agricultural Workers, Uganda Medical Workers Union, Uganda Civil Servants Union, Printers and Journalists Union, Building and Construction Workers Union, Mines Union, Uganda Hotel Workers Union, National Union of Clerical, Technical Employees Union, Textile and Garment Workers Union, Cooperative Movement Workers Union, Beverages and Tobacco Union, etc.

Newly established affiliates include the Uganda Medical Workers Union and Uganda Civil Servants Union which were registered in 1994. Until 1993, the registration of Unions was confined to the private sector. Government employees were prohibited from joining trade unions under the Trade Unions Laws. Although they now have their own trade unions, they cannot organize and still rely on staff associations which are generally very weak.²⁹

In 1990/91, there were several strikes in Uganda, which exerted pressure on the government to raise pay. The IMF and the World Bank advised the government that it (Government) needed a well motivated public service; and that, given the fact that SAP reforms were harsh, forces in society were organizing resistance, so it was prudent for the state to respond. Consequently, the government raised salaries in the form of percentages. This tactic disarmed unions because it sounded big, e.g., 40% rather than in terms of shillings (the percentage was even more blurred by the fact that other benefits were cancelled and allowances were consolidated.³⁰ For three consecutive years, there was a substantial increase in salaries. Salaries were revised across the board by 22%, 43% and 85% in July 1990, July 1991 and July 1992, respectively. In July 1993, salaries were increased for auditors, legal and judicial

officers, medical officers and dentists who received 40% additional salary raises over and above other public officers.

The Makerere University Academic Staff Association (MUASA) is considered to be the most organized and vibrant of the professional organizations in Uganda and pay rises for academic staff cannot be explained without reference to the pressure exerted by MUASA. On May 2, 1989, for example, MUASA went on strike demanding a living wage for the lecturers. On May 16, the government threatened lecturers with an ultimatum, ordering them to resume work or vacate the university premises. Ultimately, the government was compelled to make concessions. Since then, lecturers' wages have increased, although they have not yet reached the level of a living wage.³¹

In response to the mounting pressure by lecturers demanding better remuneration, the government employed a wide range of tactics to demobilize the lecturers. One was divide-and-rule. This technique involve, rewarding some of those opposed to the general membership resolve to strike with lucrative posts in government. A second tactic involved the university authorities weeding out university lecturers perceived to be ringleaders of strikes for better remuneration. A third strategy was the introduction of evening classes. This created opportunities for the hardworking lecturers to increase their earnings as pay is based on the number of hours worked. Besides, this arrangement engaged lecturers all the time so much so that they had no spare time to engage in wage politics.³¹

Just like university lectures, a doctors' strike helped to improve their conditions in 1995/96. They are now included in the select institutions for better packages. A fresh graduate's (M.D.) starting pay is now Ushs 540,000 versus Ushs 270,000 for a Generalist and Ushs 300,000 for a Lawyer. Again, as a result of the strike, the health sector now attracts a larger amount of money on facility improvement, drugs, and even subsidies to hospitals run by religions and NGOs so as to enable them to charge affordable rates. The government, for example, seconds doctors to private religious hospitals so as to subsidize their running costs.³²

In the case of Uganda, structural adjustment programmes, privatization and retrenchment have created precarious conditions for workers. Profit maximization has been the main pre-occupation of both public and private employers. Remuneration for workers has not been considered a priority, particularly under conditions where there is no shortage of cheap labour. The government assumption has been that, improving workers' conditions will be an outcome of government savings and investment. That is to say, if the economy is in good shape, workers will be automatically rewarded.

As a consequence of deregulation and liberalization of the economy which started in the 1980s the purchasing power of government employees was significantly eroded. It proved very difficult for the workers to meet their basic requirements like nutrition, shelter, clothing, health services, and education for their children.³³ This situation instigated the need for the workers to develop their collective bargaining capacities through trade unions.

What is clear is that successes scored through Trade Union activity occurred in the period when the Movement was consolidating itself. This phase included establishing law and order and extending its legitimacy through the cooperation of many groups.

This was the time when elections were held for resistance councils (RC) in 1987, 1989, 1992 and for the National Resistance Council (NRC) in 1989. A constitutional commission was appointed to, among other things, draft a new constitution launched May 4, 1989; elections were held for a constitutional Assembly (28 March 1994) and a new constitution was promulgated on 8 October 1995. Then Presidential and Parliamentary elections were held in 1996. This period was marked by a concerted effort by the NRM to be inclusive and, to gain popular acceptance for itself and for President Yoweri Museveni. This is the time when the Movement took form and substance as an alternative non-party system. The constitution defined the Movement and put it on paper. It defined the principles that would govern the Movement system. The 1996 elections, while concluding this phase of consolidation, also saw the emergence of voices of dissent within and without the Movement. But, on the whole, there was a feeling on the part of the Movement that it now enjoyed popular legitimacy and acceptance.

The post-1996 period is marked by the abandonment by the government of generous across-the board salary increases. Instead there has been: (a) pay raises for the lower grades of the public service, the so-called frontline workers; (b) a generous salary increase for the top civil servants, and (c) selective salary increases for those public servants serving in critical areas including the judiciary and medical services. Awards to lower grades may be because of their numbers as voters, but also their criticality, being the hands, faces and ears of the government. They are the part of the government that interacts directly and regularly with the voting public. Top public servants as well as select groups in the public service were rewarded because of the criticality of what they do. The losers in this phase were public servants from the middle to senior (technical, executive, professional and managerial) job grades. These have been deemed expendable. Having neither the numbers nor the strategic functions with which they could do damage.

In spite of the foregoing achievements and several others that have not been mentioned, it is evident that trade unionism as a workers' weapon in their demand for better pay and better working conditions is still a very weak phenomenon in Uganda. This weakness of trade unionism could be explained by several structural factors as well as the existence of "safe exits" and a high rate of employment and underemployment.

Corruption and fees are a variant of safe exits. These help sustain the civil service at the District level – where the votes are. To a considerable extent, this removes pressure on the government to raise wages.³⁴ The same would apply for the employees of the central government – safety valves/exits make them complacent. This also affects their organizational strength for collective bargaining. A few beneficiaries are normally very influential in determining wage politics. As an alternative means for survival, for example, doctors still moonlight and the government keeps a blind eye because pay is low, and if forced, doctors would resign, and they cannot simply be replaced unlike unskilled personnel who are easily replaceable.

Unemployment is one of the key factors determining wage politics. Public servants, even though low paid, consider themselves privileged taking into account the fact that there is a huge army of the unemployed constituted by unskilled, semi-skilled and

skilled people. Again, civil servants are relatively better off than peasants engaged in agriculture. Thus, however low paid, they consider themselves to have a comparative advantage. Besides, since the private sector is still underdeveloped, it has not reached a point of making the government so desperate in retaining its skilled personnel. There is still a very low turn-over in the civil service for the government is still considered the best employer for a number of reasons such as security of tenure, payment on time, and the respect public servants are accorded so that they have easier access to loans, higher purchase, etc.³⁵

11.4.2 Political Priority in Resource Allocation

In principle, even in opulent societies, resources are considered to be scarce relative to demand. The main political argument raised by Ugandan politicians is that the availability of funds is a critical issue affecting pay reform. But, what is equally important is the issue of political priority in resource allocation. More substantially than is normally accepted, it is politics, rather than economics which largely determines the parameters of resource allocation. Harold Lasswell was absolutely correct when he defined politics as what determines “*who gets what, when and how*”.

In Uganda, budgetary priorities are set out in the Poverty Eradication Action Plan (PEAP). As such, the Medium Term Expenditure Framework (MTEF) should be consistent with the stated objectives of PEAP; it should also ensure that the budgetary resource allocations are in line with the overall fiscal objectives. The MTEF, in principle provides a hard budget constraint at an aggregate level for government expenditures. However, within the aggregate expenditure ceiling provided by the MTEF, there is a possibility of reallocating expenditures between sectors or between different types of expenditure, depending upon political priorities determined by Cabinet and Parliament. There are, however, some technical constraints on the degree to which reallocations can be effected; it is, for example, generally impossible to reallocate from statutory expenditures.³⁹

Budgetary allocations are a good indicator for identifying political priorities in resource allocations. Although, for example, the agricultural sector’s contribution to GDP accounts for between 51% in 1991/92 and 47% in 1994/95, the corresponding budgetary allocation has been 4.7% and 3.0%, respectively.⁴⁰ What then is the explanation for this anomaly? This cannot simply be explained by economic modelling, but by politics. However important the agricultural sector is to national economy, it is not represented and defended by the politically powerful groups – i.e., politicians, bureaucrats, or the army. Peasants and farmers are not politically organized and they do not have influential and committed advocates to press for a proportionate and fair allocation of national resources.

In an attempt to consider the significance/role of political priorities let us consider the following two scenarios:

- Scenario One: Resources are available, but there is no political priority to remunerate employees. What will happen? Can the civil service press for policy change? It is very unlikely.

- Scenario Two: Resources are inadequate but there is a political priority to remunerate workers. Pay increase is possible. In the early years of Museveni, there was a substantial pay increase to civil servants and the army. This was possible not because of the state of the economy, but essentially because of the state of politics. The decisions on pay increase were not made by economic planners, but by politicians. If the politicians are decisive on pay increase, they may not even take into account the possibility of sustainability, they may order the printing of money and, consequently, cause inflation. Sometimes, politicians would announce a pay increase without consultations with technocrats, only to find out that there no is money in the treasury for the purpose.

11.4.3 The Role of Donors

According to several sources, donors have not been keen to get directly involved in pay reform. They do not want to get into pay reform.³⁶ Donor conditionalities are only related to the number of employees. They do not place any limits on the share of wages to GDP in Uganda. In principle, they argue and press for a higher priority for pay raise due to the importance of a well-remunerated civil service in service delivery, but no conditionalities have even been attached to pay reform. There have been some occasions whereby donors have recommended remuneration measures. As pointed out earlier, in response to several strikes staged in Uganda in 1990/91, the IMF and the World Bank advised the government to increase wages. Again in July 1994, upon donor recommendations, the government reduced incentive allowances paid to public officers by 25% over a four-year period as salaries increased.³⁷ The other important aspect which attracts donor assistance is the commissioning of studies on pay reform. The World Bank, the IMF and other donor organizations such as DANIDA have commissioned several studies on pay reform and their recommendations have been submitted to the government for action. However, donor conditionalities on macro-economic policies which Uganda has been implementing have provided a critical context. The government has been very conscious of the need for continued donor support and has thus observed most of the donor requirements, including ceilings on expenditure on wages in general.

11.4.3 Remuneration Comparison between Civil Servants and Politicians

One indicator of looking into the politics of remuneration is to compare pay packages between politicians and civil servants. In Uganda, for example, the civil service pay levels used to be pegged to that of politicians. Permanent Secretaries' scales were equivalent to those of Ministers, Deputy Permanent Secretaries to those of Deputy Ministers. But now, the difference between Ministers and Permanent Secretaries is too big. Between 1989 and 1992, for example, there was an appreciation of pay. A Permanent Secretary's salary went up from US \$300 to \$1000. For MPs and Ministers, however, it was about US \$2,250 and US \$2,500, respectively. This means, a PS today gets just about 44.4% of an MP's salary and only 40% of a Minister's salary. The total remuneration for MPs (salaries plus allowances) is about Ushs.7 million.⁵⁵

In October 1989, terms and conditions of service for Ministers, Ministers of State, Deputy Ministers and other political leaders were reviewed. This review was based on

the recommendations of the Ministry for Public Service and Cabinet Affairs and the Ministry of Finance, and the decision was passed by Cabinet without the approval of Parliament. Apart from salary increases, rates of gratuity and responsibility allowance were introduced to replace entertainment allowances. Besides, housing allowances were consolidated to Ushs.500,000 per month for unhoused Ministers.⁵⁶

At any rate, the difference of pay/remuneration between politicians and civil servants is too big. There is no economic or technical explanation to it; thus it is purely political. It is an indication of the overriding power of politicians versus civil servants. The simple argument raised by politicians in defense of their more lucrative pay relative to that of civil servants is that there are only 310 MPs and therefore can be easily dealt with; but there are very many civil servants (170,000); they can only gradually be dealt with. This argument, however, is watered down by the fact that senior civil servants (PSs, Deputy PSs, and Directors) are not that many, but they are yet to be brought abreast with politicians). Thus, the problem is not simply lack of money as the Governor of the Bank of Uganda comments, if the President so wished, he could have found money for salary increases, but the President was not willing. The President, for example, is unwilling to raise taxes in order to increase salaries.⁵⁷

11.4.4 The Pension Scheme

The payment of a substantial number of new pensioners (who retired before the age of 60) contributed to financial problems. The money allocated for pensions could perhaps be used for salary improvement. The problem should, however, not be exaggerated as donors also assisted in the retrenchment programmes.

Pension payments are, however, beset with serious problems. There are problems relating to the timing and regularity of payments.⁵⁸ Another problem relating to the pension scheme is the inadequacy of the pensions. Pensions, particularly those for pensioners who had retired before the recent pay reforms, were so low that; reportedly, a large number of retirees did not collect them.⁵⁹ Relatedly, there is a serious problem of pension inequity. Pensioners who have retired in recent years receive pensions many times greater than their predecessors. This problem of inequitable treatment of old relative to new pensioners needs to be addressed in one of the two formulae. Either pension indexation should be pegged to prices (instead of wages), a formula which guarantees purchasing power, or alternatively, it is possible to have a scheme combining both (some average of the two).⁶⁰

The pension scheme has been slightly improved as a result of the amendment of the Pension Act (Cap. 281) in March 1994. The amendment provided for an automatic recomputation of pensions whenever changes in salaries or other factors occurred. This was aimed at introducing parity in pension levels among different generations of pensioners. This provision was backdated to 1988 and the estimated cost was Ushs.86 billion in pension arrears. The amendment also increased the retirement age from 55 to 60 years. Survivors' benefits were also taken into account in amendment. In spite of the said amendments, however, the pension scheme is yet to be impressive. The most seriously affected are those who retired before the recent pay reforms.

Why is the pension issue not given a high political priority? One of the reasons is that pensioners do not constitute an organized and strong force to compel the government

to accede to their demand. This is basically politics, not economics. These pensioners do not produce anymore; economically, they do not have any value today. But, if they had political clout, their demands would be taken positively into account. The fact that they cannot press the government for the improvement of their pension scheme implies that they are politically insignificant.

It has to be noted that pension expenditures are currently very low. In 1997/98, for example, they were estimated at 0.2% of GDP. As a result of retrenchment, pension outlays were expected to double to 0.4% of GDP in 1998/99. Since the main reason behind the dramatic increase in pension expenditure in the previous years is retrenchment, it could be projected that once the exercise is concluded, future expenditures might be more affordable.

The pension problems in Uganda is much more a consequence of substantive political decisions with regard to the values, priorities and the vision of the future. There are, of course, issues of technicalities involved, but these are secondary to the problem. Once a clear political decision has been made, it might be relatively easier to work out a desired pension scheme.

11.5 Summary Observations

As it has been indicated in the introductory part and illustrated in all the subsequent sections of this paper, there is a set of factors that determines pay reform in Uganda. These include: the state of the economy, ideology, political or priorities and the bargaining strength of trade unionism or strategic groups with considerable political clout such as the military.

Given the state of the economy in Uganda, the wage-bill can be increased beyond a certain ceiling within the rational and non-inflationary national budget. However, at present, given the fact that the Ugandan economy is doing relatively well, there is a possibility for increasing the wage-bill without causing economic distortions. After all, the proportional of the wage-bill in Uganda as a percentage of GDP (i.e., 4.9%) is well below the average (6.5%) in Sub-Saharan African countries. That being the case, it appears that there is no adequate political will to increase the share of the wage-bill.

Ideologically, the NRM government has clearly moved to the right. There is no serious commitment to issues of equity considerations in the allocation of national resources including the determination of pay structure. What the government does is to pay lip service to the issue but in practice it does not make a firm commitment to it. The current salary compression ratio of 34:1, for example, is obviously too big if equity considerations are taken into account. Related to that, the pay differentials between various sections of the public service are too big due to the ongoing selective remuneration schemes. These schemes are viewed by many analysts as distortions, but to politicians, they are deliberate strategic calculations.

Political priorities constitute an overriding factor in national resource allocation in general and in determining the pay structure in Uganda. The primacy of political priorities over all other factors may be largely attributed to the relatively high degree of insecurity and instability – the consequence of which is that budgetary allocations

are usually tilted to beef up defence and security establishments in terms of both equipment and remuneration. While the government persistently claims that there are no adequate resources to increase the wage-bill, resources are usually available for military expenditures including costly external engagements like that in the DRC.

The bargaining strength of trade unions is relatively weak in Uganda. There have been few cases where workers' associations have successfully pressed for better remuneration (but still below the living wage). Most trade unions, however, are still docile. This situation could be partly explained by a long tradition of suppression of trade unionism under authoritarian regimes (both military and civilian). On the other hand, the existence of some "safe exits" such as corruption, and extra-engagements for survival tend to demobilize public servants and discourage them from engaging in wage politics.

The role of donors in shaping the pay structure in Uganda is not very important. Donors are much more interested in the other aspects of reform such as downsizing the public service and privatization. Their role in pay reform is limited to technical assistance in the commissioning of studies and making recommendations to the government. The latter is at liberty to act or not act upon those recommendations. Under a situation of massive unemployment, donors could hardly press for better remuneration of public servants.

Lastly, it is instructive to note that the Ugandan government, like many others, is not a homogenous entity – factions among various institutions of government are relatively conspicuous. The relationship between politicians and civil servants is not very cordial. There is some suspicion among the politicians, particularly the movementists, that the loyalty of the civil service to the NRM regime is questionable. This kind of relationship seems to have a negative impact on national resource allocation and remuneration of public servants. Relatedly, civil servants tend to hesitate to press the politicians (ministers and MPs) hard so as to avoid an outright accusation by politicians that they (civil servants) are obstructing government programmes. Thus, in that situation, politicians usually have their way, and civil servants are reduced to mere "instruments" to implement political decisions with limited or no input from technocrats.

12. ZAMBIA

TACTICS, SEQUENCING AND POLITICS OF PAY REFORM

12.1 Introduction

The process of pay reform in Zambia has been overshadowed by policy reversals, slowness, hesitancy and at times inaction. The Public Service Reform Programme (PSRP) was launched in 1993 but remained inactive until 1997 when it was again revised. Intended to retrench about 25 percent of public employees within three years, no retrenchment took place within this particular period.⁷⁷ While consolidation of monetary allowances into basic salaries became effective from April 1992, there are still 53 kinds of allowances that are paid to the public servants today.⁷⁸

Indeed, some of the allowances that were taken off the books have now been re-introduced in the public service pay.⁷⁹ Salary and Wage raises have at times been far above the benchmarks of the annual budgets. Moreover, compared to other African countries, Zambia's job grade structure is still highly fragmented despite some attempts to unify it. There are 185 salary grades in Zambia compared to 60 and 10 salary grades in Tanzania and Botswana respectively.⁸⁰ In an attempt to reduce the size of the public service, 39 institutions were identified for hiving off. However, only 4 institutions have been hived off, reducing only 4,000 employees from the government payroll.⁸¹ Yet, with efforts to reduce the size of public employees, the 1997 World Bank Report concluded that there were too many employees of about one-third or more surplus to requirements.⁸²

This chapter sets out to explain the above patterns and trends in pay reform in Zambia. The major question that seeks some answers is why has the implementation of public service pay reform in Zambia been difficult, characterized by reversals, slowness, hesitancy and even inaction? The answer seems to lie on the politics and political realities of the country. Specifically, the dynamics of interactions among various special political forces in Zambia create a chain of realities that make pay reform difficult. At the core of the problem is the so-called 'politician's dilemma' in which politicians are placed in between the intricacies of electoral needs vis-à-vis other policy preferences. The trade off is made even more difficult when there exist powerful organized interest groups such as labor continuously pushing for their demands. Thus, in countries such as Zambia where intense struggles exist between the ruling elites and organized special interests, the implementation of pay reform process becomes not only a technical issue but also a matter of political survival.

⁷⁷ Nicolas van de Walle and Dennis Chiwele, "Democratization and Economic Reform in Zambia" Michigan State University Working Papers, No. 9, p.45.

⁷⁸ Theodore Valentine (2002), "A Medium-Term Strategy for Enhancing Pay and Conditions of Service in the Zambian Public Service", Consultancy Report, May, pp. 15.

⁷⁹ The number of allowances in Zambia is quite higher compared to the existing allowances in the neighbouring Tanzania where the pay reform process has left only 7 allowances in the books (see Valentine's Report, pp. 27).

⁸⁰ Ibid, pp. 27.

⁸¹ Government of the Republic of Zambia (2000) "Study to Establish the levels and Direction of the Required Size of the Public Service", March, Section 6.2.

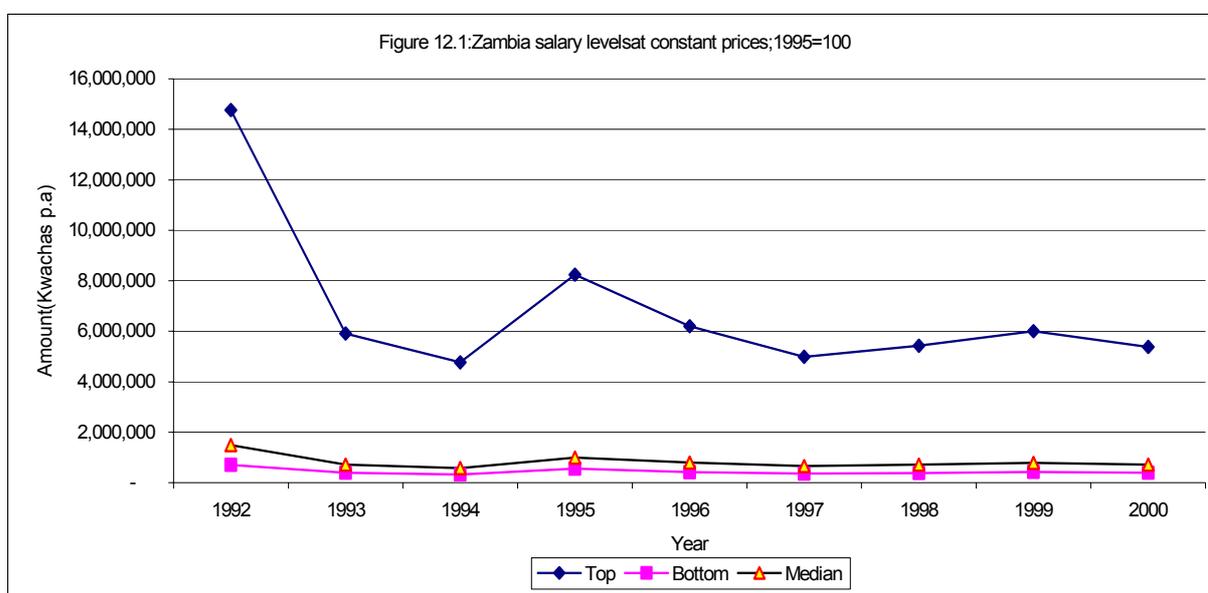
⁸² World Bank Report (1997), "A Review of the Government's Public Service Reform in Zambia", May, p.1

This chapter will proceed as follows: the next section presents a brief overview of the analytical framework. The third section presents a political history of Zambia identifying various relevant political groups and interests, particularly the ruling elite, labor groups and other organized special interests. The fourth section examines the politics of pay reform by looking at how these groups and interests and existing structures shape the nature and character of pay reform in Zambia. The last section will be the conclusion.

12.2 Pay Trends and Structure

Comparatively low basic salary (nominal pay) that has in real terms considerably dropped over the past decade is the most significant feature of the Zambia public service pay system (see **Figure 12.1**). This decline has been in line with the overall poor performance of the economy and a gradual reduction in the wage bill share of the GDP, which fell from 7.9% in 1992 to about 6% in 2000.

Figure 12.1: Zambia salary levels at constant prices: 1995=100



Memo Items:

Salary Compression ratio	20.9	14.9	14.9	14.8	14.8	14.1	14.1	14.1	13.6
Deflator factor (1995=100)	16.8	48.5	74.5	100.0	146.3	182.6	234.9	297.1	332.8
Nominal wage bill /GDP ratio (%)	7.9	5.2	5.1	5.9	5.6	6.3	5.4	5.4	6.4

Source: *Annex Table 12.1b*

Zambia's public service had a fairly well decompressed salary structure at the beginning of the 1990s, with a nominal pay decompression ratio of about 21 in 1992, but this steeply reduced to 14.9 by 1993, and remained stuck at about that level for the rest of the decade. This trend suggests that those public servants in the higher hierarchies would have borne the blunt of the worsening pay system. However, there is evidence that this is not the case, at least for the very top public servants (i.e. those

in ranks of permanent secretaries, directors, etc.) because they have cushioned the erosion in real salaries with allowances and other non-salary benefits.

12.3 Techniques, Tactics and Sequencing

For most years from 1990 to 2001, Zambia's public servants generally received comparatively high nominal pay increases: 50% in both 1990 and 1992, 27% in 1992, 50% in 1993, 24% in 1994, 45% in 1995, 40% in 1999, and 60% to 90% in 2001 (see **Table 12.1** over the page). However, in the same period, the rate of inflation in the economy remained too high for the salary increases to effectively cushion the drop in real salary levels.

It is nonetheless significant that the above large salary increases were awarded in almost successive years at a time when Government's fiscal policy would have would have emphasised restraint in wage bill growth. In this regard, it is noteworthy that the salary increases were usually a result of collective bargaining between Government and trade unions (see Table 12.1). It appears that the trade unions always extracted a higher salary adjustments than prudent economic management on the part of the Government would have considered desirable. This is a testimony to the power of trade unions in Zambia.

It is also noteworthy that this year-in-year out nominally large salary increases were not based in any long term or medium term strategy for pay adjustments. In the circumstances, the issue of forward planning and sequencing pay reform measures could not arise. Government was simply responding to recurring pressure from the trade unions. In fact, during the Presidential election campaign in 1996, responding to unions' pressure, the President announced a 200 % salary increase in 1997. However, due to counter pressure from the IMF and the World Bank under a structural adjustment programme, the Government could not honour that commitment. It is however a result of the follow up agitation by trade unions that a 60% to 90% salary increase was awarded to public servants in 2001.

12.4 Political History of Zambia

12.4.1 Party Politics

Zambia attained its independence from the British in 1964. In the period between 1964-1973, commonly referred as the First Republic, Zambia had a multi-party political system. At the time of independence, there were two political parties, the United National Independence Party (UNIP) and the African National Congress (ANC). In 1971 dissidents from UNIP formed the United Progressive Party (UPP). Fearing further disintegration of UNIP, the UPP was outlawed and its leaders imprisoned. It was around this time when President Kenneth Kaunda seriously began to put forward the idea of introducing a one-party state, which was then implemented in 1973. This ushered in the Second Republic of the single-party state that lasted from 1973 – 1990. Throughout this period, UNIP was allowed to exist as the sole political party.

Table 12.1: Zambia – Major Public/Civil Service Pay Decisions, 1990 to Present

MONTH & YEAR	NATURE OF DECISION	DECISION RECOMMENDED BY	REMARKS/OBSERVATIONS
July, 1990	50% salary increase	Collective Bargaining Unit	Following successful conclusion of negotiations between GRZ and CSUZ, ZNUT, NUPSW and ZULAWU
January, 1991	50% salary increase	Collective Bargaining Unit	Following successful conclusion of negotiations between GRZ and CSUZ, ZNUT, NUPSW and ZULAWU
April, 1992	<ul style="list-style-type: none"> • salary increase of • merged housing, fuel, entertainment allowances into salary • cancelled entitlement of servants at Government expense for Permanent Secretaries 	Willombe Salaries Committee	Not clear how allowances had been merged into the salary as the salary levels were still very low and did not reflect the merged allowances
September, 1992 October, 1992	<ul style="list-style-type: none"> • 27% salary/wage increase • improvement to some conditions of service 	Administrative Committee to look into anomalies contained in Establishment Division Circular No. B.3 of 1992	Administrative Committee appointed by the Secretary to the Cabinet
April, 1993	<ul style="list-style-type: none"> • 5 % salary increase • Correction of anomalies in the salary grading structure 	Ministry of labour	Award given outside Collective Bargaining process
September, 1993 1 st January, 1994	50% salary/wage increase made improvements to some existing conditions of service	Collective Bargaining unit	GRZ agreed to pay salary anomaly arrears from 1 st September to 31 st December, 1992 following the issuance of Establishment Division Circular No. B11 of 1992
April, 1994 June, 1994	<ul style="list-style-type: none"> • 24% salary/wage increase • made improvements to some existing conditions of service 	Collective Bargaining Unit	Signed between GRZ and CSUZ/NUPSW following negotiations
January, 1995 April, 1995	<ul style="list-style-type: none"> • 30% salary/wage increase • made improvements to some conditions of service 	Government Negotiating Team	GRZ & CSUZ failed to reach an agreement during negotiations and the Union took the matter to Court

MONTH & YEAR	NATURE OF DECISION	DECISION RECOMMENDED BY	REMARKS/OBSERVATIONS
December, 1995 April, 1996	45% salary increase 10% salary increase	Civil Servants Union of Zambia Civil Servants Union of Zambia	Decision influenced by the World Bank/IMF following failure on the part of the Zambian Government to meet pension contribution obligations resulting in a backlog in paying pension benefits to retirees
January, 1996	<ul style="list-style-type: none"> • voluntary early retirement stopped • retirement only at 55 years or a date prescribed by the employer in consultation with the Pensions Fund Board • retirement on death of officer after serving for 20 years 	-	-
September, 1996	K10,000 salary increase	Collective Bargaining Unit	<ul style="list-style-type: none"> • Following successful conclusion of negotiations between CSUZ and NUPSW • Salary increase although effective in September, 1996 was payable in January, 1997 due to financial constraints on the part of GRZ
January, 1997	<ul style="list-style-type: none"> • K30,000 salary increase • Made improvements to existing conditions of service 	Collective Bargaining Unit	Salary although effective in January, 1997 was payable in April, 1997 due to financial constraints on the part of GRZ
January – December, 1998	Wage freeze	Cabinet	Civil Servants Union of Zambia took the matter to the Industrial Relations Court and the Court ruled in their favour in September, 2000 by awarding a 40% salary increase on the 1998 salaries
January, 1999	40% salary increase	Collective Bargaining	Includes 32% - 34% salary/wage increase already awarded by Government through PSMD Circular No. B.3 of 1999
April, 2000 October, 2000	Salary increase of K28,233 Salary increase of K25,000	Collective Bargaining Collective Bargaining	8% Court ruling implemented in November and December, 2000
January, 2001	Correction of anomalies in the salaries of management and non-unionised personnel	Technical Committee of experts from PSMD and MFNP	-

MONTH & YEAR	NATURE OF DECISION	DECISION RECOMMENDED BY	REMARKS/OBSERVATIONS
July, 2001	Salary increase ranging from 60% to 90.1%	Joint Technical Committee comprising Government and Union Officials	<ul style="list-style-type: none"> • Allowances held at previous salary levels up to December • Some decompression of salaries achieved • No new allowances introduced

In the Second Republic, the Kaunda's party, UNIP continued to strengthen itself by monopolizing all political space. Guided by Kaunda's welfarist philosophy of Humanism, UNIP was able to build a strong loyal organizational base throughout the country. Through the structure of state-owned economy, the UNIP government became the major employer and provider of basic social services to population. By 1991 there were about 160 parastatal organizations employing some 140,000 staff. The expansion of parastatal sector was able to provide patronage jobs that helped the party to build constituencies for political support. By the end of 1970s the parastatal sector provided about 37 percent of formal sector employment.⁸³ In addition, the UNIP activists were strategically placed in various positions e.g. provincial administration structure and other posts in the civil service department. For example, it is estimated that Kaunda disposed of some 40,000 UNIP controlled patronage positions in Lusaka alone during the mid 1980s.⁸⁴ Moreover, the government provided fertilizer subsidies to rural farmers and basic commodities to urban dwellers such as maize meal, cooking oil, salt, milk, matches and soap. The maize subsidies for instance cost the government between 5.5 percent and 16.9 percent of total government budgets during the 1980s.⁸⁵

It is important to mention that the UNIP government was able to maintain its patron-client networks mainly due to the booming economy in the first decade of its post-independence period. The prosperous economy was based almost exclusively on copper mining. The export of copper provided about 90 percent of the country's foreign exchange earnings and 53 percent of the government budget⁸⁶ dwindled as a result of falling price of copper. This created a chain reaction to other sectors as well. Huge mismanaged and overstaffed parastatal began to crumble and provision of social services deteriorated. The UNIP government found it increasingly difficult to keep up with a big wage bill and extensive subsidies. The political base of the party began to be shaken by decreasing avenues of rents and patronage networks. It is at this particularly time when the organized labor began to challenge the state demanding better pay and protection of their jobs.

12.4.2 Organized Labor and the State

The politics of Zambia is largely about the conflictual interaction between organized labor and the state. It was the nature of the colonial economy that led to the formation of a large working class in Zambia. Before a colonial state apparatus was instituted, Zambia was a company state under the British South Africa Company (BSACO), which had been given an exclusive right over the minerals in the territory. The Copper mining generated a large-scale migration of workers to provide labor in the copper belt. This massive out migration from rural areas has made Zambia "one of the most urbanized countries in sub-Saharan Africa. By 1990, urban dwellers accounted for 42 percent of the total population."⁸⁷

⁸³ Michael Bratton (1994), "Economic Crisis and Political Realignment in Zambia" in J. Widner (ed), *Economic Change and Political Liberalization in Sub-Saharan Africa*, p.105.

⁸⁴ Robert Bates and Paul Collier (1993), "The Politics and Economics of Policy Reform in Zambia" in R. Bates and A. Krueger (eds), *Political and Economic Interactions in Economic Policy Reform*, p.391.

⁸⁵ Nicholas van de Walle and Dennis Chiwele (1994), "Democratization and Economic Reform in Zambia", Michigan State University, Working Papers No. 9, p.10.

⁸⁶ Bratton (1994), op. cit., p.104.

⁸⁷ Ibid, p.104.

Historically, the working class in Zambia was constituted in three stages: the first phase was marked by the beginning of forced labor (roughly before 1900); the second stage constituted the formation of migrant labor (about 1900s-1940s); and the third stage represented the emergence of stabilized labor (1940s to 1960s and beyond).⁸⁸

Since then, the organized labor had grown in terms of its size and strength. Throughout the Second Republic, labor was the only organized opposition outside the state/party structures. In its attempt to control the activities of the labor movement, in 1965 the government allowed the formation of a central trade union federation called the Zambia Congress of Trade Unions (ZCTU). By early 1970s ZCTU constituted about 18 affiliated unions including the most militant unions such as the Copper-based Mineworkers Union of Zambia (MUZ) and the Zambia National Union of Teachers (ZNUT). In 1974, Frederick Chiluba was elected ZCTU president.

In the first two decades after independence, the labor-state relations were somehow less confrontational. However, unlike in other countries like Tanzania, where trade unions became affiliated institutions in the ruling party, in Zambia, trade unions were able to maintain a semi-autonomous status from the party. From time to time measures were taken to subordinate trade unions into the UNIP structure by appointing trade union leaders to party posts such as the UNIP Central Committee, and by placing UNIP's activists into ZCTU leadership. In its struggle to assert its autonomy, the ZCTU voted out those who accepted patronage posts offered by UNIP. Some trade unions leaders rejected UNIP's offers, for example, Frederick Chiluba and ZCTU Secretary-General, Newstead Zimba refused repeated offers to join the UNIP Central Committee.⁸⁹

Paradoxically, some of the government laws did help to strengthen financial and organizational base of the trade unions. The Industrial Relations Act of 1971 provided for the presence of only one union per industry and ZCTU was to be recognized as the only umbrella body. This worked against fragmentation of trade unions and helped to bring unity and strength. Another provision stated that once a union was able to organize 60 percent of workers in an industry, then the union qualified for the compulsory check-off system in which the employers automatically deducted all dues for the unions from the workers' salaries and wages. This made Zambian trade unions relatively strong financially and were able to finance their day-to-day activities.

Moreover, despite persistent decline of real salaries and wages overtime, the UNIP's government, particularly the Second Republic, has been cited as a typical case of 'urban biased' development strategy. Being a centre of political activity, urban wage earners were disproportionately favoured as opposed to rural/agricultural interests. The UNIP's government provided food subsidies, lucrative posts and allowances to top officials, which in turn enabled the party to maintain its social base. As Ihonubere

⁸⁸ Munyonzwe Hamalengwa (1992), *Class Struggles in Zambia 1889-1989 and the Fall of Kenneth Kaunda 1990-1991*, p.22.

⁸⁹ Bratton (1994), op. cit., p.114.

points out, during the single-party era, the Zambian elite “were provided with high salaries, free housing, free cars, easy access to loans”.⁹⁰

Selective salary incentives were also provided to critical sectors such as mining sector. As Bratton reports, in 1966 urban wage scales were unified to match the levels established for non-Africans. As a result, compared to other levels, wages in the mining sector were very high and consisted of other benefits such as pensions and leave pay, housing, transport, medical, educational allowances etc.⁹¹ In this case, wages for miners were twice those of any other urban employee and over nine times those of a peasant farmer.⁹² In addition, up to the end of 1970s, allowances provided to top civil servants and parastatal managers were indexed for inflation.

Things however changed when the economy started to decline in the mid 1970s, largely due to the falling of copper prices. As a result, the UNIP’s government could not keep up with rapid growth in public expenditure and was compelled to adopt some measures of reforms in order to rescue the economy. These measures included administrative and price controls, taxes, and reducing subsidies. As the economic crisis persisted, the UNIP’s government was forced to adopt the IMF and World Bank economic reforms in 1985. However, given the strength of labor movement, these measures were fiercely resisted. Thus, it was between mid 1970s to late 1980s that the Second Republic experienced an increasing political unrest and opposition organized by the trade unions. The unions were demanding for protection of jobs and maintenance of living standards. As Ihonubere points out “there seems to have been a direct correlation between deepening economic and social crisis on the one hand, and the mobilization, militancy, and politicisation of the labor movement on the other.” In 1981 for example, there were 1566 strikes involving 76,776 workers.⁹³

As economic crisis worsened, the purchasing power for majority of Zambians declined significantly. Restructuring of the Mining Sector left several people unemployed. The increasing inflation made flooded commodities in the market unaffordable. The removal of food subsidies made living situation quite difficult to workers who were accustomed to welfarist state benefits and subsidies. For trade unions, the blame for the collapsed economy was placed upon President Kaunda and his party.

In order to weaken the power of the trade unions, the government took off the compulsory check-off system so as to deprive unions of their main source of finance. Some of the union leaders were periodically arrested and detained. Throughout the 1980s, the power of the unions was demonstrated through a number of concessions made by the government. In Zambia, labor movement has proved to outsmart the government in getting what they want due to the great deal of influence that they exert in the political processes in the country. A number of victories can be mentioned. For instance, in April 1985 the government was pressured to breach the 1934 IMF standby agreement amidst massive pressure from the Unions. According to the IMF agreement, the government was to enforce a 10 percent wage ceiling and instead

⁹⁰ Julius Ihonubere (1996), *Economic Crisis, Civil Society and Democratization: The Case of Zambia*, p.51.

⁹¹ Bratton (1994), o;p. cit., p.105.

⁹² Ibid.

⁹³ Ibid, p.74.

ended up providing 18 percent wage rise for unionized workers. In May 1987, President Kaunda had no choice but to announce the cancellation of the so called Radical Reform Programme (RRP) amidst increasing mass unrest that left about 15 people dead in the 1986 violent demonstration.

Back in 1981, the government was forced to release from jail the Union leaders including Frederick Chiluba and fifteen others. These leaders were later reinstated into the party after it had announced their outstare. Moreover, the workers were not only challenging the state through strikes and demonstrations but also through the courts. From time to time the government charges and arrests were proved unconstitutional which granted victory to the Unions.

Thus, the political history of Zambia indicates a continuous battle between labor and the state, creating a balance of power between these two sides. The growing political influence of the labor movement reached its climax when it was able to lead the way to political reform which ended the single party rule in 1990. Under the leadership of long-time trade unionist Frederick Chiluba, Zambians were able to effectively challenge UNIP's authority and got rid of Kenneth Kaunda in October 1991 multi-party elections. This was the beginning of the Third Republic which was under the leadership of the Movement for Multi-Party Democracy (MMD). The MMD won an overwhelming majority of 125 of 150 seats in parliament (83% of parliamentary seats). President Frederick Chiluba won an overwhelming majority of 75 percent of cast votes.

12.4.3 The MMD: Unstable Coalition

While it proved to be a formidable force that brought a historical political change, the MMD has been a center of criticisms and disappointments. To many analysts, since its coming to power the Chiluba's MMD has failed to stand on its campaign promises. Intended to bring democracy, good governance and economic prosperity, the MMD could not escape charges of being dictatorial, irresponsible, corrupt and divisive. Only a few months after the elections, Chiluba's democratic credentials were put into question. Once regarded as a model of democratisation, Zambia turned out to be a disappointment, reverting back to the politics of clientelism and political manipulation.

Indeed, the problem of MMD as a party is explained more by its original composition. It was a loose coalition of interest groups and persons whose main objective was "to take out Kaunda".⁹⁴ As Mulikita points out, "the 1991 elections was not fought on issues but rather on the personality of President Kaunda."⁹⁵ The coalition consisted of intellectuals, church groups, trade union members and human right advocates. It also included a good number of ex-UNIP leaders. As a result, the post-1991 election MMD became dominated by power struggles and conflicts both at national and provincial level. The Chiluba's MMD's cabinet ministers were dogged by charges of

⁹⁴ Ihonubere (1996), op. cit., p.108

⁹⁵ Njunga-Michael Mulikita (2002), "Political Parties and the Unfinished Quest for Democratic Governance in Zambia", A Paper presented to the ISS/OSSREA Workshop, Addis-Ababa, May, p.5.

corruption involving drug trafficking, illegal sale of arms and increasing tendencies toward 'privatising' the state and state property.⁹⁶

The increasing charges of corruption together with President Chiluba's slow response to deal with the problem led to the suspension of about \$96 million pledged by donors on the condition that clear policies on corruption and drug trafficking are introduced. Some key ministers such as the current President, Levy Mwanawasa, left the cabinet and the party due to their concerns over increasing corruption. Also, many ministers who were accused of abusing their offices were forced to resign. Some of those who defected from the MMD in their protest against dictatorial leadership style formed a new party in 1993 called the National Party.

The foundation of MMD as a party was further challenged by the formation of the United Party for National Development in 1998. Moreover, Chiluba's third term bid led to intense power struggle within the MMD that paved the way to three major factions which broke away and formed their own political parties namely: the Zambia Republic Party (ZRP), the Heritage Party and the Forum for Democracy and Development (FDD). This clearly shows how divided the Chiluba's government was during the time when the Public Service Reform Programme (PSRP) was underway.

In addition, despite its objective in improving the economy, the MMD's government has not been able to meet peoples' high expectation. Living standards have continued to deteriorate. By the year 2000, real salaries had declined by 85-90 percent in comparison to their 1975 value.⁹⁷

Thus, Chiluba's early years in office began to witness a series of workers' strikes and demonstrations demanding not only pay increases but also good governance, transparency and accountability. Facing the crisis of legitimacy amidst poor economic growth, the Chiluba's MMD government resorted to a varied range of measures in order to attract political support and loyalties. It is under this context that the process of pay reform in Zambia came to be highly jeopardized.

12.4.4 The Politics of Pay Reform

In analyzing the process of pay reform in Zambia, special focus has to be placed upon 'politics' as an explanatory variable. Politics as understood in this study is the 'constraints under which political actors operate and the strategic maneuvering that they employ'. In essence, therefore, the extent of pay reform seems to be a result of interplay between political actors' strategic decisions and existing structures. In doing cost-benefit analysis of their actions, the political actors take into account the opportunities and benefits provided by the existing structures in order to achieve certain political gains. Election times for example are regarded by organized labor as important determinant structure if salary/wage concessions are to be made by the government. The same goes with the ruling elites. By weighing the strength of various organized groups in the country, they can provide selective rewards, either in terms of salary/wage raises or appointments, in order to achieve what they want.

⁹⁶ Jotham Momba, "Economic Reforms and the Crises of Governance in Zambia: The Dilemma for the Donor Community", p.4.

⁹⁷ Valentine (2002), op. cit., p.6.

However, the game of strategic calculations is not that simple as it sounds. As Geddes points out, in day-to-day politics, politicians face the so called “the politician’s dilemma” in deciding among a set of policy preferences.⁹⁸ According to Geddes, there are main goals that all politicians particularly presidents share, namely; they must survive in office; they must govern effectively and they must build a loyal political organization.⁹⁹ However, these goals conflict with one another, the major trade off being between technical considerations for effective performance vis-à-vis partisan loyalty. And in most cases “exigencies of electoral needs often overwhelm other commitments.”¹⁰⁰ Geddes further concludes that variations among politicians’ preferences largely depend on the characteristics of the party and the political system. Politicians in well-institutionalised parties with well-developed electoral machines and networks for delivering benefits are more likely to invest some resources in developing technical expertise in order to improve party’s performance in office. On the contrary, for politicians from new, weak and ‘hungry’ parties with no effective distribution networks and electoral machines, they are more likely to invest resources in developing a loyal organizational base for political support.

Zambia’s pay reform process seems to be explained by the above framework. In the period of comprehensive civil service reform, the Third Republic leadership was facing a crisis of legitimacy, instability in the governing coalition accompanied with declining level of government trust. As a result, more resources were invested in building strong loyalties to the Chiluba’s MMD government.

The dynamics and implementation of pay reform in Zambia indicate four main trends. One, there is a political rationale against smooth implementation of public service pay reform in Zambia. Many of the government’s decisions on pay reform seem to be largely motivated by the need to build a loyal political organization for political survival rather than by the need to maximize government’s efficiency. Secondly, workers’ demands for pay rises and subsequent government’s concessions to those demands seem to be a recurrent feature of Zambian politics throughout the years. However, higher pay increases are most likely offered during election times. Thirdly, poor economic growth seems to stand against the pay reform process. However, for the case of Zambia, the state of the economy is not a determining factor for pay reform decisions. Instead, it is more of intervening variable in the equation. Lastly, it is the interests of the ruling elites and the powerful trade unions that determine the speed, timing, and scope of pay reform in Zambia. The discussion below elaborates the above trends.

12.4.5 Elections and Public Service Pay Increases

In dealing with trade offs between partisan loyalty and technical efficiency, the Zambian elites have often preferred the former than the later. In the Second Republic, President Kaunda made critical policy reversals in order to maximize electoral gains and hence his years in office. The last single-party elections in 1988 were preceded by a series of workers’ strikes and demonstration against retrenchment and removal of food subsidies. Following this, only a year before the general elections, President Kaunda’s government broke off the relations with the IMF and World Bank and

⁹⁸ Barbara Geddes (1994), *Politician’s Dilemma: Building State Capacity in Latin America*.

⁹⁹ *Ibid*, p.132.

¹⁰⁰ *Ibid*, p.85.

introduced a 'home-grown' development strategy called the New Economic Recovery Programme (NERP).

Furthermore, as the 1991 elections approached, President Kaunda's government granted a total of 100 percent salary/wage increase across the board. (see **Table 12.2**). This was the time when Kaunda's government was facing massive popular pressure for political change. In June 1990 there was a coup attempt that threatened the survival of the Kaunda's regime. In the same month, the country witnessed a nation wide demonstration against price increases that left over 30 people dead. This was followed by a 50 percent salary increase in July 1990, and another 50 percent increase in January 1991.

In addition to the salary/wage increases, Kaunda's government actually put the ongoing economic reform on hold pending the conclusion of the 1991 general elections. For instance, the maize price was kept low and constant for about a year until polling day in October 1991, the maize meal subsidies were brought back and rose to US\$ 1.5 million per day, and subsidies to parastatals reached 30 percent of the government budget.¹⁰¹ All this was done at the time when the government was required to exercise tight fiscal discipline in order to reduce the huge budget deficit.

The trend was not different when the MMD government came to power in 1991. On the one hand, the severe economic crisis prior to the beginning of the Third Republic granted the Chiluba's government a great deal of popular support for economic reforms. On the other hand however, the victory of MMD created higher popular expectations for better living standards. Thus, the survival of the Chiluba's MMD came to be dependent on the state of the economy. In its campaigns to get rid of Kaunda, the MMD's justification to get state power was based on the ground of rescuing the economy and improve peoples' living conditions. As Ihonubere points out "the MMD did make a lot of promises, many of which it lacked the resources and capacity to fulfil. It promised a new era, and announced that the hour for change, for a better, stronger, peaceful and more productive Zambia had come"¹⁰² When the state of the economy remained significantly unchanged, it did not take long before Chiluba's government started witnessing a series of strikes against the government and its policies, accompanied by increasing demands for civil servants pay increases.

It has to be noted that since mid 1980s, pay increases in Zambia were guided by formal negotiations between the government and various trade unions. So, it is the outcome of the bargaining process that determines salary adjustments. And as the pattern shows, the government does not seem to have a systematic pay policy to guide the process of collective bargaining with the Unions. As the *Zambian Permanent Secretary* who should know commented, "government goes into negotiations without guidelines or benchmarks. It is like going into the ring without gloves"¹⁰³

Facing the legitimacy crisis accompanied by weak party cohesion, the MMD's government resorted to patronage and clientelism in order to build its political base. Pay increases were also used as one way of buying public servants' loyalty. In addition, massive pressure for pay rises forced the government to incur a large

¹⁰¹ Bratton (1994) op.cit; p. 122

¹⁰² Ihonubere (1996) op. cit., p. 157

¹⁰³ Interview held with the Permanent Secretary – Public Service in the 11th of July, 2002, Lusaka

unbudgeted-for bill. In the budget year 1992, the Minister of Finance pointed out some unanticipated developments that made it difficult for the government to finance other projects one of which was the wage increase that added K15.5 billions to personal emoluments.¹⁰⁴ Note also that in the same year there were about 50 workers strikes within the eight months of 1992 demanding pay rises.

A series of workers' strikes demanding for salary increases continued in the following years. In mid 1993 for example, various workers' unions went on strikes to force the government to resume negotiations that were stalled. These unions included the Civil Servants Union of Zambia (CSUZ), the Zambia National Union of Teachers (ZNUT), the Zambia United Local Authorities Workers Union (ZULAWU) and the National Union of Public Service Workers (NUPSW). In 1994, negotiations between the government and public service unions resulted in a 30-45 percent salary increase which was unbudgeted for. In the 1994 annual budget, only 12 percent salary increase had been budgeted for.¹⁰⁵

Apart from increasing labor militancy and mobilization, the MMD as a party was also facing a threat of disintegration. This was evidenced by a number of defections from the MMD cabinet. One of the major threats was the formation of the National Party (NP) in August 1993. The NP included 9 MPs, some of who were former cabinet ministers from the MMD. Indeed, the NP was able to win some seats in a number of parliamentary by-elections.

While the process of formal negotiations for salary adjustments between the Zambian government and the trade unions takes place almost throughout the year, largest pay increases are often offered in the periods prior or after elections (see **Tables 12.2, 12.3 and 12.4**). As demonstrated above, a 100 percent salary increase was granted in the period between July 1990 and January 1991, before the August 1991 general elections. In September 1993, a 50 percent salary increase was given across the board by the Chiluba MMD's government. This was the time of not only increasing workers' strikes but also the time of parliamentary by-elections.

Furthermore, as the 1996 elections approached, President Chiluba was pressured to promise unionized government employees a 200 percent salary increase. President Chiluba could not afford to keep this promise due to the existing reform conditionalities. However, the granted salary increases were still quite substantial. As **Table 12.2** shows, a total of 85 percent salary increase was granted to the unionized public service employees in the period between January 1995 and April 1996. The same amount of pay increases were granted to the management and non-unionized service employees (see **Table 12.4**).

These pay increases were a result of both trade unions and government negotiations and industrial court actions in favour of the workers. The Permanent Secretary of Public Service was correct when he pointed out that "the nearer the elections, the higher the pressure to reach an agreement and the higher the percentage of pay which is granted"¹⁰⁶ The negotiations persisted shortly after the August 1996 elections. As

¹⁰⁴ Ibid; p. 161

¹⁰⁵ Van de Walle and Chiwele (1994) op. cit; p. 35

¹⁰⁶ An interview held with the Permanent Secretary – Public Service, Zambia, Lusaka on the 11th of July, 2002.

Table 12.2 indicates, following successful conclusion of negotiations between the government and CSUZ and NUPSW, a salary increase of K10,000 and K30,000 were paid in September 1996 and January 1997, respectively.

Moreover, the ZNUT successfully negotiated with the government and a salary increase of K70,000 per month was granted to the unionized teaching service employees in May, 1996, three months before the elections. This was followed by an increase of K40,000 to the same employees in April 1997 (see **Table 12.3**). It is no wonder that between 1994-1996 the government overspent its wages budget every year. Whereas the wage bill was growing rapidly, the budget for both recurrent departmental charges (on supplies and equipments) and capital expenditure was under-spend.¹⁰⁷

As the 2001 elections approached, the Chiluba's MMD government made substantial wage/salary concessions to various trade unions. Following negotiations between the government and union officials, a salary increase of up to about 90 percent was granted to the unionized public service employees as well as to the management and non-unionized employees in July 2001. In the same month, 80 percent salary increase was granted to the unionized teaching service employees. All this was in addition to a number of pay increases granted in the year before the election (2000) for all categories mentioned above as shown in **Tables 12.2 to 12.4**. As the President of CSUZ confessed, "before elections it is easier to strike deals and get a pay rise.....Political Will is only manifest before elections".¹⁰⁸

Pay increases aside, appointments to public offices were also granted as a form of reward for political loyalty. For instance, in the year 2000, President Chiluba introduced position of District Administrator to replace the old UNIP posts of governors. The appointed District administrators were placed at GM3 scale, and answerable to Chiluba himself. The appointment of these administrators did not only bloat the civil service but also brought distortions in the pay structure. As it turned out these administrators became major campaigners for Chiluba's third term in office.

12.4.6 Trade Unions and Pay Reform

The process of pay reform in Zambia is equally made complex by the form and character of the trade union movement. It is important to point out that these trade unions vary in terms of strength and therefore in their extent of influence. As a result, some strong trade unions can easily achieve their demands than others. The government also selectively rewards the strong and strategically located trade unions than others. Teachers for instance, seem to receive more pay raises partly due to their role as poll administrators during elections¹⁰⁹. Yet it is sometimes difficult to draw membership boundary between or among various trade unions. For instance, the membership distinction between the Civil Servants Union of Zambia (CSUZ) and the National Union of Public Service Workers (NUPSW) or, between the Zambia National Union of Teachers (ZNUT) and the Secondary School Teachers Union of

¹⁰⁷ The World Bank Report (1997) "A Review of the Government's Public Service Reform Programme", p.9

¹⁰⁸ An interview held with Mr. Leonard Hikaumba, President – CSUZ, Lusaka Zambia.

¹⁰⁹ Based on an interview with Professors of Political Science from the University of Zambia on the 10th July 2002

Zambia (SESTUZ). Each trade union negotiates with the government for salary increase of its occupational members. At times, as the Permanent Secretary for Public Service pointed out, “a teacher who belongs to two different unions can be earning two different salaries”¹¹⁰

Salary adjustments tend to depend upon negotiations skills, strength and strategies. This has led to a distorted salary structure where similar jobs are sometimes paid differently. Thus, in Zambia, as the Valentine’s report indicates, “there appeared increased differentiation in pay between identical jobs, depending upon the terms negotiated between the government and the respective trade union”¹¹¹.

Furthermore, successful pay negotiations between the government and some trade unions tend to trigger a chain of reactions from other trade unions not covered by the specific pay increase. For instance, following the collective agreement between the government and CSUZ and NUPSW, in September 1996 and January 1997, salary increases of K10,000 and K30,000 respectively, were granted for the unionized public service employees only. As a result, the senior management and non-unionized personnel pressured the government to provide the same amount of pay raise to them as well. This was effected in January, 2001 (election year) when the government awarded a total of K40,000 per month salary to the Senior Management and Non-Unionized personnel (see **Table 12.4**).

Moreover, whereas the MMD government granted up to 90 percent salary increase to various categories of civil servants, the Anti-Corruption Commission, the Defence Force and the Magistrates were not covered by this particular pay raise. As the October 2001 Technical committee Report indicates, these three categories of public employees presented their demands for their salaries to be “reviewed upwards in line with the recently (July 2001) increased salaries in the Civil Service”¹¹²

In addition, the power of the trade unions is also manifested in the implementation of the retrenchment exercise. The state of the economy notwithstanding, huge severance packages demanded by the unions makes it difficult to carry out the exercise. According to the Employment Act of 1997, the retrenchment cost was equivalent of about 12 years salary for each individual retrenchee. Not only that, the Act provides that if employees are not paid on exit then they are presumed to continue to be on pay roll, getting full pay. The IMF/World Bank tried to push the government to reduce the severance packages in order to make the retrenchment exercise feasible. However, the potential political cost of this decision was deemed too high and the government was not ready to bear it.

Persistent pressure for pay raises in Zambia is also influenced by workers’ interpretation of the state of the economy. While acknowledging the declining economic growth, the misallocation of the existing resources by the government is also one of the key determining factor for workers demand for pay raises. In this case, pay raises are being regarded by the workers as their right, getting what they

¹¹⁰ An interview with the Permanent Secretary held on the 11th July 2002, Lusaka.

¹¹¹ Valentine (2002) op. cit., p.13

¹¹² Republic of Zambia (2001) Report of the Technical Committee on Terms and Conditions of Service for the Anti-Corruption Commission Defence Force, Magistrates and Local Court Justices, Police and Prison and Zambia Intelligence Services” October.

deserve. Across-the-board salary demands without regards to scale differentiations make the pay increases as workers' rights rather than a performance incentive. Indeed, salary increases were even offered when there was no money in the treasury. These pay raises were to be effected money became available. For instance, although a salary increase was granted in January 1997 for the unionized employees, it was payable in April 1997 due to financial constraints on the part of the government.

Thus, on the part of the workers regardless of whether there is money or not, the pay negotiations have to continue. Even when the government decided to close negotiation process pending availability of money in the treasury, the trade unions have successfully taken the government to court to open up the negotiation process. Even, when the government insisted it cannot spend more than the wage bill benchmarks required by the IMF/World Bank conditionalities, the trade unions demanded to meet with the IMF/WB officials for discussion.

In their recent proposal to the Mwanawasa's government for improved wages/salaries and conditions for the year 2003, it is stated that "Resource constraint has been an economic fundamental that dates back millions of years but, it is the pattern of allocation of public resources that must occupy the negotiations processes. Should more resources go to members of parliament's benefits or Nurses? Should more resources go to private mansions or towards housing allowance for workers? --- The solution lies in constrained optimisation and distributive equity and ensuring that resource allocated to one competing end does not make worse off another"¹¹³. Having stated this, the CSUZ and NUPSW demand an average wage increment of 100 percent for unionized public servants.

It is yet too early to establish the extent of pay reform in the new Mwanawasa's MMD government. But one thing is already clear, the trade unions have started to do what they normally do, which is, presenting proposals and demands for improved salaries and conditions of services.

12.5 Concluding Observation

The process of pay reform in Zambia seems to be responding to the tunes of powerful vested group interests. Zambia fits the general observation that the more organized and militant the trade unions are, the stronger the influence of 'politics' in the pay reform process. Also, the higher the degree of political uncertainty coupled with weak political support base for the ruling elites, the stronger the influence of 'politics' in the pay reform process. In this case, any attempt to fix the pay issues here with a generalized application of pay reform 'models' from elsewhere is most likely going to produce failures.

CSUZ and NUPSW (2002) "Proposals and Demands for 2003 Improved Salaries and Conditions of Services for Unionized Civil/Public Service Workers" July, p.10-11

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In the 1990s, punitive confidence laws were introduced in a number of parastatal to restrict availability of information to the public. The exclusion of this group from participating in active politics denies political parties a chance to field educated and experienced candidates. Furthermore, it insulates public bureaucracy from party politics, thus, enhancing the autonomy of the state (Molomo 2000).

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