

# **International Civil Service Reform: Lessons for the Punjab?**

**A report for the Asian Development Bank**

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# International Experience in Civil Service Reform: Lessons for the Punjab?

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## Executive Summary

*(Page references in parentheses)*

### Introduction (13)

This report has been written for the Asian Development Bank (ADB) and the Government of the Punjab (GOPb), Pakistan. Its purpose is to document, analyze and assess international experience of civil service reform and in particular civil service human resource management (HRM) issues, so as to provide useful references for the Government to review its HRM practices.

### Perspectives on a civil service career (15)

Three different perspectives on the role of the career civil service – economic, politico-administrative and social - are often in tension with one another. The protection from competition afforded to existing civil servants may be in conflict with the selection of the best person for the job; the practice of hiring on quota may conflict with the merit principle; and the social status of civil servants can lead to a sense of immunity from the requirements of citizens for fair and efficient service.

Some of the basic dilemmas in civil service reform are how to balance:

- An employee's benefit from security of employment and reward with the employer's desire for flexibility in placement and termination;
- Managerial authority over human resources with requirements for accountable and transparent civil service processes;
- Efficient and accountable human resource management with political direction of the civil service.

### Punjab civil service: HRM issues (18)

**Service orientation (18):** The Punjab has a comparatively poor record in human development in health and education indicators, compared with the Millennium Development Goals. Inadequate service delivery due partly to failures in civil service performance appears to be a major contributor to this shortfall.

**Efficiency of the public sector labour market (20):** The public sector labour market in the Punjab does not work efficiently to allocate human resources to tasks of value to the citizens of the Punjab.

Shortfalls in recruitment for officer cadres and professional positions partly reflect lack of competitiveness of the government in labour markets. In particular there is a significant problem of wage compression in scales for higher grades.

The Punjab Public Service Commission has an unclear role in recruiting for senior positions in the professions, contract positions and non-departmental organisations; its role in District recruitment needs to be clarified. Its methods of recruitment appear cumbersome and outmoded. Some job criteria appear out of date.

The internal labour market is inflexible due to the cadre system and reservation of posts. Further compartments may be created by a separate district management service. There is very little internal competition and no external competition for posts. Promotion is driven by seniority rather than merit.

The civil services rely excessively on generalists for management of specialised functions. Not enough weight is given to development in the job. The pool for selection of senior managers is too narrow.

Many postings are for much shorter periods than the minimum terms stipulated in the Rules of Business, significantly interfering with effective allocation of staff and leveraging political interference in the civil service.

**Performance management (22):** There are few incentives for civil servants to improve their performance in terms of service delivery and outcomes. The existing rules for formal performance management are not being adhered to. Many staff do not have job descriptions. There is no formal process of goal-setting at either organisational or individual levels. Performance evaluation is not linked to performance goals, is widely regarded as a compliance task, not trusted as an objective assessment of performance and has no influence on reward or career prospects.

**Local control of local civil servants (22):** The devolution policy of shifting accountability for major service delivery functions to districts and tehsils has not been fully worked through, leaving duplication and ambiguity in working relationships between provincial and local government departments. Management staff working in districts are still employed by the province and taking directions from provincial departments. The provincial government retains a lot of influence over appointments, promotions and transfers. District governments have limited authority over establishments and staff budgets. There is widely differing capacity to offer incentives to recruit and retain staff. The legal requirement to establish District Cadres has not yet been implemented. District governments have weak capacity to manage human resources. There are concerns about nazims abusing power over appointment, promotion and transfer.

**The merit principle (24):** There is no consistent general framework for application of the merit principle – the best person for the job - in the civil service and in some areas it is significantly at risk. The principle is not properly defined in legislation. There is a failure to apply the principle in promotions and transfers, and risks in the existing processes for recruitment by provincial departments and local governments to permanent and contract positions. There is no general independent oversight of merit protection.

There is extensive political interference in personnel decisions in the civil service, particularly in transfers, interfering with effective management of staff, increasing risk of corrupt behaviour by civil servants and legislators and blunting the impetus for civil service reform.

**Sustainable civil service reform (24):** Civil service reform in the Punjab appears to have high-level political support, but there are powerful incentives for many stakeholders to seek preservation of their existing privileged positions. The reform agenda is frequently too narrowly focused on the concerns of the senior civil service and not linked to underlying problems of public sector performance. Civil service reform needs a platform from which a government can mobilise public support for change.

Significant resistance is likely to reforms that would affect the interests of important stakeholders in CSR. Without committed leadership from departmental management, departments can actively or passively resist reform initiatives driven from the centre.

### **The development of the civil service in OECD and beyond (26)**

Human resource management practices in the OECD have become more diverse, reflecting social and economic changes in OECD countries and greater demands on governments. Some governments have moved away from centrally-managed career-based civil service systems towards decentralised management of human resources, a greater diversity and openness in employment arrangements and a greater emphasis on “performance” and “results” in the planning and direction of the work of civil servants.

In terms of an economic perspective on the civil service, these are varying responses to two basic tradeoffs:

- Between the longer-term investment in career with deferred benefits for both employer and employee, and the shorter-term contract that reflects more current market conditions of supply and demand for the skills required;
- Between the government's requirement for predictability and central accountability for employment conditions on the one hand, leading to centralised and uniform rules for employment; and, on the other hand, the demand from departments to be able to

meet their specific requirements for labour skills by making their own decisions on employment conditions.

### **Getting better service (29)**

Committing to standards for service is a way for governments to get some traction on the problem of improving the quality of public services. The effects on civil servants and their organisations from pressures for service improvement will ultimately depend on the quality of civil service leadership and the supporting system changes without which staff training on its own is likely to be ineffective in altering “mindsets”.

Effectively turning strategic and organisational goals into individual employee targets relies on a high quality of information about work performance, the ability of managers to motivate employees to achieve the goals of the work unit and the organisation, a certain flexibility and ability to improvise, and trust between employees and managers in the fairness of the system. These changes require a basic culture shift. In many developing country governments, these conditions will not be present. The priority should be first to build a meritocratic civil service with a well-functioning system of administrative procedures.

### **Efficiency of the labour market (36)**

#### **Decentralised management of staff (36)**

Except in the most conservatively regulated centralised civil services in the OECD, “managerialism” – greater delegated authority for public organisations to manage their own budgets and staff – has been a widespread movement and appears here to stay. There is evidence in OECD countries that it has led to greater efficiency and responsiveness in service delivery. But governments face the problem of ensuring that public organisations work together on major policy issues and of getting the right investment in the future overall capability of their civil services.

The benefits are less certain in developing countries. Decentralised control of staff is a risky strategy for governments that have not laid the foundations of dedicated, merit-based and competent civil service. A capable, meritocratic civil service is widely regarded as an essential precondition for many other governance reforms.

#### **Recruitment (37)**

Greater diversity in requirements for skills in the public sector, combined with increased demand from the domestic private sector and internationally, demand a more flexible response on recruitment, salaries and conditions of service particularly for professional staff. Governments may wish to retain central control over pay and conditions for these staff, but they also need to recognise that uniformity may have to be sacrificed to the realities of supply and demand for skills.

Mandarins – senior administrators and policy advisors - continue to occupy a special position in most OECD and developing country governments. Some countries have moved to an open labour market system for appointment of senior management, but most retain some central management of the employment of senior staff.

Career systems place great weight on the suitability of candidates at entry for further development and promotion to higher positions. The risk of adverse selection can be high; but it can be mitigated to some extent by more sophisticated selection methods and real – as opposed to token – probation periods.

#### **Placement and promotion (41)**

A career system and competition for positions are compatible: many countries are able to combine recruitment and development of an élite group with competition – both internal and external – for higher management positions.

Rapid turnover in post is a complex problem bound up with the nature of career and the internal labour market, the primacy of the generalist, and frequently political patronage in the civil service. Rapid turnover is however incompatible with effective management and a solution must be sought in changing the incentives on both civil servants and politicians.

### **Managing individual performance (44)**

Individual performance management on the common Western HR model is unlikely to be successful in many developing countries. This is not to say that it is impossible, but that it requires a fundamental change in culture and mindset at all levels.

Assessment ought to have consequences for promotion or reward, but this also requires careful design of, and commitment to, relatively high-powered incentives that do in fact clearly discriminate between levels of assessed performance.

### **Devolution and HRM (47)**

Devolving full political accountability for the lower-level government logically requires full authority over local staff. Quite frequently, the authority formally devolving political authority to a lower level of government does not follow through with a corresponding transfer of administrative authority. There may be justification for retaining some higher-level control over lower-level administration but this should avoid micro-management that confuses the accountabilities of local civil servants and dilutes local government authority. The appropriate mechanisms for higher-level control may be:

- Exercising control through conditional grants rather than detailed direction of local civil servants and allowing lower level governments to make their own employment decisions.
- Setting and policing regulatory standards for protection of the merit principle at lower levels.

### **Protection of the merit principle (49)**

Merit is not an absolute principle in most national civil services: exceptions are frequently made for a class of political appointments, or affirmative action quotas for women, or particular ethnic or regional groups. Nevertheless, a civil service largely recruited and promoted on a basis of the best person for the job, is a foundation principle for effective public bureaucracies.

Although some governments appear to take a definition of merit for granted, a clear definition in statute is a basis for protection of the principle in initial and subsequent appointments. Many countries have statutory Commissions with an oversight of application of the merit principle.

For open civil service systems with lateral entry, an issue is whether outside applicants have the same recourse to protection by the merit principle as internal candidates.

### **Sustainable civil service reform (52)**

Civil service reform runs requires significant and specific political risks while the benefits are more diffuse. Reform is very risky without a clear top-level political commitment to change. Governments committed to reform also have to have strategies in place to mobilise public support for change: these should emphasize benefits in terms of service delivery and preferably create winners (and therefore a constituency for reform) inside the civil service. Reform driven from outside the civil service by donor funded implementation groups is less likely to be sustainable; reform which is sustainable requires integration of the reform project into the ordinary government and civil service machinery, and with clear top-level political and administrative sponsorship.

## A strategy for the Punjab (57)

### Developing a service orientation (57)

Directing greater attention to service delivery failures and putting the pressure on civil servants to respond is an important element of a reform strategy; but civil servants not only have to have an incentive to respond to service demands, they have to have the capability and the authority to do so.

**Recommendation 1: Commit publicly to higher service standards: mobilise public support for civil service reform by linking it to improvement in standards of service delivery.**

### Getting better value from staff (58)

#### *Recruitment, placement and promotion (58)*

Main issues:

- *Overstaffing*: there is a general case for reducing the number of unskilled workers by attrition.
- *Pay rates unmatched to requirements of the job*: wage compression would not be expensive to fix, particularly if it were accompanied by a reduction in the number of positions.
- *Structural rigidities interfering with merit principle*: a definition of merit based on competencies would much greater weight on evidence of ability to follow projects through to a successful completion and to show that one's work history demonstrates this by average periods of several years in previously held positions.
- *Professional versus generic management*: The boundaries and respective authorities and competencies need to be carefully defined.
- *Management development*: operational or professional staff who seek management positions should undertake formal education in management and participate in a development programme. Officers in a fast-track management-policy cadre should spend a shorter period in a protected career stream before having to compete on merit for specific advertised posts.
- *Internal vs external labour markets*: It is a matter of judgement where and when lateral entry from outside is increased. The first step is probably to increase internal competition by reducing the practice of encadrement of senior posts.
- *Promotion* to positions of responsibility then becomes a matter of competition on merit for advertised vacancies for positions with clearly defined responsibilities and required competencies. Applicants would be chosen on how well they fit these criteria.
- *Protection of the merit principle*: Restoration of the merit principle in the Punjab cuts across many existing interests and expectations, but some officers may see the advantages to them of a truly merit-based process. The merit principle requires formal protection through a stronger "check and balance" institution regulating and monitoring the selection process will be required. The Provincial Public Service Commission is a logical authority to take on this role, but its membership and processes will require review and refurbishment.
- *Reducing turnover in posts* requires altering incentives. Essentially, reward (in the form of promotion or more responsible postings) should be seen to follow from successful and sustained performance in one's current position, and rapid movement from post to post as a potential career liability.



### *Redesigning the Punjab civil services (60)*

The general objective of any reforms ought to be to broaden and deepen the pool of talent available for senior management and policy positions in Provincial and District Governments. In the long run a principle should be established of full internal and external competition for these positions. In the shorter term, specific strategies should be to:

- Open membership of the Punjab Management Service to officers holding equivalent grade positions in specialist cadres such as Administration and Finance; Health; Education; and Agriculture and Engineering but make no distinction between these officers and others for appointment to positions in the PMS;
- Advertise all positions in the PMS and make all appointments initially based on open competition within the PMS but progressively relax this restriction to permit outside applicants;
- Define the Punjab Executive Service as the NES senior management positions at Provincial and District levels; select membership from the PMS plus a general quota; advertise all positions and make all senior appointments on merit from the feeder group within the NES but consider relaxing this restriction to allow applications from anywhere subject to satisfactory institutions for protecting the independence and merit basis of the appointments process.

#### **Recommendation 2: Strengthen oversight of merit protection in appointment, promotion and transfer:**

- **Include a definition of merit in existing legislation and rules and principles for accountability of competent authorities for merit protection in all appointments, promotions and transfers.**
- **Review the mandate of the Punjab Public Service Commission to strengthen its responsibility for overall merit protection in appointments processes at both Provincial and District level on the following basis:**
  - **Continued direct management or oversight by the Commission of appointments to specific senior positions, including entry into the Punjab Management Service but also into any future Provincial Executive Service, and also including senior contract appointments;**
  - **A broad responsibility for the protection of the merit principle in all other appointments and promotions in the Provincial and District governments, including the power to review and advise the government on rules for such processes, to audit actual processes against rules and to review specific decisions on its own motion or on a reference from a member of the public.**
  - **Strengthening the PPSC's capacity to prescribe and audit decentralised appointment processes.**

#### **Recommendation 3: Strengthen oversight of early transfers:**

- **Long-term: significantly altering incentives by rewarding successful completion of assignments and major projects.**
- **Short-term: strengthen the existing provisions for oversight of re-assignment and make decisions more public by requiring PPSC agreement to early re-assignment and publicly notifying all early transfers with reasons.**

**Recommendation 4: Decompress pay and allowances: selectively enhance salaries for specific higher-value positions.**

**Recommendation 5: Improve efficiency of recruitment methods:**

- Review and revise selection procedures to widen methods beyond subject tests and examinations and include tests of general cognitive and reasoning ability or work tests.
- Streamline and where possible outsource recruitment processes.

**Recommendation 6: Build a single, competitive provincial and local management service:**

- General: increase both internal and external competition for management and policy positions and weighting given to merit in promotion.
- Specific:
  - Supply all management and policy positions at provincial and local government levels from a single Punjab Management Service (PMS);
  - Open membership of the PMS to all specialist staff holding equivalent grade positions;
  - Strengthen training and development opportunities for professional staff with management potential in specialist areas;
  - Advertise all positions in the PMS with management or senior policy responsibility and make all appointments based on open internal competition with progressive introduction of external competition as well;
  - Create a Punjab Executive Service (PES) from senior management positions at provincial and district level; make all appointments from open competition on merit.

#### **Building a performance culture (62)**

Better performance management faces sizeable managerial, cultural and political obstacles. Some possible first steps include:

- Choose a specific functional area of government or grouping of employees to begin
- Ensure that at least every position in the pilot group has a proper job description
- Develop some general elements of a performance management system – many are already formally present in the Performance Evaluation Review process.

**Recommendation 7: Link improved service performance to departmental and individual staff performance:**

- Begin to build a new system of accountable performance in a specific functional area of government such as Health or Education, linking corporate objectives to management tasks and performance standards.
- Define a pilot group for higher reward and more accountable performance and introduce a new performance management system for the pilot group.

### **Devolving management (63)**

The elements of a lower-risk strategy for devolution of the HR function would include:

- Completing the transfer of detailed management of service delivery operations and projects from provincial departments to districts and TMAs but only after putting in place rules for setting and monitoring service delivery standards;
- Developing the capacity of provincial departments to refocus on their new roles of setting standards and monitoring district performance and managing conditional grants;
- Ensuring that district management have adequate operation and human resource management capacity;
- Defining District Cadres as staff who would expect to work at a local level but distinguish them management and specialist professionals who would form a pool for both provincial and district posts;
- Developing transparent and accountable processes for local government staff management, including independent oversight authorities.

**Recommendation 8: Redefine roles and relationships in service delivery between provincial and local government departments: complete the devolution programme by allocating accountability and resources for each service on one of three levels:**

- **Continued full planning and management of local delivery at the provincial level;**
- **Joint intergovernmental delivery based on service planning agreements or conditional grants;**
- **Full responsibility for planning and resourcing delivery at a local level.**

**Recommendation 9: Define local government control of staff:**

- **Continue transfer to local governments of full authority over APT and establishments.**
- **Create pools of management and professional staff available for posting across all districts.**
- **Establish differentials in pay and conditions and associated fiscal equalisation to even up incentives for posting in less attractive districts.**
- **Build HR management capacity in local government.**
- **Strengthen role of independent oversight authorities in APT at local government level.**

### **Containing and rolling back patronage (64)**

Political patronage within the civil service is the most significant impediment to successful reform. It will not be easy to roll back. Some possible steps:

- Understand the mechanism of the patronage networks and what they are intended to produce and take steps like tightening systems to reduce it;
- Encourage whistle-blowing and publicity mechanisms; or donors putting direct pressure on governments to control the process;

- Increase the role of checks and balances institutions affecting the processes of the civil service;
- Reduce direct government production of services where patronage is deeply embedded, such as education.

**Recommendation 10: Commission an independent study of patronage in personnel decisions: make patronage a more public issue with a detailed analysis of its extent and mechanisms.**

**Conclusion: managing change (66)**

Points of leverage include:

- Mobilise support for improving service delivery in areas like health, education and water services;
- Use popular support for service improvement to confront opposition to change directly, but negotiate change with affected groups as required;
- Use a political transition as a window of opportunity for reform;
- Form a committed group of reformers both inside and outside government, who have the necessary political power and are prepared to initiate and sustain reform projects;
- Ensure visible and continued support for change from the top political and civil service leadership;
- Establish a change management working group drawn from the civil service with a direct line to top level support.

**Recommendation 11: Establish and control the reform agenda: Support the development of the reform agenda with:**

- **Research and case studies on the symptoms of poor public sector performance and diagnosing the role of the civil service in performance problems;**
- **Analyses of civil service reform experiences in other jurisdictions as much as possible working in a similar context to Pakistan and the Punjab.**

**Recommendation 12: Use service improvement as a point of entry into reform: develop a service improvement campaign based on:**

- **Raising public awareness of poor service quality and securing political commitment to improving it;**
- **Linking the solutions to problems of poor services to reform in the civil service.**

**Recommendation 13: Launch a major civil service reform initiative: identify appropriate public fora for announcing and discussing CSR program.**

## 1. Introduction

1. This report has been written for the Asian Development Bank and the Government of the Punjab, Pakistan. Its purpose is to document, analyze and assess international experience of civil service reform and in particular civil service human resource management (HRM) issues, so as to provide useful references for the Government to review its HRM practices. Some of the report also draws on work done on civil service reform for the United Kingdom Department for International Development Pakistan Country Office in 2007.
2. The report focuses on the human resource management (HRM) aspects of management of the civil service; that is: recruitment, placement, appraisal, development and reward. It is, however, impossible to disentangle the resource allocation role of HRM in the civil service from the wider roles of the civil service as a public institution. Many features of a civil service are there to serve purposes other than efficient use of human resources. These purposes may include public accountability, political neutrality, compliance with lawful direction and equity in service delivery, as well as more political purposes such as representation of particular societal groups or patronage in appointments. A discussion of core HRM processes is not possible without considering this wider, specifically public context for a civil service. Three different perspectives on a civil service – economic, politico-administrative and social – are briefly discussed in Chapter 2.
3. There are a number of other topics relating to civil service reform dealt with only in passing. These include re-organisation and fashions such as the creation of agencies outside normal departmental structures; and market-related strategies such as commercialisation, privatisation, or outsourcing. In addition, for want of time and space, limited attention is given to capacity-building (in the sense of individual training and development to improve work capabilities); or reward policies.
4. The report is based on interviews and workshops with senior civil servants in the Punjab in 2005 and 2007, and analysis of existing reports and documents on civil service reform and HRM from the Punjab and elsewhere.
5. The general form of the report is to
  - (1) analyse the strengths and weaknesses of the Punjab civil service HRM;
  - (2) discuss international experience with HRM that may provide examples of how the Punjab civil service could improve its performance; and
  - (3) make some recommendations for further HRM policy development.
6. The recommendations come with the caveat that the feasibility of reform in the Punjab civil services depends very much on the domestic political and social context. Slavish copying of other countries' systems is most likely to lead to failed initiatives and dashed hopes. International models are not the only appropriate source of inspiration for domestic reform and in some cases may be quite wrong if they don't take account of the historical realities of the recipient jurisdiction.
7. The Civil Services in Pakistan are centrally-managed and career-based and likely to remain so in the foreseeable future. Therefore, while specific instruments in managerially decentralised systems may be of interest (such as performance management tools), the government should be looking mainly to similar career-based civil services for examples of adaptations that have improved performance. Thus the discussion on international experience in this paper focuses particularly on career systems with some degree of central management. These jurisdictions include the classic administrative law states such as France, Germany; East Asian administrations (Japan, Korea); and former British colonies in Asia and Africa such as India, Singapore and Kenya. Less emphasis is placed on the more decentralised, managerially-based "labour market" systems of some OECD countries like Australia, New Zealand and the United Kingdom.

8. Perhaps the key point of the report is that the civil service of Pakistan and the Punjab needs to re-orient itself towards service for citizens. Compared with countries of similar income, Pakistan and the Punjab have a worse performance on key indicators like adult literacy and infant mortality. These problems pre-date the devolution process. Weaknesses in the civil service contribute significantly to them. A key to raising capacity for service delivery is to set standards for delivery in vital services such as health, education and water and to orient the civil service towards achieving them.
9. A shift towards service has a number of implications for the focus of civil service reforms:
  - (1) Deciding on what services government should be providing, and at what level, and where government can fund or subsidise non-government providers;
  - (2) Setting standards for service as a leverage for getting better service;
  - (3) Rewarding civil servants for service performance rather than administration of rules;
  - (4) Strengthening management authority and capability where service is delivered: i.e. in the districts; and
  - (5) Selecting, developing and rewarding staff with the motivation, professional skills and experience to deliver excellent services.
10. A greater service orientation requires that some time-cherished cultural assumptions about the CSP have to be re-examined: particularly the privileged place given to the generalist. There is certainly a requirement for the skills of planning, policy development and administration; and scope for some managers to rise through the grades of the élite civil service cadres. But the new breed of Pakistan's public managers will need to be drawn from a much wider pool; and the prime requirement for many will be a proven capability to lead staff to develop and deliver excellent standards of service.

## 2. Perspectives on a civil service career

### 2.1. An economic viewpoint

11. A civil service career is a special form of long-term employment contract which can have significant advantages for both employee and employer. On the employee's side there is a career path: an assurance of job security, a basic standard or scale of remuneration, opportunities to accelerate this scale through non-automatic promotion, and some income security at the end of employment (retirement) in terms of pension rights. As far as the employer is concerned, the advantage is that the promise of job and income security is an incentive for the employee to acquire skills specifically valuable to the employer and to increase the bonds of loyalty to the employer's organisation. In the public sector this has a governance advantage: when new governments take office they can expect loyal and competent administration from their civil servants.
12. In the case of career, the obligations are usually not symmetrical: provided the employee meets certain minimum conditions, the employer is legally bound to honour the contract for its term; usually the employee can quit the contract on notice without incurring a penalty in law. Because the employee has generally a greater ability to terminate the contract than the employer, the employer will seek to structure the contract to provide incentives for the employee to stay long enough for the employer to recoup the investment. Thus, for example, the employer will provide deferred benefits, such as the opportunity for promotion and a pension at end of service.
13. The basic incentives in this contract on both sides are to maximise the expected return over its life. So the employee may seek to maximise the probability of higher pay and the employer to minimise on labour costs and maximise the value of the employee's work. The employer wants to select staff who have the highest probability of maximum value over the term of their career, get a return on investment in their development, allocate each position to the person who is most likely to do best in it, and be able to enforce standards of performance. The employer faces two problems:
  - (1) "adverse selection" at the time of selection of staff: the risk of not selecting recruits with the best long-term prospects of good performance; and
  - (2) "moral hazard" during the life of the contract, since the employees' incentives for performance are very low-powered.
14. Employers can reduce the risk of adverse selection by more skilful selection of recruits, or by making it easier to terminate the contract if performance is unsatisfactory; and can reduce the risk of moral hazard by linking reward more closely to performance and by more effective monitoring of performance. Mostly these strategies transfer some career risk back to the employee. Increased employee risk will reduce the incentive to join the civil service in the first place, which may need to be compensated by some other incentive elsewhere. The likely candidates are increased pay and development in the job which increases the employee's value in the general labour market.

### 2.2. Politico-administrative point of view

15. Pretty well all the economic arguments for a career civil service could equally be made for employment in the private sector where the employer has to invest significant amounts in the development of a staff member and the value that employee's work can contribute therefore also increases over time. But the civil service is also an important institution of the state. The civil service as a career, particularly as it is described in the writings of Max Weber and others in the late 19<sup>th</sup> and early 20<sup>th</sup> century, was seen – ironically, as it has turned out in many modern instances - as a solution to the problem of personalistic and patronage-based public employment. Its characteristics were:
  - (1) It was a vocation, usually for one's working life – to which entrance was gained by examination and training and progress depended on merit;

- (2) The official was loyal to the office, and the rules that established it, not to any particular person; and
  - (3) Office-holding was not an exchange of services for reward, as in a normal private sector employment contract, but "an acceptance of a specific duty of fealty to the purpose of the office... in return for the grant of a secure existence."
16. Many of the conditions of the classical civil service – entry by examination, specific lifetime training, progression up the steps of a career ladder, protection from outside competition for posts and from arbitrary dismissal – can be derived from Weber's precepts.
17. Some econometric studies also claim to have found a positive correlation between public administration run on Weberian principles and economic growth. One study concludes that "Meritocratic recruitment is the most important structural feature for improving bureaucratic performance, followed by internal promotion and career stability." (Rauch and Evans (2000)). The argument runs that meritocratic entry produces a basic capability in officials and fosters a basic ethic of effective performance; they are socialised by career protection (internal promotion etc) to an "esprit de corps" and communication is improved. Rauch also argues that internal promotion which selects senior officials who exercise power "in the sense of deciding (or at least influencing) the mix of services the bureaucracy will supply" (Rauch (1995), p 5) will (a) result in managers who devote more effort to supervising their subordinates to ensure that they implement the political executive's preferences and (b) reinforce incentives on officials to achieve promotion by effectively implementing preferences.

### **2.3. Civil service as a social institution**

18. A third perspective is the civil service as a social institution and an instrument of social change:
- (1) Weber argued that membership of a civil service may signal an élite or privileged status in society: after job security, "social status" is the second most common reason given by élite civil servants in Pakistan for joining the civil service (Haque and Khawaja (2006));
  - (2) In many developing countries, employment in the civil service has provided a relatively stable and assured income compared to the vagaries of employment in the private sector;
  - (3) Particularly in post-colonial societies, civil services have become vehicles for state-building: balancing competing claims from different ethnic, tribal, regional or religious groups: in Nigeria, for example, "'federal character' quotas for appointments based on race, tribe or region are seen as a counterweight to the powerful centrifugal forces of Nigeria's heterogeneous society" (Laking and Norman (2007), p 5).
19. These three perspectives on the role of the career civil service are often in tension with one another. The protection from competition afforded to existing civil servants may be in conflict with the selection of the best person for the job; the practice of hiring on quota may conflict with the merit principle; and the social status of civil servants – despite Rauch's arguments - can lead to a sense of immunity from the requirements of citizens for fair and efficient service. The modern history of civil services has in part been a struggle to reconcile these potentially conflicting objectives.

### **2.4. Conclusion: importance of the different perspectives**

20. The tension between the three different perspectives on a career civil service will come up again in this report. In summary, some of the basic dilemmas in civil service reform are how to balance:



- (1) An employee's benefit from security of employment and reward with the employer's desire for flexibility in placement and termination;
- (2) Managerial authority over human resources with requirements for accountable and transparent civil service processes;
- (3) Efficient and accountable human resource management with political direction of the civil service.

### 3. Punjab civil service: HRM issues

21. This section identifies some issues with the existing Punjab civil service where international experience might provide some guidance. The points are made only briefly given that there are several other more extensive analyses of issues and problems, specifically in the Punjab. The issues for discussion are summarised below under the following headings:

- (1) The service orientation of the Punjab public sector;
- (2) The efficiency of the public sector labour market;
- (3) The management of individual performance in the civil service;
- (4) Local management of local civil servants;
- (5) The merit principle in appointment, promotion and transfer decisions; and
- (6) Sustainable reform of the civil service.

#### 3.1. Service orientation

22. **The Punjab has a comparatively poor record in human development in health and education indicators, compared with the Millennium Development Goals (MDG). Inadequate service delivery due partly to failures in civil service performance appears to be a major contributor to this shortfall.**

23. Compared with countries of similar income, the Punjab has significantly worse performance on some key social indicators. The following statistics are taken from a recent ADB/DfID report on devolved service delivery<sup>1</sup>.

**Table 1: Relative Outcomes in Health and Education in Financial Year 2001**

| Indicator                    | Punjab | Pakistan (Rural) | Pakistan (Urban) | Pakistan (Average) | Countries of similar income |
|------------------------------|--------|------------------|------------------|--------------------|-----------------------------|
| Adult literacy (%)           | 47     | 36               | 64               | 45                 | 71                          |
| Female Adult Literacy (%)    | 36     | 21               | 56               | 32                 | 65                          |
| Infant Mortality (per 1,000) | 78     | 88               | 65               | 82                 | 62                          |

*Adapted from Asian Development Bank and Department for International Development (2005), Table 1, p 18. Original source: Government of Pakistan (2002)*

24. Within the Punjab, indicators vary widely between relatively well-performing urban areas like Lahore and much worse statistics in rural areas, particularly in the south and west of the province. The statistics also give some idea where services are failing the local population – as indicated in Table 2 below.

**Table 2: Indicators of Service Performance**

| Indicator                                                           | Major City | Other Urban | Rural |
|---------------------------------------------------------------------|------------|-------------|-------|
| Net Primary School Enrolment Rate                                   | 86         | 62          | 47    |
| Households with Improved Source of Drinking Water (within Dwelling) | 93         | 96          | 80    |

<sup>1</sup>ADB and DfID (2005).

|                                                               |    |    |    |
|---------------------------------------------------------------|----|----|----|
| Households with Adequate Sanitation                           | 98 | 92 | 43 |
| Woman with Skilled Attendant at Birth                         | 66 | 44 | 26 |
| Women Aware of HIV/AIDS                                       | 65 | 55 | 20 |
| Women Using a Modern Method of Contraception                  | 38 | 32 | 24 |
| Children Under 5 Years Receiving Vitamin A Capsules           | 89 | 85 | 87 |
| Children Under Five Years with a BCG Scar Seen                | 87 | 86 | 79 |
| Households Covered by Lady Health Workers                     | 18 | 41 | 38 |
| Children Under Five Years with Birth Registered               | 87 | 83 | 80 |
| <i>Adapted from Tables in Government of the Punjab (2004)</i> |    |    |    |

25. ADB and DfID (2005), p. 1, talks of a “crisis in public service delivery” and “growth of private sector alternatives”<sup>2</sup>. It suggests that Punjabis are voting with their feet; that poor quality service may contribute to low attendance rates in schools and low use of local health services. “Public satisfaction with the quality of water is extremely low, particularly in Punjab...”. People turn to private schools and health services, and operate their own water pumps. “These problems all pre-date the introduction of the devolution reforms.” (Ibid.).
26. The ADB/DfID report goes on to suggest that many of these problems can be attributed to failures in the Civil Service:
- (1) There is a “culture of absenteeism” in government schools and health facilities. In the case of teachers, this is in spite of being paid 2-3 times what a private teacher receives. Doctors get paid less in government and therefore favour private practice. (p 4)
  - (2) Staff are unwilling to work in remote areas. Teachers dispute transfers and can get them reversed. Doctors are provincial staff and can also use influence to avoid going to districts or remote areas. Doctors working in remote areas or not engaged in private practice were supposed to get a special allowance, but now all doctors get it.
  - (3) Health and education staff are reported to be “difficult and uncooperative”<sup>3</sup>.
  - (4) Staffing norms in health are inefficient and public health workers appear to work in parallel sometimes. (E.g. Lady Health Workers (provincial vertical programs) and Lady Health Visitors (district staff) seem to have similar job descriptions.
  - (5) Teaching staff often lack necessary skills: English teachers may not be able to speak English for example.
  - (6) Urban water and sanitation schemes are often grossly overstaffed but provide poor standards of service.

Drawn from ADB and DfID (2005)

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<sup>2</sup> In the Punjab, the report is based on interviews in Faisalabad District with staff in health units, primary schools and water supply schemes together with nazims and local administrators and senior provincial officials. It also draws on qualitative data from sector reviews carried out in Asian Development Bank et al. (2004), which included empirical research in two Punjab districts, Bahawalpur and Faisalabad, and four tehsils within them: Bahawalpur City, Yazman, Faisalabad City and Jaranwalla (op. cit. p. v).

<sup>3</sup> Government of Pakistan (2002) reports (p 92) that where a health practitioner was consulted in diarrhoea cases in the Punjab, a government practitioner was consulted first in only 26% of cases. In over half of the cases the reason was lack of availability of a service but in 11% it was because staff were not courteous and in 4% it was because a doctor was not available.

27. Senior policy-makers in the Punjab are well aware of these problems of service delivery and their origins, in many cases, in problems of civil service management. A campaign to improve service standards has been a significant point of entry for civil service reform in other governments and could serve the same role in the Punjab.

### **3.2. Efficiency of the public sector labour market**

#### **28. The public sector labour market in the Punjab does not work efficiently to allocate human resources to tasks of value to the citizens of the Punjab.**

29. There are significant shortfalls in recruitment for officer cadres and professional positions. On the other hand, there is significant overstaffing at both the top and in the lower grades of the civil service. The supply problems reflect both an inefficient selection process and lack of competitiveness of the government in labour markets. In particular there is a significant problem of wage compression in scales for higher grades.
30. There is very little internal competition and no external competition for posts. There is an inflexible internal labour market due to the cadre system and reservation of posts. There is too narrow a pool for selection of senior managers. The proposal to create separate district management service runs the risk of further compartmentalisation.
31. There is excessive reliance on generalists for management of specialised functions. Very little weight is placed on development in the job, reflected in the rapid turnover of officers in post.
32. Establishment control and planning in the Punjab is hampered by lack of reliable information about actual staff numbers, work histories and capabilities of staff. Statistics are based on approved posts and cannot be reconciled with payroll or appointments information. A census of the civil service is being rolled out in Districts but will take some time to complete, and a full HRMIS needs to be developed from that. There is no readily available information on staffing at a sub-district (Tehsil Municipal Authority) level.
33. The Punjab civil service is not large as a percentage of population, compared with other similar countries. The ratio of public employees to population in the Punjab has been in the range of 1.1-1.4% in recent years, compared with an average for Asia-Pacific developing countries (early 1990s) of 2.6%<sup>4</sup>. According to the World Bank "the size and cost of Punjab's establishment are high, however, in relation to available fiscal resources. The civil service wage bill and pensions together account for 45% of the total budgetary expenditures of the provincial government." (World Bank (2001), p 66). Kardar (2007) estimates that the "civil service wage bill and pensions, account for almost 59% of total, consolidated, recurrent expenditure" before allowing for salaries of repairs and maintenance staff and those on development projects, which cannot be separately identified<sup>5</sup>.
34. At a micro-level, the picture is one of scarcity in some areas and excess staffing in others. Some specific skills are hard to acquire and there is difficulty recruiting adequate talent for provincial and district management. At the provincial level there are shortages of planners in Education and Health and water supply and urban planning. Finance is having to rehire older workers because of recruitment shortfalls. There is an acute shortage of some key operational staff at district level although this is partly attributable to the ban on fresh recruitment. But there are some areas where staffing could be reviewed – both at the top and the bottom. The Secretariat has grown sizeably – from 20 to 40 Secretaries in the last twenty years or so – and there is an impression that the growth in the higher grades is partly to provide promotion opportunities for the cadres rather than

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<sup>4</sup> Based on estimates in World Bank (2001), p 66 and Kardar (2007). There are no recent world surveys of government employment, but Schiavo-Campo et al. (1997) (Table A-2, p 26), give this estimate for Asia-Pacific developing countries, compared with their figure for Pakistan general civilian government of 1.5% of population.

<sup>5</sup> Kardar (2007), p 8.

- to meet any real service requirements. Additionally, large numbers of unskilled workers add very little value to the business of government.
35. There are large gaps between civil service wages and reservation wages at entry. This and rising private sector employment opportunities is leading to a diminishing supply of well-qualified applicants. There are some signs also of departure at higher levels for better-paid jobs in the private sector. Allowances in kind form a large part of remuneration at higher levels. In-kind allowances have both efficiency and equity problems. They have unpredictable effects on real income depending on location and relative inflation and distort the consumption and saving choices made by the recipients.
  36. The government's recruitment processes through the Punjab Public Service Commission (PPSC) are slow and cumbersome. The long period from requisition to recommendation can be partly attributed to overloaded and inefficient PPSC selection processes. The PPSC's role is unclear in some areas: requisitions on the PPSC include too many at lower grades; it has an unclear role in recruiting for senior positions in the professions, contract positions and non-departmental organisations; its role in District recruitment also needs to be clarified. PPSC membership is not broadly based enough, in particular to qualify it to recruit for higher positions in health, education or other professional posts. Methods of recruitment appear cumbersome and outmoded. Some job criteria appear out of date.<sup>6</sup>
  37. The rigid segmentation of the civil service into grades, cadres and reserved posts limits the ability to select the best person for the job. The Provincial Government has created the Punjab Management Service as a feeder group for policy and management positions in the Province but there is still a single point of entry at the bottom of the career ladder and it is proving difficult to fill the quotas for entry anyway. Generally, the present rules for membership of occupational groups and reservation of posts for specific groups significantly restrict the government's ability to find the best person for the job. There is no competition for most management positions. Posting is driven by promotion requirements, and promotion is determined by seniority. Tenures in post appear to average less than a year; short tenures reflect the incentives on staff to move often to improve their positions and use of the transfer system for political patronage.
  38. Third, the career opportunities of professionals with management potential are stunted because of the privileged access of the élite generalist cadres to senior management positions. At management and policy levels, the system privileges the generalist at the expense of the specialist and places little weight on the development of competencies in the job. While there are some outstanding individuals amongst the senior Punjab civil service, inexperienced and generalist appointees are frequently struggling with the complex tasks of management in a modern government. There is excessive weight placed on the ability of the generalist to handle any management position. This has two deleterious effects:
    - (1) First, inexperience reveals itself in fear of making decisions and lack of initiative. Management of a revenue service, a health system, higher education, water services or a commercial enterprise all require specialised talents and particularly experience.
    - (2) Second, there are few incentives or opportunities for generalists to develop specialties in management.
  39. To some extent, contract appointments have been used to circumvent the inflexibility of permanent appointments, particularly in the education sector. Kardar (2007) reports that the government has used contract appointments in an attempt to solve some of the problems of poor performance arising from the nature of the permanent civil service. In theory it is now the preferred method for all future appointments in the province. But the contract system has grown without attention to its desirable scope, transparency and accountability.

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<sup>6</sup> This paragraph draws on Laking [Draft report on PPSC for DfID – Ref required], together with Kardar (2007) and Chaudhry (2007).

### 3.3. Performance management

#### 40. There are few incentives for civil servants to improve their performance in terms of service delivery and outcomes.<sup>7</sup>

41. A civil servant's promotion and development opportunities are formally supposed to be based on the Performance Evaluation Report (PER), or ACR (Annual Confidential Report) as it is still commonly known<sup>8</sup>. The PER requires a staff member's Reporting Officer to assess staff for performance on the job, personal strengths and weaknesses, area and level of professional expertise with suggestions for future posting, and training and development needs. Ratings of performance are supposed to be based on specific job descriptions and either ex ante work targets or specific assessments of work done during the year. Ratings are summarised in an overall grading (from "very good" to "below average") and rating of "fitness for promotion"<sup>9</sup>.
42. In practice, very few of these requirements are met. Many staff have neither job descriptions nor annual work plans as a basis for reviewing work performance. There is no formal process of goal-setting at either organisational or individual levels. The reports are thus regarded as "subjective", in the sense that they are not based on any measurable ex ante performance standards. Nor – although formally the reviewing officer's assessments are subject to endorsement by a senior officer – does there appear to be any real moderation of annual reviews in the sense of setting comparative organisation-wide standards for award of ratings.
43. In general, the review is largely regarded as a compliance task. Reports are often completed several years after the period they relate to and then only because they are required for promotion purposes. It is not unusual for officers to seek out "sympathetic" superiors to prepare their reports. There is a widespread belief that the reports are not, in fact, confidential. This adds to the incentive on superiors to give favourable reviews, since an appeal against an unfavourable rating can mire the reviewing officer in taxing re-litigation of the review.
44. A fundamental reason for the low salience of performance review is that "performance" in the sense of achievement of work objectives has very little consequence for promotion or reward. Promotion is based on seniority and "fitness". Fitness is determined by cumulative ratings in the PER, which are generally favourable and therefore set a very low threshold. The basic criterion for promotion thus becomes seniority. Having served out their time at a specific grade, officers expect a position to be available for them to be promoted into.

### 3.4. Local control of local civil servants

#### 45. The devolution policy of shifting accountability for major service delivery functions to districts and tehsils has not been fully worked through, leaving duplication and ambiguity in working relationships between provincial and local government departments.

46. Management staff working in districts are still employed by the province and taking directions from provincial departments. The provincial government retains a lot of influence over APT. District governments have limited authority over establishments and staff budgets. There is widely differing capacity to offer incentives to recruit and retain staff. The legal requirement to establish District Cadres has not yet been implemented. District governments have weak capacity to manage human resources. There are concerns about nazims abusing power over appointment, promotion, and transfer.

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<sup>7</sup> Observations in this section are based largely on Kardar (2007), p 27 and Cyan (2007), pp 10-11.

<sup>8</sup> The Report has been formally called a PER since 2000. At the time of writing, the only examples available of these reports were for the Federal Civil Service. The reporting format for provincial officers is however largely copied from the Federal form.

<sup>9</sup> Based on an example for a Federal Government Officer graded BPS 19 or 20 (Government of Pakistan (2007)).

47. Some factors in local civil service performance specifically reflect the limited control by District Governments and TMAs of their civil services. As described in ADB and DfID (2005), their restricted control over local staff, establishments and personnel budgets results in a disconnect between District and TMA responsibilities for service delivery and their managerial power:
- (1) Staff get little support from line managers, who lack transport, operational funding or "capacity". There is little attempt at supervision by managers, mainly because they can't do much to reward good performance or punish bad, can't offer material support, and can't protect staff from local politicians.
  - (2) Absenteeism goes unpunished quite often because District Coordinating Officers (DCOs) have the power of discipline and won't back up the Executive District Officers (EDOs) who report to them. Similarly Tehsil Management Officers (TMOs) claim they are powerless to take disciplinary action. Uncooperative EDOs can be threatened with an unpleasant transfer by the provincial government.
  - (3) There is no reliable information on the performance of staff so "the credibility of ACRs produced by EDOs for staff ... is undermined." (Op cit)
  - (4) "Provincial governments use their influence over staff to direct them towards their priorities." (Ibid). They frequently issue directives direct to EDOs.
48. The Provincial Government has taken some significant steps in meeting the requirements of the Pakistan Local Government Ordinance (PLGO) by effectively delegating authority to districts to decide appointments, promotions and transfers and to review performance, and allowing DCOs to share in expanded financial authority granted to Provincial Secretaries. But there are still significant areas where the letter and spirit of the PLGO have not been met:
- (1) The requirement inserted by the Federal government into the PLGO to establish District Cadres by 31 December 2005 has not yet been met. With a few limited exceptions (district staff existing before the 2001 devolution ordinance) the GoPb regards all staff working in districts as provincial staff, and considers that it has merely delegated authority to districts to decide appointments, promotions and transfers and to review performance.
  - (2) Provincial departments were supposed to give up operational functions to their district counterparts but in fact have continued to run projects and services directly and give directions to provincial staff nominally under the control of the nazim.
  - (3) Nazims still have only imperfect control of civil servants in their district. Provincial staff working in the districts take orders from their provincial parent departments. The provincial government controls appointment, promotion, and transfer for senior officials, formally and informally. Districts cannot fill vacancies because of a freeze on recruitment. Nazims have limited ability to review staff performance.
  - (4) Senior provincial officials argue that before full authority over staff can be transferred, the district governments will have to develop the necessary capability to manage them; provincial politicians are also reluctant to see power over staff appointments and transfers pass from their hands to the nazims.
  - (5) Conversely, provincial departments have limited capacity to set standards for districts, write and manage agreements for conditional grants, and monitor and evaluate district performance.

### 3.5. The merit principle

- 49. There is no consistent general framework for application of the merit principle in the civil service and in some areas it is significantly at risk.<sup>10</sup>**
50. There is an objective test of merit - – the appointment of the best person for the job – in the processes for initial appointment to the provincial civil service, in the form of (normally) examinations to screen candidates for a short list for interview. This process, when it applies, is in the hands of the Punjab Public Service Commission (PPSC). From all accounts the Commission carries out its duties diligently and responsibly. Nevertheless a number of issues have been identified which go to the efficiency and reliability of its selection processes:
- (1) The Commission's membership is not broadly based enough, in particular to qualify it to recruit for higher positions in health, education or other professional posts;
  - (2) The screening methods used by the Commission – which rely heavily on examination and interview – are old-fashioned and unreliable for selection of the best prospects for a civil service career;
  - (3) The systems and procedures of the Commission are cumbersome and inefficient;
  - (4) The Commission is having difficulties recruiting suitably qualified people in sufficient numbers for the higher civil service – the Punjab Management Service;
  - (5) It is overburdened by a number of additional specific chores assigned to it by the Government, accepting requisitions for appointments to grades well below those of its primary mandate for recruitment to the officer classes of BS-16 and above.
  - (6) Its role in selection for contract positions is unclear, particularly given that the general rules for contract appointments need clarification.
51. There are limits on the PPSC's overall jurisdiction over appointments. It can only take charge of an appointment process on reference from the Provincial Government. It has no role in many provincial appointments, including the increasingly prevalent contract appointments. Furthermore it has no role in appointments made by District or Tehsil administrations.
52. A more general issue is the absence of an overall legal framework for protection of the merit principle. There is no legislated definition of merit and no general independent oversight of the application of the principle. There is no oversight of the principle in promotions and transfers. Promotions are mostly by seniority and transfers are frequently on grounds other than merit, including political patronage and personal influence. There are also risks to the merit principle in existing processes for recruitment by provincial departments and local governments to permanent and contract positions.
53. There is extensive political patronage in the civil service. In particular, politicians use the threat of transfer to less desirable posts or the promise of transfer to more desirable positions to extract compliance or favours from civil servants; they cannot do this without the complicit behaviour of the senior management of the civil service. This patronage system has many adverse effects – it results in postings with scant regard for the merit principle, increased opportunities for politicians to manipulate elections and impunity for corrupt acts by both politicians and civil servants; lowered morale amongst honest civil servants; and an increased perception of risk amongst potential recruits.

### 3.6. Sustainable civil service reform

- 54. Civil service reform in the Punjab appears to have high-level political support, but there are powerful incentives for many stakeholders to seek preservation of their existing privileged positions.**

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<sup>10</sup> Comments in this section rely on Laking (2007b), drawing on Chaudry (2007) and Kardar (2007), pp 22-24.



55. Key policy decision-makers in the Punjab advised that there is a will to reform the civil service. But history is not on the side of the optimists<sup>11</sup>. Significant reform faces some ongoing risks. The most apparent of these are the use of the civil service for political patronage and extensive corruption. The areas likely to meet the most resistance include:
- (1) Increased personal accountability for performance;
  - (2) Promotion on merit and greater competition for higher-level positions;
  - (3) Transfers based on the requirements of the job rather than personal or political influence;
  - (4) Wage decompression and monetisation of allowances;
  - (5) The privileged access of Federal civil servants to senior Provincial posts; and
  - (6) Completing transfer of accountability for local staff to Districts and Tehsils.

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<sup>11</sup>The failures of successive attempts at civil service reform in Pakistan are described in writings such as Islam (1989), World Bank (1998), Islam (2004) and Hasnain (2005).

#### 4. The development of the civil service in OECD and beyond: overview

56. In changing the role of their civil services, OECD governments have been responding to wider changes in social and economic conditions and the expectations of their citizens. In the 20<sup>th</sup> century the rich world saw the growth of the “welfare or service state”, where the range of issues and problems the state was tackling grew exponentially and the demands of government for a wider range of professions and skills proliferated. Developing country governments faced similar issues in the demands of the “development state”. At the same time, social and economic conditions were changing in the labour markets where governments competed for staff. In the OECD, particularly important factors were the growing importance of part time labour and of the two-income family and the role of strong income safety nets for workers in breaking down the idea of a “job for life”.
57. In the words of an OECD report on modernising trends in government, these social and economic factors had the following effects:
- (1) Work was more varied and knowledge intensive, public and private work became more alike, and there was a convergence of key technologies (*e.g.* accounting, economic analysis, information technology, public relations, and social research);
  - (2) Work patterns became more diversified, many kinds of work became more actualised, and a wide variety of specialised consultancy services became available;
  - (3) The public and the private sectors began, therefore, to compete for skilled people in some key areas;
  - (4) New generations entering the work force had wider career options and were less disposed to public service as a career, or to stay with any employer for life; and
  - (5) The implementation of NPM reforms such as agencification, and performance budgeting induced a delegation of responsibilities requiring new capacities and new values in the management of the civil service.
- OECD (2004)
58. Political conditions were also changing. Steady growth in the public sector in many countries put fiscal pressure on governments and increased attention on the value that governments were getting for the expense. As well as focusing on policies that would contain or roll back public spending, some governments began to believe that part of the problem was the rigid, unresponsive, strongly hierarchical and overstaffed public service, focused on process rather than results.
59. In response, human resource management practices in the OECD have become more diverse. Some governments have moved away from centrally-managed career-based civil service systems towards decentralised management of human resources, a greater diversity and openness in employment arrangements and a greater emphasis on “performance” and “results” in the planning and direction of the work of civil servants. The degree of change can be characterised as follows:
- (1) Centrally-managed, career-based systems: models include European administrative law systems (France, Germany), and East Asian systems (Japan, Korea); there has been only limited movement away from centralised control in most cases; however in France, political devolution in the 1980s had an important part to play in decentralising public employment and in Germany the central civil service has always been quite small relative to public employees in Federal agencies and those working in similar agencies in the Länder;
  - (2) Managerially decentralised systems: mainly the lead reformers – Australia, New Zealand, the United Kingdom – countries frequently identified with “the new public management”; these governments have moved the furthest in terms of vesting

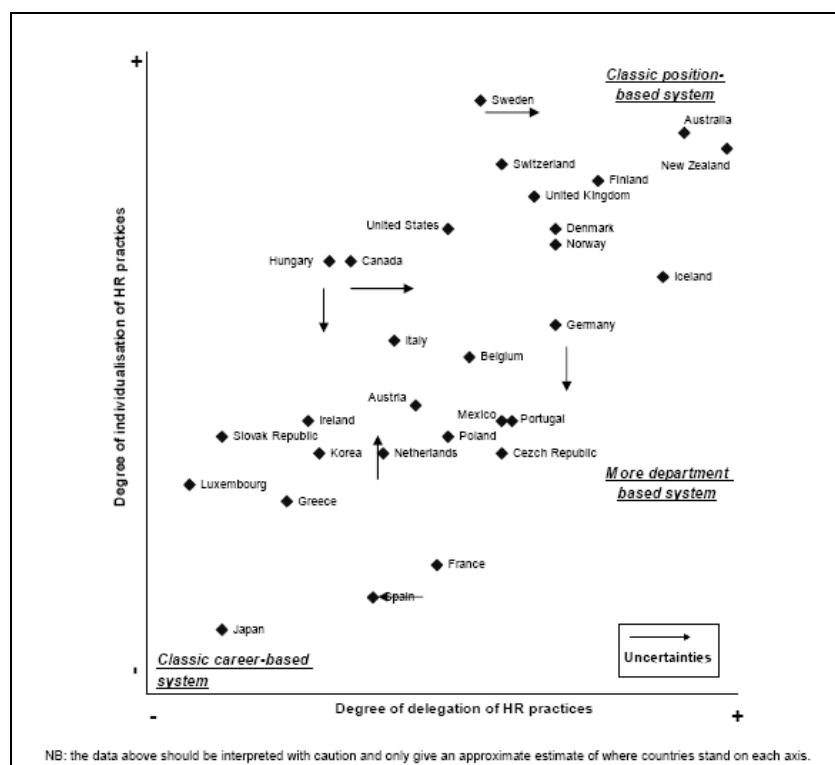
authority for personnel management in departments or agencies, introducing contract-based employment, opening up internal job markets to external competition, and imposing new disciplines of results-based management on staff.

- (3) Intermediate or evolving systems: Scandinavian countries and the Netherlands. In some of these countries, particularly in Sweden, there had long been a tradition of “agencies” with service responsibilities and considerable autonomy over HR management with only a relatively small central civil service. Others, such as the Netherlands, have evolved towards agencification and decentralised management.

60. Figure 1 below locates OECD governments on these two dimensions:

- (1) The degree of “individualisation” of HR practices: flexibility to tailor employment conditions such as pay rates and contract terms to the requirement of recruiting and retaining individuals or groups of employees;
- (2) The degree of “centralisation” of HR practices: the freedom for management of individual departments or agencies to make these decisions for themselves.

**Figure 1: Delegation and individualised approaches to HR practices in central government of OECD member countries<sup>12</sup>**



61. The chart above indicates the variation within the OECD on these dimensions. There may also be diversity of practice within the systems of each government. For example, the Westminster governments – UK, Australia and New Zealand – have highly decentralised “labour market” systems, in which each department or agency has a great deal of control within budgetary limits over establishments, appointments, pay scales and employment conditions; but they all have at least some centralised management of senior management positions. Some departments may have firm career paths for some occupational groups but individualised contract appointments to specific positions for others. An example is the New Zealand Customs Service, which recruits into a career

<sup>12</sup> Source: OECD (2004), Figure 2, p 26

path of Customs Officer straight from school; but also makes appointments on individual contract direct to specialised positions such as computer investigations.

62. In terms of the economic perspective on the civil service discussed in Section 2.1, these are varying responses to two basic tradeoffs:
  - (1) Between the longer-term investment in career with deferred benefits for both employer and employee, and the shorter-term contract that reflects more current market conditions of supply and demand for the skills required;
  - (2) Between the government's requirement for predictability and central accountability for employment conditions on the one hand that leads to centralised and uniform rules for employment; and, on the other hand, the demand from departmental management to be able to meet their specific requirements for labour skills by making their own decisions on employment conditions.
63. The evidence that employment rules need to become more heterodox will lie in imbalances in supply and demand in public labour markets. These aspects – greater variety in employment conditions and greater decentralisation of HR decision making – are discussed in later sections of this report.

## 5. Getting better service

### 5.1. The performing state

64. A “performing state”, a term coined by Allen Schick (Schick (2003)), delivers outcomes of value for its citizens. Higher incomes, reduced inequality, good health, life-long education, personal security, access to justice and protection of basic rights and freedoms are universally recognised as desirable goals. The question is how to achieve them, and there the recipe may differ between developed and developing countries. Most OECD governments already deliver high quality and well-managed services. Their problem is that surveys show that the trust of their citizens in them steadily diminishes, even as services improve. Citizens come to take high standards for granted, and their expectations continue to rise. Many of the public management reforms in OECD governments have been designed to make the public sector more flexible and responsive so that it will perform better in the face of these rising expectations. On the other hand, many developing country governments cannot meet much more basic needs of the sort defined in the Millennium Development Goals or in the Human Development Index.
65. Nevertheless, the idea of a better-performing state – defining its goals and its achievements in terms of the basic needs of its citizens – is a powerful one for most governments, and it is reasonable to ask what messages there are for developing country governments in the experiences of others.

### 5.2. A focus on performance

66. In both OECD and developing countries, there has been increasing attention in the last twenty years towards outcomes and service delivery standards as an instrument of accountability and service improvement. Two approaches are governments publicly committing themselves to service standards, which puts public external pressure on both them and their organisations to deliver these results; and governments setting and enforcing standards on their organisations through their hierarchical authority, such as policy directives, budget documents or planning agreements.
67. Academics agonise over the possible problems of measures: that the value of some things that governments do cannot be measured; that there is a danger that the wrong things will be measured, resulting in misdirected effort to improve the measures; or that measures can be manipulated by self-interested politicians and civil servants. There are indeed always risks in measurement, but many basic outcomes that are most important to poor people, such as personal security, reliable power, clean water, prompt access to medical services, and a good education, can readily be defined and measured in terms that mean something to citizens. The value of publicly set and measurable standards, public commitment to them, and regular reporting of achievement far outweighs any hypothetical difficulties with such measures.

#### Box 1: Keeping the focus on objectives

By widely publicizing specific objectives of a reform effort, it is possible to create strong pressures on the responsible parties to meet those objectives. A local health care delivery program in Ceará, Brazil, undertook to significantly improve the quality and impacts of its health care delivery. An important element of their strategy was to widely advertise not only the performance standards being sought by the reform but also specific steps citizens could take if they felt that program had failed to meet its performance standards. This reform met with impressive performance improvements, in no small part because of the ground-level pressure to perform created by this publicity about the program's aims and means of holding its practitioners accountable for achieving those objectives.

Reid (1999), drawing on Tendler (1997)

68. Two well-known examples of publicly set standards are Citizens' Charters from the UK and Citizen Report Cards pioneered in Bangalore and widely promoted by the World Bank. They represent different approaches.

69. The Citizens' Charter as originally introduced by the Major government in the United Kingdom in the early 1990s, was a broad policy statement of the rights of citizens in relation to service delivery by public organisations. There were several elements to this policy, as indicated Box 2, but the best-known were the commitment to "publication, in plain language, of standards of service" and correspondingly to "proper redress when things go wrong".

**Box 2: UK Citizens' Charters - Criteria**

- *Higher standards*: publication, in clear language, of standards of service; tougher, independent inspectorates; a 'Charter Mark' scheme to commend bodies that abide by the terms of the Charter.
- *Openness*: elimination of secrecy about organizational arrangements, costs of service, etc. Staff to be identified by name badges.
- *Information*: regular publication of information about performance targets, and how well they have been met.
- *Choice*: 'the public sector should provide choice wherever practicable'.
- *Non-discrimination*: services to be available regardless of race or sex; leaflets to be printed in minority languages where there is a need.
- *Accessibility*: 'services should be run to suit the convenience of customers, not staff'.
- *Proper redress when things go wrong*: 'at the very least the citizen is entitled to a good explanation, or an apology'; better machinery for redress of grievances (including, as originally envisaged, a system of local lay adjudicators to deal with minor claims for redress); adequate remedies, including compensation where appropriate.

Drewry (2005), paraphrasing Government of the United Kingdom (1991)

70. Drewry (2005) reports that "[w]ell-established Western European charter examples include the UK, Belgium, France, Italy, Portugal and the Netherlands". Nikos (2001) reports that during the 1990s "[m]ost of the member states of the European Union ... designed and implemented policies focused on the improvement of public services delivery." Drewry notes that other initiatives by the mid-90s included Argentina, Australia, Canada, the United States, Belgium and Singapore, Hong Kong, Malaysia, South Africa, India, Jamaica, Namibia, Costa Rica and Samoa. Case studies quoted by Laking and Norman (2007) indicate that "British ideas such as 'Citizens' Charters' have taken root in the Maldives, Barbados, Mauritius, Namibia, Tanzania, Brunei, Papua New Guinea, Bahamas and Nigeria."
71. In their home country of the UK, Citizens' Charters at a national level have morphed into other forms more politically congenial to the Labour government that replaced John Major's Conservative administration but the idea of service standards accessible to citizens has survived in other forms like the Blair Government's Public Service Agreements. Drewry reports some favourable outcomes in a specific application of Citizens' Charters in the UK and concludes cautiously that "The British experience does suggest that the Citizen's Charter has probably had beneficial effects on quality of service." (Drewry (2005), p 338).
72. The Citizens' Report Card (CRC) initiative originated with the Public Affairs Centre, a civil society organisation in the city of Bangalore in the Indian state of Karnataka<sup>13</sup>. It is "an assessment of the satisfaction levels of citizens with regard to public services in Bangalore and ranks public service agencies (dealing with water, power, municipal services, transport, housing, telephones, banks and hospitals) in terms of their service performance" (Ravindra (2004)). As has been widely reported, the first CRC survey in 1994 – a random survey sample of households – reported very low levels of satisfaction with many of these public services. By the time of the second survey in 1999, levels of

<sup>13</sup> Ravindra (2004) reports that the CRC has since been tried in a number of other Indian cities and, with World Bank support, piloted in the Ukraine and the Philippines.

satisfaction – although in some areas still low in absolute terms – had improved dramatically. Ravindra says that:

On the whole, the impact of the CRCs has been positive. They helped to increase public awareness of the quality of services and stimulated citizen groups to demand better services. They influenced key officials in understanding the perceptions of ordinary citizens and the role of civil society in city governance. Bangalore has witnessed a number of improvements following the CRCs, particularly the second one. (op. cit. p iii).

73. Citizens' Charter and CRCs have the same basic objective of stimulating improvements in service delivery by focusing attention on actual standards of service in areas which matter to citizens. But what is the mechanism by which awareness of shortfalls in performance is translated into efforts to improve future performance?
74. First, of course, both rely on feedback from service users to providers. Published service standards may mean little to poor people who have access neither to information about the services or to the services themselves. Haque (2005) asserts that the Citizens' Charter initiatives in India, which were widespread at both Union and State levels, have had little impact on socially excluded groups - the poor, out-caste and women - who had no role in the design of the standards (a "top down" process) and were excluded from services in the first place<sup>14</sup>. It is perhaps worth noting also that CRC initiatives have apparently been confined to urban areas in India, where there are growing middle classes with the education and social strength to put pressure on city administrations to improve services. Ravindra (2004) comments that "satisfaction [with services] is determined not only by the actual service levels but by the respondents' expectations" and that poor people appeared generally to expect less of services than the middle classes.
75. Secondly, even when the message that users are dissatisfied is getting through to politicians and public organisations there needs to be both incentive and capability to respond. Ravindra suggests that leadership by senior officials and a supportive civil service culture<sup>15</sup> are critical:

The responsiveness of government agencies, particularly their leadership, is very important. Where senior officials are concerned with the performance of their agencies, and with serving ordinary citizens - their customers - as best as is feasible, this is likely to provide a much more fertile ground for action on the basis of CRC findings. Of course, to the extent that the civil service culture is not customer-oriented, and is not concerned with achieving high levels of performance, there will be important constraints on what can be achieved even when the most senior officials are committed to reform. (Op cit, p iii).

76. From Ravindra's detailed review of the responses of different public organisations, measures employed in support of culture change included:
- (1) Training for staff to change behaviours and develop management skills;
  - (2) Providing more information for customers on service provided and standards to be expected (on the Citizens Charter model);
  - (3) Internalising user feedback – e.g. through complaints resolution processes, spot on user satisfaction surveys, and communication with citizen action groups; and

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<sup>14</sup> Some initiatives in other quarters suggest that Haque's pessimism about social exclusion is not always justified. Prominent among these are the absenteeism campaigns in India and some African countries, particularly aimed at teachers and doctors who do not turn up for work; and expenditure tracking surveys to ensure that a greater proportion of government funds intended for schools and clinics actually get there. These measures seem specifically designed to improve service delivery for the rural poor.

<sup>15</sup> Political culture is also probably important. Haque argues that patronage and corruption in Indian public services will limit responsiveness to service users. In South Asian societies these two factors are often closely related.

(4) Outsourcing some supplying services such as office cleaning.

77. But overall Ravindra and Haque in the works cited above offer only sketchy explanations of how a “supportive civil service culture” is achieved in Karnataka. Ravindra also reports some significant roadblocks in the way of the necessary organisational reforms. Problems mentioned included lack of managerial autonomy, political interference, shortage of staff skills and (by implication) continued difficulties with staff attitudes.

### 5.3. Linking organisational and individual performance

78. Allied with the new ethic of service, in some OECD countries there was a renewed interest in results-based budgeting such as program budgeting or output budgeting; based on new forms of contract or agreement with public enterprises, agencies and government departments, emphasizing results to be achieved; and on translating organisational objectives into performance targets for work units and individuals.
79. The drivers for these changes included a desire on the part of governments to make civil services more clearly accountable for delivering results of value to people. As the range of functions, size and complexity of OECD governments grew rapidly during the post-war period, they became less amenable to direction by uniform administrative processes across the whole of government or to rule-driven hierarchical management within each department. Some governments were therefore encouraged to “let the managers manage” by giving them more authority to manage people and money. According to the OECD, delegating management of people and money to individual public organisations necessitated control by outputs (what departments produce) rather than inputs (people and money). There had to be a new basis for planning and controlling public sector activity, and a production model, linking inputs via organisational processes to outputs, was a logical candidate.
80. Management by outputs or results was not a new idea in OECD governments but was probably made more feasible by the vastly improved information on costs and outputs available through computer networks by the 1980s. According to the OECD, the “modern” performance management movement of the 1980s and 1990s was therefore “more complex” than its predecessors. There could be:
- “Hard” dimensions – both *ex ante specification of work* (corporate and business planning, contract specification, output and outcome targets, performance agreements) and *post hoc verification of work done* (contract and performance management, performance reporting and auditing, pay for performance, and performance “accountability” in the sense of identifying work results with individuals and holding them personally culpable for failure).
  - “Soft” dimensions aimed at increasing the internal motivation of employees to work in the organisational interest (management which fosters a shared sense of vision and mission, recognition, sense of belonging, desire to be of service to the public, supportive organisational culture, professional pride, etc.).
  - And a hard/soft mixture of adjustment and feed-back dimensions – strategic management, leadership, devolved and delegated decision-making, activity-based costing, management information, teamwork, horizontal co-operation, customer feed-back, outcome monitoring, indicators, evaluation.

OECD (2004)

81. A wide range of OECD governments, led by the NPM reformers Australia, New Zealand and the United Kingdom, developed “hard” systems of performance management which were based on some or all of:
- (1) Strategic objectives or outcomes agreed at the level of whole of government;
  - (2) Specific performance agreements or output plans for each public organisation tied to annual and multi-year expenditure plans;



- (3) Strategic and corporate plans for each department or agency allocating objectives and budgets to divisions and other work units; and
  - (4) Individual performance agreements between managers and staff setting work tasks.
82. These changes were usually accompanied by detailed reporting systems and external review and audit processes. For example, the New Zealand system is based on:
- (1) Ex ante Statements of Intent (SOIs), departmental outcome and output plans agreed with the department's Minister and spelling out budgets and performance targets; these plans are commonly based on three-year forward estimates of expenditure and departmental strategic plans, and are translated into annual divisional budgets and internal business plans;
  - (2) Regular (usually quarterly) reporting to the Minister on financial and non-financial performance;
  - (3) A system of quality assurance of reporting based on internal audit and control and annual external audit by the Controller and Auditor-General of both financial and non-financial results;
  - (4) Annual reports to Parliament on results against budgets and non-financial targets in the SOI;
  - (5) Scrutiny of departmental budgets and SOIs and review of annual reports by Parliamentary Select Committees.

### **Box 3: Performance management - Botswanan experience**

Botswanan experience with public sector reform features several times in this report. Botswana's interest as a case study lies in its success in achieving steady rates of economic growth featuring prudent management of its natural resource endowments. Although Botswana still faces major problems such as the HIV/AIDS epidemic and widespread rural poverty, it stands out in sub-Saharan Africa as a model of political stability and relatively high standards of good governance. Botswana ranks in the first three sub-Saharan nations in Governance Matters indicators for voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption. (Kaufmann et al. (2007)).

Kaunda (2005) (p 36) says that Botswana's public sector reforms have been driven off its Five-Year National Development Plans, which have been regularly developed and implemented since independence. Four programmes "stand out as the most prominent":

- Organisation and Methods reviews began in the mid-1990s and were "aimed at clarifying and aligning ministerial goals, objectives and functions and structures for effective attainment of national policies and plans."
- Work Improvement Teams were "meant to detect and solve problems arising in the implementation of policies and, using the team approach [solve them]". WITS started in 1993 and was "supposed to develop team spirit".
- The Performance Management System, introduced in 1999 "was aimed at formulating and implementation of short to long term organisational plans for improving individual and organisational performance and capacity to deliver goods and services." It was based on "formulation of strategic plans and a system of quarterly performance measurement and review".
- Computerisation of personnel management systems.

Kaunda (2005), pp 36-37

Each initiative seems to have met with only partial success. Kaunda reports that WITS "appeared to be successful in only a handful of organisations". The impact of O&M reviews was never properly measured. The personnel management system has suffered from a lack of staff capable of maintaining the system and failure to keep records up to date. With PMS, "most government agencies failed to use the prescribed measurement tools, did not have adequate education and awareness processes to make employees understands the technique, there was resistance to change, and generally the effort was not well-focused in implementation." (p 39). An intended roll-out to local governments has been stalled.

The Botswanan Government is persevering with PMS, despite the problems. Bakwena (2003) says that "Ministries have developed strategic plans through which their policy goals and objectives have been aligned to the National Development Plan and the National Vision 2016." (Bakwena (2003), p 3). PMS is the centre of a framework that links national objectives to individual performance goals. Starting in 2004, heads of departments have been placed on personal Performance Agreements. Employment contracts were being introduced for Permanent Secretaries. In 2005 (the most recent information available), the Public Service was also introducing a Balanced Scorecard (BSC) system and Strategy Maps. BSC is a well-known private sector strategic management system that sets out to measure organisational value added but to supplement it with other indicators of progress such as quality of stakeholder relationships, internal processes and organisational learning.

PMS has been implemented as intended in a few organisations, most notably in the Botswana Police who

... developed a Mission Statement and Long Term Corporate Development Strategy around four goals – Crime Reduction, Community Policing, Human Resources, Facilities and Support. Results are to be assessed from reductions in crime, improved public perceptions of the Police and achievement in terms of the long-term government vision for Botswana. Not surprisingly, the reforms required "a total turn around in [Police] professional outlook. This involved issues of culture and long term beliefs." (Moleboge (2003)<sup>16</sup>).

But Bakwena notes that PMS continues to face problems of inadequate capacity (multiplied at the local government level), "deeply entrenched paradigms", a view amongst politicians that it is a "waste of resources", "lack of commitment by management in some Ministries" and a continued struggle in most ministries with the problems of measurement. (Op cit pp 4-5).

83. Another tack has been through trying to instil a Total Quality Management culture in public organisations focusing on work teams monitoring their own performance. Laking and Norman also report that:

Other governments have taken up the language of the "business excellence" model, for example the adoption by Mauritius of "excellence" and TQM paradigms with gemba kaizen, work improvement teams, citizens charters, ISO9000 and business process re-engineering (Bhanji (2003)). Work improvement teams have also been used in the Maldives, Botswana and Singapore. This cluster of concepts has been influenced by Singapore and Malaysia in addition to the former colonial countries.

#### 5.4. Conclusions

84. There are some general conclusions from the discussion on performance. First, committing to standards for service is a way for governments to get some traction on the problem of improving the quality of public services. It can be helpful in exposing the causes of poor services, and outflanking opposition to change by creating a narrative that traces user dissatisfaction back to factors like unmotivated or badly trained civil servants. User surveys and published standards play their part in this campaign for better performance. But if civil servants are to be able to respond effectively to pressures for service improvement, other things have to change as well, as indicated by the Bangalore CRC experience: the effects on the organisation will ultimately depend on the quality of its leadership and the supporting system changes without which staff training on its own is likely to be ineffective in altering "mindsets".
85. The implications for human resource management of driving down strategic and organisational goals into individual employee targets are sizeable. They place a lot more weight on achievement of specific work objectives by staff and on evaluation and reward policies based on results. Such systems rely a lot on a high quality of information about work performance, the ability of managers to motivate employees to achieve the goals of the work unit and the organisation, a certain flexibility and ability to improvise in the face of inevitable changes in circumstances during the year, and trust by both employees and managers in the essential fairness of the system. Total Quality Management systems in

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<sup>16</sup> Commissioner, Botswanan Police

the spirit of *gemba kaizen* rely particularly on the willingness of individual members of work teams to confront and deal with problems of performance quality as they arise.

86. In the words of the OECD:

In accountability and control, as in all other dimensions of management, the informal, the individuals' motivation, values and attitudes, are as important as formal systems. Strategies to strengthen control and accountability must take account of this or fail. Performance-oriented management can – and should – allow a lightening up of input and process controls. But this is not because formal performance planning and reporting becomes the control system, but rather because formal controls can be partly replaced by social controls as staff internalise organisational goals. The cost of this is that senior officers must give much more attention to management than was so in a traditional bureaucracy.

OECD (2004), p 36

87. These are demanding conditions, requiring as they do a basic culture shift in public organisations as well as a platform of a competent and capable civil service focused on delivering services that citizens want. The most optimistic conclusion that can be reached is that in some public organisations in some countries at some times, the stars may be right for the sort of performance management system described above. The gloomier and possibly more realistic conclusion is that in most organisations, in most developing country governments at most times, they will not be present.

88. Professor Schick concluded that the recipes for reform in OECD countries might not be right for developing countries and that a "strong case can be made that the least developed countries may benefit more from old-fashioned administrative controls than from new fangled performance-based products" (Schick (2003), p 5)<sup>17</sup>. This view has now become received wisdom in the international financial institutions such as the World Bank: get the "old public disciplines" in place before experimenting with the "new public management"<sup>18</sup>. A recent Bank study in three transitional countries, drawing also on other Bank empirical work, concluded that:

- (1) "Building a meritocratic civil service is of universal importance to performance";
- (2) "A well-functioning system of administrative procedures lays the foundation for meritocracy";
- (3) "Performance management systems demonstrated remarkably little influence on anything."

Anderson et al. (2003), p ix.

89. In Schick's words, rather than introducing pay for performance schemes, governments "would do better to hire and promote civil servants on the basis of merit, pay them fair wages, demand a day's work for a day's pay, and teach them to be accessible and courteous to citizens."<sup>19</sup>

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<sup>17</sup> Schick earlier developed this theme in Schick (1998), which focuses on the inappropriateness of New Zealand's relatively radical reforms but drew a broader conclusion that "managerialism" was a dangerous recipe for countries with no culture of compliance with formal administrative rules.

<sup>18</sup> For example Manning (2001) argues that the problem for most developing country governments is first with creating an environment which enables the public to enforce its expectations on the state and second with creating a state which can indeed deliver on those expectations.

<sup>19</sup> Schick (2003), p 5.

## 6. Efficiency of the labour market

90. Section 4 concluded by identifying two basic tradeoffs for governments as employers – between centralised and decentralised management of HR; and between uniform and individualised employment conditions for groups of employees.

### 6.1. Decentralised management of staff

91. Many OECD countries and some others have experimented with decentralisation of HR management, for example giving heads of public organisations more authority to hire and fire staff and set terms and conditions of employment. The impact of decentralisation has been in the form of greater autonomy for agency management to decide terms and conditions for employees, resulting in greater variety of these conditions across government.
92. Managerial decentralisation, where it has occurred in the OECD, has taken two main forms:
- (1) In some countries, particularly the United Kingdom, the Netherlands and New Zealand, large numbers of staff have been shifted under the governance of semi-autonomous agencies, frequently with their own boards. In others, like Canada, France or Japan, they less common. But many countries experimented with the agency form in the 1980s and 1990s.
  - (2) In a few governments, particularly Australia and New Zealand, departments inside the core public service were also given much greater freedom to manage their own staff.
93. Decentralisation has frequently been associated with the “performance movement” discussed in Section 5, emphasizing achievement of results of value for citizens. Particularly in the Westminster democracies, the focus of control for organisations shifted from detailed control of inputs to management by results.
94. Many developing countries have experimented with the agency form. Laking (2005) lists a wide range covering parastatals, AGETIPs<sup>20</sup>, social funds, extra-budgetary fund administrations (e.g. for pensions) and independent revenue authorities. Quite often (sometimes explicitly at the instigation of donors) agencies have been established to avoid the perceived rigidity, corruption and poor performance of existing civil services. Laking notes however that there have been mixed results to date in terms of improved performance and reduced corruption. (Op cit, pp 12-13).
95. The value of these reforms – particularly those categorised as the New Public Management – have been disputed. The benefits of the changes have generally been seen as:
- (1) greater flexibility for managers in allocating staff resources and in economising on use of people;
  - (2) freedom for innovations in conditions of employment like term contracts, part-time work, lateral entry<sup>21</sup>, performance related pay and promotion, and outsourcing of work to contractors;
  - (3) a clearer focus on achieving results and being responsive to citizens;
  - (4) the ability to make effective use of the private sector for specific tasks and to draw in expertise at professional and managerial levels.
96. On the other hand critics wrote of:

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<sup>20</sup> AGETIP = Agence d'Exécution des Travaux d'Intérêt Public: a form of public works agency popular for channelling donor funding in Francophone Africa.

<sup>21</sup> The opening of higher-level positions to competition from outside the civil service.

- (1) A perceived increased “fragmentation” of public sector into vertically-aligned silos due to the stronger emphasis on vertical accountability for results and the creation of a larger range of new single-purpose organisations such as Executive Agencies;
  - (2) a focus on narrowly-defined measured results rather than broader goals of government was also contributing to “tunnel vision” by civil servants;
  - (3) a loss of institutional capacity because tasks formerly performed by a central civil service were now either not part of government’s functions at all, were hived off into agencies or were outsourced to the private or community sectors, so that capability to perform them was being lost to the civil service;
  - (4) excessive restructuring, which was resulting in a loss of institutional memory as older and longer-serving civil servants were made redundant; and
  - (5) balkanisation of the civil service, leading to a loss of public ethos previously underpinned by common leadership cadres.
97. Some very broad general conclusions can be drawn from these experiments with management decentralisation:
- (1) Except in the most conservatively regulated centralised civil services in the OECD, “managerialism” – greater delegated authority for public organisations to manage their own budgets and staff – has been a widespread movement and appears here to stay; there is evidence in OECD countries that it has led to greater efficiency and responsiveness in service delivery<sup>22</sup>; but governments face the problem of ensuring that public organisations work together on major policy issues and of getting the right investment in the future overall capability of their civil services;
  - (2) The benefits are less certain in developing countries; decentralised control of staff is widely regarded as a risky strategy for developing country governments that have not laid the foundations of dedicated, merit-based and competent civil service; a major review of the World Bank’s governance initiatives in developing countries over the last two decades (World Bank (2005)) concluded that a capable, meritocratic civil service is an essential precondition for many other governance reforms.

## 6.2. Recruitment

98. Nevertheless, governments that persist with high degrees of centralised control over HR still have to deal with the potential rigidities in that system, in terms of responding to changing supply and demand conditions in the public labour market. The experience in many countries – not just the OECD – public labour markets have needed to become more responsive and flexible.
99. In most OECD countries, the idea of a job for life in public employment is no more. As discussed earlier, public employers have had to adjust to changing social and economic conditions. Work patterns have changed, particularly with longer periods in formal education, two-income families, increasing affluence and social security. Public organisations face increasing competition from the private sector for skilled employees. All of these factors – some of which may be emerging in the Punjab – have meant that employers have had to adopt a more flexible approach to hiring labour, which can significantly modify the importance of legal protections.
100. If workers are not expected to remain in a civil service job until retirement, the incentives in the HRM relationship change in a number of ways. Demand increases from public employers for staff who are already trained and experienced, because of the risks that investment in the training of staff will not pay off if the staff member leaves early. This in turn gives employers an incentive to recruit already qualified staff at a higher level and puts pressure on for lateral entry in to positions of responsibility. This may be

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<sup>22</sup> Laking (2005), James (2001).

particularly true where professional qualifications are largely interchangeable between public and private sectors – such as in finance, IT and other corporate management functions. Chief Finance Officers or Chief Information Officers may be directly recruited from the private sector into line departments, or professionals may be recruited into general management in departments with a strong professional role.

101. The need to compete directly with the private sector in a general labour market, particularly for staff with professional qualifications, also alters the nature of the wage bargain. Public employers have to expect that they need to pay something near the going rate in the private sector for specialist professionals, and this can have knock-on effects on relativities with other staff. Fixed salary scales with rigid entry points also come under pressure if employers have to negotiate with applicants who have opportunities elsewhere.
102. In addition, in some countries at least, the use of term-limited contracts has been a deliberate instrument of HRM policy. A much reported innovation in 1988 was the New Zealand provision for Chief Executives of government departments to be placed on five-year contracts with a three-year extension. Hiring staff on term contract raises specific issues with termination, at least in theory. Employees who are nearing the end of their contracts face mixed incentives. If they are seeking a contract renewal, then perhaps they will behave more cautiously, or manipulate their results, to improve their chances of a favourable review. If they are intending to move on, or to retire, then their incentives are different and in the former case they may perhaps be actively seeking another job, diverting their attentions from their current work. There is very little available evidence from OECD countries on actual behaviour in these circumstances. However it is worth noting that some private sector employers tie a portion of reward to successful completion of the full term of the contract, indicating that they see a risk in the “end game” where performance falls away.

### **6.3. Mandarins and other leaders**

103. Élite leadership has always played an important role in most OECD civil services. In classical career-based systems like France and Germany, the term “civil servant” was in fact reserved for the “mandarin class”: a small group of senior administrators who occupy key positions in the management of government departments and advice to the political executive on policy – and who are expected to represent the broader interests of the state and its governance values<sup>23</sup>.
104. Most OECD governments still accord a special status to a senior leadership group, but the approaches they take to this elite vary widely. The OECD survey describes them this way:
- (1) “Individualising” governments such as Australia, Finland, New Zealand, Sweden and Switzerland have distinguished a senior leadership group but have significantly reduced the protections and privileges available in a career-based system, using “individual term contracts, open recruitment, performance related incentives, and some attempt to reduce the pay gap with the private sector” (OECD (2004), p 27). These governments may attempt to identify and develop staff with leadership potential earlier in their careers, and to imbue them with an esprit de corps and commitment to the collective values of public service in preparation for their leadership roles;
  - (2) “The most strongly collectivist countries (France, Japan and Korea are the clearest examples) have always had a distinctive leadership elite. These countries have, however, been revisiting these arrangements to introduce into them a greater

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<sup>23</sup> The term “civil service” has a wide variety of different meanings in governments of the OECD – indeed so various is the definition that the OECD’s study found it less useful than the broader term “public service”.

element of external and internal competition at entry and for promotions, and stronger performance incentives.” (ibid)

- (3) Other traditional administrative law countries (Germany, Austria) have similarly always had a leadership elite and have maintained rigidly protected career systems for this elite but “are being induced to give senior management more attention because the greater managerial demands of modern public administration require it” (op cit, p 28).
105. In short as the role of the state became more diverse the skills of the classical administrator became less relevant to high-level management and the range of advice that the government required. The claim of the classical administrator to be the apex profession of the civil service began to erode. Efforts have been made in some countries to broaden the skills base of their administrators to equip them as managers and policy advisers, but the claims of others to be considered for these positions grew stronger.
106. Like Pakistan, other career-based civil services limit mandarin recruitment to an entry grade<sup>24</sup>. Selection methods vary. In France and Japan, entry to mandarin classes was historically by élite feeder schools, but – similar to Pakistan - in both cases applicants also sit specific civil service examinations and are interviewed. In France, successful applicants are ranked in order of performance, with the higher-ranked getting more choice about which corps or cadre to join. Other jurisdictions – like Singapore - rely more on general educational qualifications supplemented by interview. In other, more open, “labour market” systems it is common practice to rely on educational qualifications in recruiting for entry-level positions plus interview. In some countries reliance on specific public examinations instead of academic qualifications may be due to mistrust of the quality of local qualifications as well as a belief that they are not tailored specifically to the requirements of the civil service.
107. The major issue for selection of applicants at any level is the problem of adverse selection referred to earlier: a system based almost entirely on selection at entry, with automatic promotion thereafter, depends a lot on the efficiency of entry-level screening. While the recruitment authorities in Pakistan seem confident that specific examinations and interview are the best methods of selection, the following comments are in order:
- (1) There has been no evident effort to evaluate the quality of selections: evaluation has methodological difficulties<sup>25</sup> but would help establish a correlation between the ranking accorded to successful candidates and their subsequent performance in the civil service;
  - (2) The literature on selection methods rates performance in examinations as a relatively unreliable means of screening applicants; nothing is foolproof, but methods with better predictive results include structured interviews, work tests, cognitive ability tests ,and combination methods like assessment centres<sup>26</sup>.
  - (3) Examination results may become less relevant the further up the hierarchy that appointments are being made and other methods of assessment together with evaluation of work history more useful.

#### **Box 4: UK Graduate Fast Stream – reducing selection risk**

Most people join the UK Civil Service by applying direct to government departments and agencies. However the Cabinet Office administers the Graduate Fast Stream for the whole Civil Service as “a graduate entry route for senior Civil Service careers”. Successful candidates “are

<sup>24</sup> Some of the information in this section comes from Nunberg (1992).

<sup>25</sup> For example, reliable evaluations of post-entry performance and the “false negative” problem – there is no way of assessing the performance of applicants rejected by the selection process.

<sup>26</sup> Cook (2004), for example, provides a detailed analysis of a wide range of selection methods used in both government and the private sector in the United States, United Kingdom and other countries. Meta-analyses of the predictive value of different methods include Hunter and Hunter (1984) and Stephen Dakin in Boxall (1990).

guaranteed a series of intensive job placements designed to prepare them for senior managerial positions. Fast Streamers move regularly between projects and sections within their departments; they take up postings in other departments and agencies, they are seconded to Europe, international partners such as the USA and the world of business."

Entry to the Fast Stream is via an elaborate multi-step screening process, pictured in *The UK "FastStream" Process*, on page 68. This includes a self-assessment, online tests, a "supervised e-tray exercise", attending a one-day "Fast Stream Assessment Centre", a ranking of candidates by order of merit for a limited number of places and a final set of pre-appointment checks. Successful applicants are made a job offer by a specific department, but they also participate in the Fast Stream development programme based on the intensive job placements mentioned above.

Cabinet Office (United Kingdom) (2007)

108. Other strategies for reducing the adverse selection risk of elite recruitment include initial probationary periods and increasing the pool of potential recruits:

- (1) *Probation*: In Singapore, all new appointees have a probationary period, usually one year, which "allows officers to learn their work and test their suitability for the job." (Singapore Civil Service (2007)). In Germany, after success in the entrance examination, civil servants "are to prove themselves in a probationary period" ranging (depending on the level of service to which they are to be appointed) from one to three years (Federal Republic of Germany (2003)). South Korea similarly has a one-year probationary period for civil servants (Kim (2001)). On the other hand, probation may be just a formality. In France, failure to be confirmed at the end of a one-year probation is "very rare" (Bouniol and Laurent (2005)).
- (2) *Increasing the pool of potential recruits*: Nunberg (1995) notes that Singapore and France are having to compete harder with private sector now for recruits and have been using scholarships and bonds; and that Japan offers bonuses for recruits to remote areas and "hard-to-recruit professions". However Bouniol and Laurent argue that competition for entry into the elite corps in France remains high because of concerns about job security amongst young people and results in "overqualified candidates and then [overqualified] personnel" (op cit, ). Conversely, in Singapore, many funded recruits leave the service at the end of their bonded period because of the attractions of alternative employment. This is not necessarily a problem for a government that sees its function as training for employment in general and turnover as an inevitable accompaniment of a more vibrant labour market; but loss of younger staff to the private sector can increase the HR problems for departments and focuses attention on other more basic incentives for public employment such as adequate reward, interesting work and prospects of advancement.

109. The general conclusions from this discussion on recruitment are as follows:

- (1) Greater diversity in requirements for skills in the public sector, combined with increased demand from the domestic private sector and internationally, demand a more flexible response on recruitment, salaries and conditions of service particularly for professional staff; while governments may wish to retain central control over pay and conditions for these staff, they also need to recognise that uniformity may have to be sacrificed to the realities of supply and demand for skills;
- (2) Mandarins – senior administrators and policy advisors - continue to occupy a special position in most OECD and developing country governments; some countries have moved to an open labour market system for appointment of senior management, but most retain some idea of a career in senior management;
- (3) Career systems place great weight on the suitability of candidates at entry for further development and promotion to higher positions; the risk of adverse selection can be high; but it can be mitigated to some extent by more sophisticated selection methods and real – as opposed to token – probation periods.



#### 6.4. Placement and promotion

110. By definition, candidates for appointment or promotion are competing with others to demonstrate that they have the competence to take on the responsibilities of the posts to which they will be assigned. There are two broad approaches:
- (1) In career systems, candidates will be assessed on their general potential for higher management and policy positions and if successful move into a selection pool from where they can be assigned to specific posts requiring these skills;
  - (2) In position-based systems, applicants will be appointed to a specific post and have to demonstrate that they have the competencies required for that post: these requirements are likely to be based in part on generic management and policy experience and aptitude, but may also give weight to experience in the specific policy or operational requirements of the post.
111. In career systems, “the principle is that officials should not be promoted to as higher grade unless they are capable of filling the entire range of posts associated with that grade” (Ridley (1983)) but inevitably some weight in most career systems has to be given to the requirements of the specific post to which the candidate is likely to be appointed. In position-based systems, the weighting given to specific experience in the function varies from country to country but – apart from some posts that require a specific professional qualification (medical or legal for example) - the higher the position, the more general management abilities are emphasized rather than specific experience in the organisation. Two New Zealand examples of job descriptions for third-level managers, senior operational positions that report to a Deputy Secretary, who in turn reports to the Chief Executive, are given in Annex B on page 69.
112. Pakistan is not the only government where there is little competition for senior management or policy positions, due to promotion by seniority and to some extent expansion of the number of senior positions available to accommodate the supply of candidates for promotion. For example, in Japan a “batch” (in Pakistan terminology) who enter the elite civil service together have traditionally advanced as a group. The Japanese system is nevertheless regarded as intensely competitive at an individual level: competition is not for higher pay (tightly set to position) or promotion (fairly tightly linked to seniority), but for prestigious job assignments: “the internal merit system is designed to ensure that the best jobs go to those individuals who, in the eyes of their superiors, have proven themselves in earlier positions” (Pempel and Muramatsu (1993)). No European country has ever had a strict seniority rule: at the least the rule will be what is called “seniority-cum-fitness” in Pakistan. For example, in Italy in the mid-1980s staff were declared “competent for promotion” will then be promoted in order of seniority (Ridley (1983)). Some civil services, such as France’s, have had rules about minimum length of service (*ibid*).
113. In other systems, competition is more overt: members of élite cadres, once they reach a certain level, are expected to compete for a limited number of available senior positions. A related strategy is to increase the pool of candidates for higher-level positions by increased lateral entry at higher levels – either between service streams, or (less frequently) by permitting appointments from outside the civil service – as is the case in Singapore and Kenya. In both governments, recruits selected for fast track development advance up a career ladder for the first part of their career, but are then expected to compete with each other and outsiders for senior positions.
114. In all cases where fitness or merit is a criterion, there needs to be a “balance between assessment of competence in present work and predictions about ability to perform at a higher level” (*ibid*). Ridley notes that:
- The dangers inherent in promotion on the basis of present competence are encapsulated in the ‘Peter Principle’, which states that this will eventually lead to the promotion of all staff to a level above their capacity. A possible solution is the German rule that aptitude for higher level work must be proved by a probationary

period during which the official works in a higher level post but remains in the present grade.

### Box 5: Promotion in the Civil Service of Kenya

*With thanks to Sylvester Obongo, Office of the President, Kenya.*

Promotion in the Kenyan Civil Service is primarily through fulfilling the requirement of a cadre's scheme of service. Each cadre has a scheme of service which outlines career growth requirements. There are over 200 schemes of service in Kenya civil service covering (for example) clerical officers, professionals such as doctors, engineers, nurses and economists; and general administrators.

The civil service is organised vertically into Job Groups. Job groups K to M are entry level graduate management positions. "N" to "P" are middle level management and "Q" and above are decision-making level including Heads of Department and above. For civil servants, the current job groups terminate at "U" which is occupied by the Head of Public Service. Permanent Secretaries in Kenya are political appointees. They fall in job groups "S" and "T" depending on the Ministry.

Administrators join the service in job group "K" as cadets on probation. They must have a first degree preferably in public administration. After serving for two years they are confirmed in appointment and put on Permanent and Pensionable Terms. For these officers to move to the next grade L however they must have served for three years and have sat and passed an Administrative Officers Examinations. Movement to the next grade job group "M" is almost automatic upon serving the mandatory three years stated in the scheme. This is what in the Kenyan context is called a "Common Cadre" That means movement within the Job Groups K to M does not need the creation of a position nor sitting for an interview.

However for an administrator falling within the scheme to move from job M to N there must be a vacant position, he or she must have served for three years satisfactorily and must have attended an Advanced Public Administrators Course offered at the Kenya Institute of Administration. There is no job group O so the next job group is P. For one to move to this job group in addition to the serving three years satisfactorily one must have a Masters Degree in Public Administration or related field.

However, those are really the minimum qualifications. Vacancies in job group N and above are tenable in specific ministries. They are centrally advertised in the major daily newspapers by the Public Service Commission and are open to everybody who qualifies including those in the private sector. They are therefore competitively filled. In recent years a number of people joining at relatively senior levels from the private sector, especially in cadres such as human resource, accounts and finance officers.

115. Anecdotal evidence is that the average period on post in the officer cadres in the Punjab is less than one year – despite the rule being a minimum of three years<sup>27</sup>. This phenomenon is not unique to Pakistan. The problem of rapid turnover is common in South Asian civil services. A study of turnover on post in the Indian Administrative Service showed that, from 1977-1986, 49-60% of the cadre spent less than a year on post<sup>28</sup>. A World Bank report on Bangladesh reported similar short durations (World Bank (2002)).
116. The prescription is usually to have and enforce rules for minimum duration of a posting. In the case of the Punjab, the rules are there already, but have little apparent effect on practice, suggesting that some other powerful incentives are at work. Diagnosis is harder. The range of explanations offered include:
- (1) Patronage: postings are used by politicians to reward, threaten and punish civil servants so that movement may have little to do with the requirements of the job or the suitability of the incumbent;
  - (2) Developmental: not just in South Asian civil services, younger "fast track" civil servants are moved from one assignment to another to broaden their experience;

<sup>27</sup> Schedule VI to the Rules of Business lists minimum tenure for various senior posts, ranging from three to five years. It also notes that "The tenure mentioned .. may be extended or curtailed by the Chief Minister." (Government of the Punjab (2007)).

<sup>28</sup> Potter (1987), reported in Mishra (2001), tables on pages 123 and 125.

- (3) A civil service culture that does not place a high value on experience as a qualification for management<sup>29</sup>;
  - (4) Sharing round more attractive postings or limiting time in less attractive ones;
  - (5) Strategic behaviour: civil servants will seek out positions that offer high-profile, career-enhancing opportunities, or try to leave positions which don't have these advantages;
  - (6) Leaving your mistakes behind you or finding a more accommodating boss.
117. Outside South Asia, there are very few references to the problem of high turnover in management positions in the civil service. Job rotation is a common management development strategy in large organisations in OECD countries and is seen as a positive incentive for aspiring younger staff. However an applicant for a more senior position who averaged a year or less in previous jobs would be regarded with suspicion. Behind this are some different assumptions about the career patterns of successful managers:
- (1) Management and policy skills develop with experience;
  - (2) A lot of management, particularly in public enterprise, operational roles in the core public sector or where there is a high component of professionalism such as health or education, is specialised to the nature of the job;
  - (3) Managers grow in the job and may take several years to add full value in a particular position; and
  - (4) The natural cycle of a management or policy position will often involve projects with a life to completion of several years; managers who expect to demonstrate their capabilities would need to have stayed with a job long enough to build up some solid accomplishments by seeing projects through to completion.
118. Conclusions:
- (1) A career system and competition for positions are compatible: many countries are able to combine recruitment to and development in an élite group with competition – both internal and external – for higher management positions;
  - (2) Turnover is a widespread issue in South Asian countries; it is a complex problem bound up with the nature of career and the internal labour market, the primacy of the generalist, and frequently political patronage in the civil service. Rapid turnover is however incompatible with effective management and a solution must be sought in changing the incentives on both civil servants and politicians.

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<sup>29</sup> For example, Panagariya (2005), in discussing high rotation in the IAS, suggests that: "The reasons for such rapid turnover are undoubtedly many including the whims of the politicians but a primary factor is probably the underlying assumption that the jobs do not require specialized knowledge and that an intelligent officer with common sense should be able to rapidly switch among them."

## 7. Managing individual performance

119. Performance management is the whole process by which the work and results of the individual employee are aligned with the goals of the organisation and the expectations of managers. There are three key steps: the manager sets work tasks for the employee in terms of their job description; reviews achievement at the end of the cycle of the assigned tasks; and decides or makes recommendations on reward or corrective action.
120. Accepted good practice for performance management is for open, participative, task-oriented and developmental assessments for reward, promotion and developmental opportunities such as training<sup>30</sup>. This implies:
- (1) Specific job descriptions for each position covering the range of duties and nature of specific work tasks, and competencies required; quite often job descriptions are formally linked to the mission and objectives of the organisation and the position of the incumbent;
  - (2) Ex ante agreements (usually for an annual performance cycle) between supervisor and employee on:
    - (a) Tasks, milestones and basis for assessing achievement; these can include numerical measures where appropriate but may simply describe how achievement will be recognised and include milestones; this is a discipline on the boss as well as the worker since the employee is assumed to be entitled to a clear description of what they have to do to have met the requirements of the job;
    - (b) Developmental objectives and opportunities for the employee during the performance cycle – manager and employee will agree on what competencies need developing and what training courses or specific assignments are available to help this development; the employee is therefore assessed on demonstrated competencies, rather than personal characteristics: ability to prioritise work efficiently rather than something general like good judgement;
  - (3) Regular meetings during the year between supervisor and employee to discuss progress and necessary remedial action; the general principle in good performance assessment is “no surprises” – the employee should not be confronted in the formal end of year review with any issue that has not been raised in previous meetings;
  - (4) At the end of the performance cycle, a formal assessment of performance and development which is made by the supervisor, reviewed by the supervisor’s own manager and discussed with the employee;
  - (5) Specific rights for the employee to see and comment on the assessment: firstly, to be able to learn from the feedback how to do the job better; secondly as a matter of natural justice: if the assessment will affect pay or promotion prospects, then the employee should have a right to challenge it.

### Box 6: International experience with performance management

[A] major strategy of reform in the civil service ... [is] to attack perceived poor performance defined as either a failure to deliver basic services or excessive and costly regulation. Poor performance was generally presented as a problem of the wrong incentives for civil servants or a lack of capability. Management approaches to the problem included:

- creating clearer job descriptions tied to tasks which in turn reflect the organisation’s role or “mission” so that civil servants could be judged against known and consistent standards;
- relating rewards (pay, promotion) more closely to “performance”, in terms of task but sometimes also defined as some form of “result” (output, outcome, achievement of good

<sup>30</sup> The following discussion draws on World Bank (2007): “Individual Performance Management”.

feedback from clients) – with the consequent issues about measurement; and

- improving rewards by tackling sometimes grossly inadequate civil service pay and in particular wage compression that provided no incentives for skilled workers.

In some countries, “performance management” was seen as the link between national and organisational goals and workgroup and individual tasks. In Botswana, the objective of such a system was described as “to provide a planning and change management framework that is linked to the national development plan and budgetary process” (Bakwena (2003)).

Measurement and reviews in the Botswana system were designed “to ensure efficient delivery of service and attainment of the desired impact on the citizens.” (Ibid.) Similarly in Namibia a new performance management system was to be linked to implementation of organisational strategic and management plans (Simataa (2004)). Caribbean participants wrote about setting performance standards and developing staff to meet them (Montserrat – Greer (2004)), linking agency goals to individual tasks (St Lucia – Lamontagne-Sifflet (2006)) and linking appraisal of senior managers to strategic and business plans (Trinidad and Tobago – Blackman (2006)). In the Pacific, system change focused on principal job accountabilities (Fiji – Chandra (2004)). Performance contracts for department heads were linked to corporate plans and output plans, service objectives and the annual report (Dogimab (2005)). In Mauritius a system aimed to link pay and promotion and training requirements to results (Beeharry (2004)).

Many of these plans for improving performance management have under-estimated the difficulties involved in changing work and pay expectations. Assessment might only occur when required for promotions (St Lucia - Lamontagne-Sifflet (2006)) and roles were not clearly defined as a basis for setting performance objectives (Ibid). Employees played no part in supervisor assessments in Fiji (Chandra (2004)). Complaints and appeals against promotion decisions or unfavourable ratings could result in punishment for the manager concerned. In Nigeria such circumstances led to nearly all officers being graded at 95 percent or better. (Ugbebor (2006)). Appraisal could be almost irrelevant in civil services dominated by patrimonialism, the awarding of jobs in return for favours or personal service. It was also very difficult where ethnic or regional considerations drove employment decisions. There was also little incentive to assessment when reward bore no relation to “performance” in terms of service delivery or organisational “mission”.

... Some pay and performance issues can be traced back to a colonial legacy of using annual confidential reports. These were frequently mentioned in African and South Asian case studies. In Mauritius, there had been no major change from the colonial system of performance reports (Beeharry (2004)).

Laking and Norman (2007)

121. There have been many experiments with performance assessment on this basis in developing countries and some lessons have been learned. Some of these are relevant in Pakistan:

- (1) Performance expectations are difficult to define if there are no individual job descriptions linked to organisational objectives or if managers are unfamiliar with the idea of delegating specific tasks to subordinates;
- (2) Employees have to see themselves as able to achieve results relevant to the mission of an organisation, rather than (as may be common in career-based systems), demonstrate personal characteristics such as reliability or judgement that give evidence to their general character;
- (3) Managers may be uncomfortable with having to share an unfavourable evaluation with an employee: personal direct criticism may be culturally inappropriate or simply something that managers wish to avoid because it may have personal costs for them;
- (4) Personal assessment can and should be based on evidence of achievements, but there are virtually no jobs in the public sector where it does not require an element of judgement; to be successful, the system therefore has to be seen as fair by most managers and employees, so it can resist challenges by a few;
- (5) The review may be regarded as a compliance task to be completed only when required before a promotion decision; worse, it may be entirely irrelevant if

promotion or training has nothing to do with personal assessment but is determined by personal favouritism or political patronage;

- (6) It is better to pilot the introduction of new methods of assessment with a particular group of employees or government function rather than introduce sweeping changes across the whole of government.
122. Furthermore, there is little evidence that, at least in the real world of decision-making on pay or promotion, linking these rewards to performance will provide a strong employee incentive. Research on attempts at performance evaluation in the Maldives (Hussain (2007)) indicates that employees expect to see this link, but that too often it fails to materialise. The problems are summarised in a World Bank discussion as:
1. performance payments tend to be small by comparison to normal pay owing to budgetary constraints
  2. there is often a large time-lag between the end of the appraisal period and the payment of the related reward
  3. even where performance-pay schemes allow for variable payments, most employees tend to receive similar ratings: managers appear unwilling to differentiate among their subordinates
  4. finally, performance-related pay is only one element in the staff management system and cannot make up for serious deficiencies elsewhere. If, for instance, pay is perceived by staff to be inadequate, performance bonuses of a few per cent are unlikely to motivate employees and may simply be seen by them as a minor pay supplement.

World Bank (2007), "Individual Performance Management"

123. Also, evaluation for promotion may be on different criteria than for reward. In some cases where promotion is the next step in a career ladder, quality of past performance may be relevant: here the major problem is likely to be the informal rule that seniority, rather than merit, is the strong condition for promotion. In other cases, where promotion is to a position of increased responsibility, the most important criterion may be demonstrated capabilities for these greater responsibilities, rather than performance in one's present position.
124. Conclusions:
- (1) After many experiments many observers have concluded that individual performance management on the model described in paragraph 120 is unlikely to be successful in many developing countries. This is not to say that it is impossible, but that it requires a fundamental change in culture and mindset at all levels.
  - (2) Assessment ought to have consequences for promotion or reward, but this also requires careful design of, and commitment to, relatively high-powered incentives that do in fact clearly discriminate between levels of assessed performance.

## 8. Devolution and HRM

125. Devolution is the transfer of political, (and, with it, administrative, and fiscal) authority to a lower level of government. The theoretical benefits of transferring full employing authority to the lower level government are basically matching political accountability to authority; and greater efficiency in the deployment of staff resources. The efficiency benefits arguably flow from the ability of governments to hold staff accountable for performance, to assign staff flexibly to posts, to employ only staff they can afford to pay, and to set local pay and employment conditions to attract and retain skilled staff.
126. There is however frequently a mismatch between devolution and the transfer of administrative authority over staff. A World Bank study found in eight country case studies that in fact “political decentralization is usually more extensive than the degree of fiscal and administrative decentralization” (Evans and Manning (2003), p 20)<sup>31</sup>. In Benin and India, local government units remained formally agents of the state. India’s experience seems closest to Pakistan’s in many respects with State departments continuing in practice to exercise detailed control over the activities of “their” civil servants working in Districts as well as paying their wages and controlling appointments, promotions and transfers. In the other six governments, political authority was devolved, and large numbers of staff were formally transferred, but the central authority retained significant powers over public employment, most commonly by formal central control over wage levels and sometimes over establishment levels. The two governments who went the furthest in matching administrative decentralisation with political devolution were the Philippines and Indonesia, but they also reserved significant formal powers centrally<sup>32</sup>.
127. An ADB/DfID/World Bank report on devolution in Pakistan argues that “More administrative decentralization is not necessarily better.” (Asian Development Bank et al. (2004), p 60). There are risks as well as opportunities in decentralization:
- (1) Even less mobility: in an efficient HR system, human resources would flow to the tasks where they can add most value; in a career system, introducing additional vertical and horizontal barriers to movement through new district and tehsil services is likely to reduce mobility further;
  - (2) Even greater opportunities for patronage and corruption: adding local politicians as an additional group of interests is likely to increase these risks; and
  - (3) Even less management for performance: there may be less skilful HR management, more obscure or conflicted accountability and reduced employee morale and trust in the system.
128. The report argues, therefore, that full implementation of this “simplistic” model of autonomy cannot be achieved because of institutional inertia and self-interest of stakeholders; but also that there may be good reasons to retain some higher-level control:
- (1) An opportunity to exercise some top-down influence over policy (as a national integrating device) even where political and fiscal authority have been largely devolved;
  - (2) A broader set of career options for civil servants, so they are competing for positions both within and outside their immediate administrative location; and

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<sup>31</sup> The study analysed administrative decentralization in Benin, India, Indonesia, Mexico, Pakistan, Philippines, Poland and Uganda.

<sup>32</sup> In the Philippines, local governments seem to have got round this to some extent by exercising “considerable independence”, augmenting centrally-mandated pay scales out of local funds, or simply refusing to make appointments to mandatory devolved positions. (Ibid, p 10).

- (3) Some fiscal safeguards in settings where the political pressures might otherwise overwhelm constraints on hiring or remuneration.

Ibid, pp 61-2

129. There are countervailing arguments for each of these:

- (1) Other governments exert influence over policy in lower levels by resort to fiscal and regulatory instruments; trying to do it by commanding civil servants sounds quite a lot like micro-management that confuses accountability; the appropriate relationship for a higher-level government would be with lower-level political executives; or through setting national regulatory standards for civil service management (e.g. merit protection authorities such as Civil Service Commissions);
- (2) The origin of the common problem of narrowing career opportunities for local civil servants arises not so much from devolution as from the limited ability of civil servants to compete for positions outside their own career structure; an alternative is to increase labour mobility generally in the civil service by reducing these barriers;
- (3) Exerting fiscal control by restricting hiring or remuneration is less allocatively efficient than by controlling aggregate budgets or (second best) by controlling aggregate HR budgets. Also the problem can be the reverse: pressure on local governments from above to hire staff for employment-generation or political reasons - or simply by higher-level governments exercising a legal right to place their own staff locally.

130. Conclusions:

- (1) Full political accountability for the lower-level government logically requires full authority over local staff;
- (2) Quite frequently, the authority formally devolving political authority to a lower level of government does not follow through with a corresponding transfer of administrative authority;
- (3) There may be justification for retaining some higher-level control over lower-level administration but this should avoid micro-management that confuses the accountabilities of local civil servants and dilutes local government authority;
- (4) The appropriate mechanisms for higher-level control may be:
  - (a) Setting and policing regulatory standards for protection of the merit principle, including establishing surveillance through civil service regulatory authorities such as Public Service Commissions;
  - (b) Exercising control through conditional grants rather than detailed direction of local civil servants.



## 9. Protection of the merit principle

131. This report has drawn on available research and opinion to argue that meritocracy is a foundation principle for well-performing bureaucracies in developing countries.
132. Most civil service law embodies some idea of merit in appointment and promotion. The widespread common features of merit-based recruitment are open advertisement of entry-level positions and competitive recruitment processes. For recruitment, a recent survey of civil service statutes identified first that they tend to spell out recruitment and appointment processes in some detail and second that competitive recruitment is a common feature, including advertisement, selection (by a central authority or by individual agencies) by examination or interview or both and (commonly) a period of probation. (Aeberhard (2001)).
133. Merit as an organising principle for appointment and promotion carries certain implications with it:
- (1) Is "merit" a universal principle for appointment and promotion or are there other criteria? The answers are "no" and "yes there are", in nearly every government.
  - (2) How is merit to be defined? The most common definition (to be found for example in the New Zealand legislation) is "the best person for the job", but this clearly begs the question of what is "best".
  - (3) How is merit to be assessed? The use of an assessment to decide whether to employ someone or promote them raises questions both of the rights of the individuals to fair treatment and of the public to due process.

These three questions are discussed below.

### 9.1. Qualifications to merit principle

134. There is virtually nowhere in the world that merit is an absolute principle. Most civil services have some political appointments: even reputedly "pure" merit systems like the UK and New Zealand have a small cadre of political advisers working on contract direct to Ministers; others like the United States Federal Government have large numbers of political appointments not subject to any test of merit, being in the gift of elected officials; some, like France and Germany, have intermediate systems where tenure is not dependent on a specific Ministry being in office, but senior officials are selected from a pool of permanent civil servants depending on their political affiliations.
135. Furthermore, many civil services have various quota or affirmative action policies to give preference to women or people with disabilities, or specific ethnic or regional groups or retired military personnel. Promotions may be automatic or subject only to satisfactory performance for some of a civil servant's career. Finally, civil servants in career systems usually enjoy some degree of protection from outside competition for posts. But in most civil services systems are in place to ensure – or attempt to ensure – that the rules for appointment are complied with and minimise the risk of patronage.

### 9.2. Definition of merit

136. Beyond the common general definition of merit as the best person for the job, more specific and helpful definitions are harder to find. Some are implicit in the content of assessment processes such as examinations or performance evaluations. A positive definition is given in the Australian Public Service Act: "the relative suitability of the candidates for the duties, using a competitive selection process"; "based on the relationship between the candidates' work-related qualities and the work-related qualities genuinely required for the duties" and focusing on "the relative capacity of the candidates to achieve outcomes related to the duties" (Government of Australia (2006)). This too

begs questions but is usefully amplified in supporting instructions (Government of Australia (2007))<sup>33</sup>.

137. Conversely, some legislation identifies discriminatory treatment which does not meet the definition of merit. For example, the Botswana Public Service (Amendment) Act, No. 14 of 2000 defines "misconduct" in appointments as including "appointment or promotion of any person to a post in the public service or sending any person on a course of training on the basis of consanguinity, affinity, amity, amorous relationship, tribe, favouritism, or on any other consideration other than on merit based on fair and open competition." (Reported by Aeberhard (2001)).

### 9.3. Assessment of merit

138. Systems which rely on open competition for initial appointment will usually have statutory or administrative criteria for due process, as above (para 131) commonly spelling out what authority will be responsible for administering recruitment competitions, how competitions for a post are to be advertised, what information must be provided to intending applicants, what process they have to follow to lodge applications, the process for decision on applications, and notification of results.

#### Box 7: Criteria for a fair recruitment process

The United Kingdom Civil Service Commissioners, who have powers to audit departmental recruitment processes, issue a Recruitment Code which establishes the following principles for appointment on merit based on fair and open competition:

- Prospective candidates must be given equal and reasonable access to adequate information about the job and its requirements, and about the selection process;
- Applicants must be considered equally on merit at each stage of the selection process;
- Selection must be based on relevant criteria applied consistently to all candidates; and
- Selection techniques must be objective and guard against bias.

United Kingdom Civil Service Commissioners (2006)<sup>34</sup>

139. Equity and due process can be enforced:
- (1) By placing the recruitment process itself directly in the care of an independent authority; or
  - (2) In decentralised appointment systems, by providing for the recruitment authority to set guidelines for departmental recruiting and to exercise a supervisory and audit role; and
  - (3) By providing for complaints and appeals about the process to be heard and resolved by the recruitment authority itself, by some other review tribunal, by an independent investigatory authority like an Ombudsman's Office, or by the Courts.
140. Recruitment needs to be distinguished from appointment. Quite often the formal power of appointment of senior civil servants is legally vested in the Executive: President or other Head of State or Cabinet Ministers. Sometimes independent authorities such as a Public Service Commission may also have the power of appointment but in other cases can only recommend, so their prime function is to give assurance of a politically neutral appointment process. The Punjab Public Service Commission falls into the latter category, as does the New Zealand State Services Commissioner in his role of recruiting Chief Executives and recommending them for appointment to the Prime Minister.
141. In practice – with the exception of senior posts – in most countries there is some degree of decentralisation of both recruitment and appointment to government

<sup>33</sup> See Annex C for a fuller description.

<sup>34</sup> Further details in Annex C .

departments and agencies. When departments exercise these powers, the merit principle needs to be protected by the third option of guidelines together with central oversight and audit of their application. Additionally, applicants should be able to seek redress if they are unfairly treated in terms of the requirements of the merit principle.

142. Some governments have specific administrative tribunals to hear complaints about employment matters. Examples are the Punjab Services Tribunal, the US Federal Government Merit System Protection Board and the Australian Merit Protection Commission. There is no ready supply of examples of countries where the jurisdiction of government employment tribunals extends beyond cases involving existing public servants. In the Punjab a private citizen who applied unsuccessfully for a job advertised by the Public Service Commission might challenge the decision in the Courts (the PPSC currently has over a hundred cases pending on its recruitment processes and recommendations). Alternatively, recourse might be had to the Ombudsman. In Australia or New Zealand, an unsuccessful applicant in similar circumstances might apply for administrative review in the courts, for which a test would be failure on the part of the employing department to follow due process.<sup>35</sup>

143. Conclusions

- (1) Merit is not an absolute principle in most national civil services: exceptions are frequently made for a class of political appointments, or affirmative action quotas for women, or particular ethnic or regional groups;
- (2) Nevertheless, a civil service largely recruited and promoted on a basis of the best person for the job, is a foundation principle for effective public bureaucracies;
- (3) Although some governments appear to take a definition of merit for granted, a clear definition in statute is a basis for protection of the principle in initial and subsequent appointments;
- (4) Many countries have statutory Commissions with an oversight of application of the merit principle;
- (5) For open civil service systems with lateral entry, an issue is whether outside applicants have the same recourse to protection by the merit principle as internal candidates.

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<sup>35</sup> In New Zealand, in the few cases when the appointment provisions in public service legislation have been tested, the Courts have applied the "best person for the job" section of the law but the case law has shed little light on what this provision might mean apart from its being "the best person at the time" and the test being "objective". The meaning of objectivity is not spelled out but probably includes an examination of the qualities of the applicant against the job description.

## 10. Sustainable civil service reform

### 10.1. Introduction: the problems of reform

144. Building a meritocratic civil service is a critical element in many reform initiatives, because civil services are the nerves and sinew of governments, and governments matter for development. Strategies to bypass governments and their employees – by increasing the role of markets or civil society – can only be part of the solution. Some functions are irreducibly public, not only in their funding but their provision<sup>36</sup>. Developing societies therefore need both governments and their civil services. -oriented civil service as a development issue.
145. Unfortunately, civil service reform (CSR) is also widely recognised as one of the most difficult areas for public sector reform in the developing world. A 1999 World Bank report, often cited, concluded that “Only 33% of closed [completed] CSR interventions and 38 percent of ongoing efforts achieved satisfactory outcomes.” (World Bank Operations Evaluation Department (OED) (1999)). Problems which were identified in the report included:
- (1) Cutbacks were quite often not sustainable: there was rehiring and re-emergence of “ghost workers”, or increases in staffing elsewhere (such as social services);
  - (2) Organisational restructuring (rationalization of functions, consolidation, delayering etc) was quite often followed by subsequent re-proliferation of departments and positions;
  - (3) Training, although popular, was often of limited effectiveness. The literature on training suggests that it doesn't work unless there is a demand for it at an organisational level and that it is targeted to these demands and that quite often these conditions are not present;
  - (4) Selective salary adjustments often create resentment, and enclaves where higher salaries are paid are prone to patrimonialism.
146. The OED report identified some key variables during implementation:
- (1) The “quality of information on CSR performance”. There was quite often a failure to monitor CSR outcomes.
  - (2) The “role afforded to strategic management and cultural change” – there was generally an overuse of external consultants and Project Management Units at the expense of change machinery integrated into normal organisations; quite often Bank staff and consultants were talking to narrowly based civil service élites rather than representatives of more broadly based stakeholder groups;
  - (3) “Underlying coordination arrangements or checks and balances” were important, particularly the relationship between finance and personnel functions: quite often new positions and Ministries created without regard for budget limits.
  - (4) “Contextual constraints.” Project objectives sometimes fail to allow for trends in private sector jobs and wages; or in political patronage in the civil service.

### 10.2. Sequencing

147. Managerial autonomy and freedom from political interference may be important too – there is little point in making civil servants accountable for results if they do not have the power to make the changes necessary to deliver service improvements. But in its World Development Report on improving service delivery (World Bank (2003)) the World Bank

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<sup>36</sup> The United States General Accounting Office for example has produced a list of “inherently governmental functions” – such as tax collection and law enforcement - that should be performed only by Federal civil servants. (as cited in Office of Federal Procurement Policy - US Government (1992)).

argues that governments contemplating associating greater management freedom with results-based management should “walk before they run”. It says that reforms in some OECD countries like Australia, New Zealand, Britain and some others have been based on giving providers more control over staff and budgets but measuring their results in terms of service delivery and judging their performance by the results they achieve. But these countries had strong systems of public administration where people largely obeyed the formal rules. The Bank believes that many countries do not have these conditions and should therefore not try to copy the OECD reforms until their administration is based more on formal rules than informal ones.

148. Specifically with respect to personnel management reforms the Bank suggests the following sequence:

**Table 3: Two-stage approach to personnel management reforms<sup>37</sup>**

| Objective                         | First-stage reforms                                                    | Second-stage reforms                                                       |
|-----------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------|
| <i>Career management</i>          | Enhance job security and protection from political interference        | Decrease tenure and link to continuous performance assessment              |
| <i>Unity of the civil service</i> | Create a legally defined cadre with common terms and conditions        | Devolve and diversify pay arrangements to provide flexibility to employers |
| <i>Individual incentives</i>      | Apply standard merit promotion and reward rules consistently           | Establish annual performance targets                                       |
| <i>Openness</i>                   | Encourage career development within a closed system and avoid nepotism | Move toward “position-based” systems and encourage lateral entry           |

### 10.3. Change management for sustainable reform<sup>38</sup>

149. Reform in OECD countries, as the discussion in Section 4 suggests, has followed a number of different trajectories. The impetus for reform – as distinct from the course it takes - seems to depend on the following basic factors<sup>39</sup>:

- (1) The social and economic circumstances of the country;
- (2) The resistance from existing interests and the inertia of existing institutions;
- (3) The availability of “windows of opportunity” for reform such as a sense of crisis that can be plausibly linked to performance of the bureaucracy, or a political transition (election for example) that appears to give a mandate for change;
- (4) The readiness of political élites to contemplate significant change, as a function of the above;
- (5) The existence of a small group of change agents with the necessary political power who are prepared to initiate and sustain reform projects.

150. In a small number of OECD countries, change has been rapid and comprehensive because all of these factors were present: examples are during the Thatcher era in the United Kingdom and the Labour government in New Zealand. In many others, change has been more gradual and has required sustained effort over several years.

<sup>37</sup> Adapted from a World Bank report.

<sup>38</sup> The analysis here of conditions for successful reform is drawn from Laking and Norman (2007).

<sup>39</sup> Pollitt and Bouckaert (2000) discuss and attempt to explain reform trajectories in public management in OECD countries using a similar model.

### Box 8: Civil Service Reform in Albania

*Excerpted (in italics) and adapted from Reid (2005)*

*Albania has made impressive and, apparently, relatively irreversible progress on several key dimensions of public administration reform (PAR) between 1999 and 2005. Noteworthy achievements include:*

- *Creation of a largely depoliticized civil service*
- *Creation of a less than perfect, yet credible independent redress mechanism for civil service management actions*
- *Significant improvement in the attractiveness of a civil service position, with respect to both remuneration and fairness of civil service management actions*

*Prior to passage of Albania's Law on the Status of the Civil Servant [1999] ... all public employees were managed at the discretion of politicians (e.g., Ministers) or their political appointees (e.g., Deputy Ministers). Staff were afforded no more due process protections than were available under the Labor Code. Salaries varied considerably, averaging between about 40% and 75% of relevant private sector comparators, by type of position.... The [new] legislation addressed each of these shortcomings, as well as a variety of other requirements for creation of a depoliticized, meritocratically managed civil service. It mandated transparent, competitive recruitment and selection procedures for civil servants. It created an independent appeals body, the Civil Service Commission, appointed by Parliament, to which any person who had grounds for believing he or she had not been treated according to the rules established by the CS Law and its subsidiary legislation could appeal the personnel management action in question. Finally, subsidiary legislation established a new salary structure for civil servants, bringing their salaries roughly in line with domestic private sector comparators.*

It is not clear that all of these changes survived internal political changes in Albania after 2002. But some – particularly some improved merit protection for the senior civil service – appear to have stuck. Reid attributes the initial achievements to a number of factors, including:

1. Limited scope of key reforms: in particular they were confined to a relatively small group of relatively senior civil servants which both reduced their political and financial costs and their impact on established organisational culture;
2. Window of opportunity seized: from 1998 to 2002 there was a political leadership in Albania committed to reform – including both the Prime Minister and Minister of Finance; and an effective bureaucratic leader - the Director of Public Administration – charged with administration;
3. Policy conditionality helped to protect gains once the window of opportunity closed – a World Bank Policy Credit supported “a number of mutually reinforcing policy initiatives”
4. Creation of a domestic constituency for continued success of the reforms – senior civil servants saw the advantages of a merit-based appointment system and were prepared to fight for its continuation;
5. Mutually reinforcing governance reform initiatives and pressures – anti-corruption initiatives in particular provided a banner behind which other reform initiatives could unite.

151. Case studies on reform in Commonwealth developing countries<sup>40</sup> suggest that three basic conditions are important: political commitment, mobilisation of the public behind reform initiatives, and sustaining reform over many years.

#### Political commitment

152. Sustainable reform usually starts with a strong and politically compelling case for change. In Botswana, there was “the public disquiet on service delivery, general waste of resources, delivery of the national Vision 2016 and [National Development Plans], and the management of performance and production of expected results” (Magosi (2005)). Change was initiated by Permanent Secretaries but it was only when a “doubting

<sup>40</sup> Drawn from the Commonwealth Advanced Seminar and discussed in [Laking and Norman (2005)]. The following discussion of basic conditions for reform draws on this paper.

leadership” at the political level was convinced of the need for change and its benefits, and took over leadership of the transformation, that the reforms got legs (Ibid.). Similarly in Uganda, successful reforms required political leadership and when this support began to weaken, funding and other evidence of commitment also began to disappear. (Lukone (2004)).

### **Political mobilisation**

153. Different strategies can be used to persuade citizens of the necessity of reform. One is to locate specific public service reforms within a wider programme. The Botswanan Cabinet linked the reforms to a national vision (Bakwena (2003)). In Nigeria, the President connected his public service reform priorities both to the National Economic Empowerment and Development Strategy (NEEDS) and to regional and global objectives: the New Partnership for Africa's Development (NEPAD) and the Millennium Development Goals (MDGs) (el-Rufa'i (2006); Adegoroye (2006)). In Samoa, public sector reforms were seen as a development from underlying political changes (Mata'afa (2004)).
154. High-level vision statements are of limited utility unless reforms translate into perceived improvements in the public services which are important to ordinary people. Tanzanian reformers sought “quick wins”: “process improvements that could deliver benefits to clients in a short time and at relatively low cost” (Rugumyambeto (2003)). In Botswana, public support for reform was muted because of a failure to exploit opportunities for quick improvements in service delivery, so reformers “paid a price as we had difficulty convincing the public that results are inevitable” (Magosi (2005)).

### **Maintaining reform**

155. Civil service reform requires the development of a new cadre of senior managers and a long-term change in basic attitudes to public service, a change which can require a decade or more. A major issue for governments accordingly has been how to “mainstream” reform. Africa in particular has experienced failures with reform initiatives conceived, developed and implemented by donors, using external consultants isolated from the normal life of the civil service. Such enclaving of reform virtually guarantees that unwilling senior administrators can step back from ownership of change. Structural adjustment in Tanzania in the 1990s, for instance, was carried out by an “enclave Secretariat of external experts”. This “bypassed the normal chain of management and accountability”, and created discord because of the higher salaries paid to civil servants seconded to the unit and inhibited building expertise within the core civil service (Rugumyambeto (2003)). The Tanzanian solution was to close the separate secretariat and allocate responsibility for reform to the Civil Service Department.
156. Successful reform requires active support or at least compliance from the senior civil service. In Botswana, both political and civil service leadership was seen as important. Although Cabinet and the Permanent Secretary to the President were driving reforms at the highest levels, for most of the other Permanent Secretaries “it has been a big challenge and a totally new thing. They did not lead their Ministries effectively, build their own skill base and explore ways of bringing about change” (Magosi (2005)).
157. Strategies identified in the Commonwealth case studies for getting effective civil service leadership included:
- (1) Clearly locating central leadership of civil service reform with a senior civil servant in a position close to the political leadership, such as the Office of the President (Nigeria - Adegoroye (2006));
  - (2) Involving senior civil service management directly in the launch and management of the reform programme. Common devices were top-level seminars involving both political and civil service leadership to decide on or secure commitment to priorities, and reform steering committees that included civil service leadership;

- (3) Placing reform-minded civil servants in critical leadership positions (Nigeria – Ibid.), (Tanzania - Rugumyamheto (2003));
- (4) Trying to build networks of “reform champions” at different levels of the civil service (Mozambique – Lucas (2004));
- (5) Training for political and civil service leaders in leadership of change;
- (6) Creating reform “winners” inside the civil service, by, for example, enhancing senior civil service salaries.

#### **10.4. Conclusion:**

158. Civil service reform usually requires significant and specific political costs and more diffuse benefits; reform is very risky without a clear top-level political commitment to change;
159. Governments committed to reform also have to have strategies in place to mobilise public support for change: these should emphasize benefits in terms of service delivery and preferably create winners (and therefore a constituency for reform) inside the civil service;
160. Reform driven from outside the civil service by donor funded implementation groups is less likely to be sustainable; reform which is sustainable requires integration of the reform project into the ordinary government and civil service machinery, and with clear top-level political and administrative sponsorship.



## 11. A strategy for the Punjab

### 11.1. Developing a service orientation

161. CSR in the Punjab needs an entry point that gives the supporters of reform an opportunity to mobilise support for a reform programme. At a higher level of diagnosis, the problems reported in service delivery in the Punjab can be attributed to some more general issues which are dealt with in different parts of this report and which are interlinked. In summary:
- (1) The incomplete realisation of the principles of devolution embodied in the PLGO;
  - (2) A top-down culture manifested in centralisation of decision-making and a great deal of buck-passing;
  - (3) Informal practices such as the use of patronage which derail management decisions;
  - (4) Very limited accountability at an organisational or individual level for outcomes or service standards;
  - (5) A culture of indifference to the needs of citizens for public services.
162. There is no silver bullet – in the sense of a single policy initiative - for making civil servants give better service. The solution lies in resolving this complex of interlocking issues, all of which contribute to the Punjab civil service's failure to improve the living circumstances of citizens. This section concentrates on experience internationally with getting leverage on this problem by increasing the responsiveness of administrative systems to the priorities of service delivery.
163. Directing greater attention to service delivery failures and putting the pressure on civil servants to respond is only one element of what needs to be a broader strategy: civil servants not only have to have an incentive to respond to service demands, they have to have the capability and the authority to do so. Other strategies may also be relevant: increasing political accountability for service delivery by raising the profile of service failures and strengthening checks and balances institutions, empowering local participation in service development and management (e.g. through school committees), allowing competition for supply of services like water or rubbish collection, or giving service users an option of "exit" (to alternative service providers like NGOs or private providers) are some. But focusing on service standards has two advantages: it can act as a "tin-opener" – forcing attention on the sort of problems that are diagnosed in ADB and DfID (2005) (see paragraph 26) and legitimising action to remedy them; and mobilising public opinion behind the changes that are necessary to improve services.
164. Focusing on service standards: the strategies are broadly:
- (1) A government committing itself to specific standards of service that will lead to better outcomes for citizens; this is at two levels:
    - (a) measuring outcomes or quality of life for citizens (e.g. infant mortality or literacy) and
    - (b) linking outcomes to outputs or results for which civil servants can be held accountable such as frequency and quality of health visits, waiting times, access to consultations and medication availability at local clinics, quality of classroom teaching, or simply reductions in absenteeism at clinics and schools.
  - (2) Making those standards widely known to local communities;
  - (3) Measuring and reporting achievements and shortfalls;
  - (4) Holding politicians and civil servants accountable for their results in terms of service standards;
  - (5) Empowering civil servants to achieve improvements in their performance.

## Recommendations

**Recommendation 1. Commit publicly to higher service standards: mobilise public support for civil service reform by linking it to improvement in standards of service delivery.**

### 11.2. Getting better value from staff

#### Recruitment, placement and promotion

165. The basic task of good human resource management is to ensure that capable and motivated people are available for the necessary work of the organisation. The management of the Punjab civil service falls short of this objective. The causes of this shortfall can be diagnosed as:

- (1) Overstaffing of unskilled positions and too many layers of officers at relatively senior levels;
- (2) A growing inability to recruit enough people for professional, management and policy functions;
- (3) Excessive reliance on generalists for management of specialised functions;
- (4) Promotion driven by seniority, rather than merit;
- (5) An inflexible internal labour market due to the cadre system and reservation of posts;
- (6) Very little internal competition and no external competition for posts;
- (7) Posting driven by the requirements of promotion within the rules of the cadre, rather than the requirements of the position;
- (8) Insufficient weight placed on development in the job, particularly for management and policy staff;
- (9) Political interference dogs individual employment decisions, particularly transfers.

These issues can only be dealt with by a combination of approaches. They are discussed below.

166. *Overstaffing*: there is a general case for reducing the number of unskilled workers by attrition. At the top end, there are too many layers of under-employed officers. Again, there is scope for not filling positions as they come vacant. This would increase the real work content of the remaining positions and enable a stronger case to be made for improving the reward attached to those positions, based on their real value added to the work of the province.

167. *Pay rates unmatched to requirements of the job*: there is a growing problem with wage compression at the top end of the scale. This would not be expensive to fix, particularly if it were accompanied by a reduction in the number of positions. A proper job sizing exercise should be carried out to determine the appropriate rate for the job, particularly for professionals and officers in management or senior policy roles. Dealing effectively with wage compression will become more important as the government faces increasing competition from the private sector for talented people, and it needs to provide other incentives besides job security and automatic promotion, particularly if there is to be greater competition for positions of responsibility.

168. It may be tactically desirable to deal with this problem by selective salary enhancement but unless this has a clear and defensible rationale in terms of the value of the work in the position, limiting salary enhancement to these positions will create jealousies and demands for extension to less justified positions. It would be better to deal with the problem by decompressing wage scales generally at higher levels and "resizing" high value jobs against those scales. One approach adopted by some other jurisdictions is to create "senior adviser" and "policy professional" positions on a broad-banded scale, so

that high-value officers can be have salary increases without requiring a vacancy to be created in a management position.

169. *Structural rigidities interfering with merit principle:* the reservation of posts for specific cadres seriously interferes with the government's ability to get the best person for the job. Membership of a cadre is not in itself a demonstration of merit. As discussed above, "merit" for promotion in a career system may be based on a broader definition than in a position-based system but the criterion of the "best person for the job" (either the specific job in a position-based system or the range of jobs available at the next grade in a person-based system) is not closely related to being the next person in line on grounds of age or seniority. Coincidentally, a definition of merit based on competencies for a position (or positions) puts much greater weight on evidence of ability to follow projects through to a successful completion and to show that one's work history demonstrates this by average periods of several years in previously held positions.
170. *Professional versus generic management:* with the managerial movement in western countries, the relationship between professional governance and generic management has become a contested issue, particularly in the health sector. Senior clinicians, educators and others take responsibility in many countries for the appointment, assignment, development and evaluation of professionals as an implicit guarantee of professional competence. Generic managers are responsible for overall planning, corporate services and budgetary management in the organisation. The two roles may be combined when a doctor runs a hospital or a professor is Rector of a university. But the boundaries and respective authorities and competencies need to be carefully defined and it is often contested territory.
171. *Management development:* civil servants who aspire to management or senior advisory positions would increasingly then expect two stages to their careers. Those from operational or professional roles who seek management positions would at some stage have to consider formal education or training in management and participation in a development programme. Officers recruited into a fast-track management-policy cadre would spend a shorter period in a protected career stream in which they were being consciously developed for positions of responsibility before having to compete on merit for specific advertised posts. Entry into the fast track group should probably include a wider range of tests of aptitude with less reliance on academic or examined qualifications in liberal arts subjects. Applicants could be required to participate in a pre-entry induction programme including time at an assessment centre, and be appointed initially on a probationary basis.
172. *Internal vs external labour markets:* other jurisdictions – not only "labour market" decentralised systems but also those like Singapore and Kenya with career services - expose their civil servants to outside competition in order to increase the pool for appointment to senior positions. This appears to be happening at the Federal level with contract appointments for an increasing proportion of senior positions. It is a matter of judgement where and when lateral entry from outside is increased. The first step is probably to increase internal competition by reducing the practice of encadrement of senior posts.
173. *Promotion* to positions of responsibility then becomes a matter of competition for advertised vacancies in specific departments, to positions with clearly defined responsibilities and required competencies from the incumbent. Applicants would be chosen on merit as defined above. Based on that definition, the selection process needs to be more sophisticated and complex than examination and interview, should give weight to work history and reference checks and may incorporate cognitive and reasoning tests. Previous performance reviews may be relevant but only if they are trustworthy and incorporate assessments of specific competencies relevant to the position rather than general assessments of suitability for promotion.
174. *Protection of the merit principle.* Restoration of the merit principle in the Punjab and its enhancement on the basis proposed above will be a difficult task since it cuts across

many existing interests and expectations. On the other hand, some officers may see the advantages to them of a truly merit-based process: officers aspiring to management positions because they have confidence in their ability to meet the new tests; and senior managers because they will be able to acquire staff with demonstrated competence for the positions and a greater incentive to see out a reasonable term in the office. But the merit principle will require formal protection as well. Transparency in advertising and selection is important. In addition, a stronger “check and balance” institution regulating and monitoring the selection process will be required. The Provincial Public Service Commission is a logical authority to take on this role, but its membership and processes will require review and refurbishment.

175. *Reducing turnover in posts:* The measures discussed above are not the full answer to the problem of short tenure, which – as well as being a product of the dynamics of the career system - is also driven by the relative attractiveness of some locations, the possibilities of additional income in some positions, and the interference of politicians in transfer decisions. But if the perception of how senior appointments are made – and the corresponding calculations of how to demonstrate “merit” – can be altered, then the incentives for rapid movement may also be reduced. Essentially, reward (in the form of promotion or more responsible postings) should be seen to follow from successful and sustained performance in one’s current position, and rapid movement from post to post as a potential career liability.

### **Redesigning the Punjab civil services**

176. In paragraph 19 a basic tradeoff was identified between an employee’s need for a secure career path and the government’s need to select the best person for the job. It is arguable that at the point a civil servant is being considered for selection for senior policy and management positions in the Provincial and District governments, stronger weight ought to be given to merit rather than seniority. While there is a case for grooming talented staff for higher positions, the government should be able to select its senior managers and policy advisers from the best available candidates so that members of the PMS should compete for senior positions on an equal footing with other civil servants and applicants from outside the service.
177. There is a proposal to create “streams” within the PMS for four specialist groups: Administration and Finance; Health; Education; and Agriculture and Engineering. This is a desirable step if it increases the ability of members of these cadres to compete for management positions on the basis of their experience in their chosen professions. But under the principle of open competition it should not be used as a basis for restricting access of members of these cadres to management positions in other areas, or indeed vice versa.
178. The Federal Government is also proposing to create a National Executive Service that would span 1000-1500 senior management and policy positions in Federal, Provincial and District Governments. The members would be selected on merit from the civil services and there would be a quota of 20% selected from the private, NGO and academic sectors through a competitive process. This is clearly a compromise between retaining the present preferential position for the elite cadres and a system of open competition.
179. At the very senior level of the NES the need for specific restrictions on who the candidates can be seems even less than in the PMS. Provided there is a satisfactory appointments mechanism to protect merit, the principle should be one of open competition.
180. The general objective of any reforms ought to be to broaden and deepen the pool of talent available for senior management and policy positions in Provincial and District Governments. In the long run a principle of full competition for these positions should be established. In the shorter term, specific strategies should be to:
- (1) Open membership of the Punjab Management Service to officers holding equivalent grade positions in specialist cadres such as Administration and Finance; Health;

Education; and Agriculture and Engineering but make no distinction between these officers and others for appointment to positions in the PMS;

- (2) Advertise all positions in the PMS and make all appointments initially based on open competition within the PMS but progressively relax this restriction to permit outside applicants;
- (3) Define the Punjab Executive Service as the NES senior management positions at Provincial and District levels; select membership from the PMS plus a general quota; advertise all positions and make all senior appointments on merit from the feeder group within the NES but consider relaxing this restriction to allow applications from anywhere subject to satisfactory institutions for protecting the independence and merit basis of the appointments process.

## **Recommendations**

### **Recommendation 2. Strengthen oversight of merit protection in appointment, promotion and transfer:**

- a. **Include a definition of merit in existing legislation and rules and principles for accountability of competent authorities for merit protection in all appointments, promotions and transfers.**
- b. **Review the mandate of the Punjab Public Service Commission to strengthen its responsibility for overall merit protection in appointments processes at both Provincial and District level on the following basis:**
  - i. **Continued direct management or oversight by the Commission of appointments to specific senior positions, including entry into the Punjab Management Service but also into any future Provincial Executive Service, and also including senior contract appointments;**
  - ii. **A broad responsibility for the protection of the merit principle in all other appointments and promotions in the Provincial and District governments, including the power to review and advise the government on rules for such processes, to audit actual processes against rules and to review specific decisions on its own motion or on a reference from a member of the public.**
  - iii. **Strengthening the PPSC's capacity to prescribe and audit decentralised appointment processes.**

### **Recommendation 3. Strengthen oversight of early transfers:**

- a. **Long-term: significantly altering incentives by rewarding successful completion of assignments and major projects.**
- b. **Short-term: strengthen the existing provisions for oversight of re-assignment and make decisions more public by requiring PPSC agreement to early re-assignment and publicly notifying all early transfers with reasons.**

### **Recommendation 4. Decompress pay and allowances: selectively enhance salaries for specific higher-value positions.**

### **Recommendation 5. Improve efficiency of recruitment methods:**

- a. **review and revise selection procedures to widen methods beyond subject tests and examinations and include tests of general cognitive and reasoning ability or work tests.**
- b. **Streamline and where possible outsource recruitment processes.**

### **Recommendation 6. Build a single, competitive provincial and local management service:**

- a. **General: increase both internal and external competition for management and policy positions and weighting given to merit in promotion.**
- b. **Specific:**
  - i. **Supply all management and policy positions at provincial and local government levels from a single Punjab Management Service (PMS);**
  - ii. **Open membership of the PMS to all specialist staff holding equivalent grade positions;**
  - iii. **Strengthen training and development opportunities for professional staff with management potential in specialist areas;**
  - iv. **Advertise all positions in the PMS with management or senior policy responsibility and make all appointments based on open internal competition with progressive introduction of external competition as well;**
  - v. **Create a Punjab Executive Service (PES) from senior management positions at provincial and district level; make all appointments from open competition on merit.**

### **11.3. Building a performance culture**

181. There are some sizeable managerial, cultural and political hurdles that the Provincial Government would have to clear to introduce a successful performance management system. The problems include:
- (1) Some formal elements: very weak ex ante provisions, non-transparent process;
  - (2) Lack of enforcement – it appears that rules simply aren't followed.
182. Some possible first steps include:
- (1) Choose a specific functional area of government or grouping of employees to begin; possibilities would be:
    - (a) A department such as Health or Education where there are clear objectives and specific measurable outputs;
    - (b) Contract employees working on projects with clear milestones and deliverables;
    - (c) A senior management group such as the proposed National Executive Service;
  - (2) Begin by ensuring that at least every position in the pilot group for a new performance management system has a job description that covers:
    - (a) The mission and objectives of the organisation and the specific functions of the unit where the position is located;
    - (b) The purpose of the position, the powers and delegations attached to it, and any reporting subordinates;
    - (c) A description of the key activities and the standards to be reached against each that will show when the job has been done well;
    - (d) The competencies required by the job – both general such as ability to get subordinates to perform effectively and specific such as knowledge of relevant legislation or project management;
  - (3) Develop some general elements of a performance management system such as:
    - (a) General form: sections covering assessment of achievements and for development needs;
    - (b) Frequency of interim review;

- (c) Rights of employee to see and appeal judgements made;
- (d) Procedures for moderation by the reviewing manager's own superior officer.

183. In practice, the steps under (3) mostly require just honouring the formal provisions now present in the Performance Evaluation Review.

## Recommendations

### Recommendation 7. Link improved service performance to departmental and individual staff performance:

- a. **Begin to build a new system of accountable performance in a specific functional area of government such as Health or Education, linking corporate objectives to management tasks and performance standards.**
- b. **Define a pilot group for higher reward and more accountable performance and introduce a new performance management system for the pilot group.**

### 11.4. Devolving management

184. Devolution was supposed to transfer political accountability and operational responsibility for service delivery to districts and tehsils. Provincial departments would become primarily responsible for setting policy and monitoring and evaluation of local services. In an ideal world, if political authority is really being devolved, authority to employ staff in all its aspects – allocation of HR budgets, ability to control both number and quality of staff, the power to set rates of pay and other conditions of service, and the ability to set performance goals, review performance and decide on appropriate individual reward – would go with it. The Punjab has made significant steps towards devolution, particularly in control of the health and education workforces. But in other aspects the Federal devolution plan is, if not exactly stalled, in mid-stream and proceeding rather slowly.

185. Some of the reasons for the painful delivery of devolution are clearly founded in its upsetting of long-established interests. At the provincial level, senior civil servants and politicians have much to lose from loss of power to local politicians and administrators. Provincial legislators would lose control over patronage to the nazims, existing alliances between provincial politicians and senior civil servants are threatened, and civil servants' career options are put at risk in the hands of the *nazimeen*.

186. This resistance clearly has an element of venal self-interest. But there are also some real concerns for a wider public interest. First, in a civil service system built upon centrally managed careers, full local control in a cadre system risks introducing further rigidities and inefficiencies into the public sector labour market and demotivating otherwise loyal and efficient civil servants who see their career opportunities diminishing. Second, devolution of this power to the *nazimeen* might simply be replacing one system of political patronage with another, potentially even less in the national interest than present practices.

187. The other group of reasons has to do with the more complex nature of accountability for services than is assumed in the simple ideology that total local control is always best. In fact, accountability for service delivery will continue to be shared between provincial and local government. The province effectively funds a lot of local services through grants from centralised taxes; and vertical programmes and conditional grants will continue to play a significant role in service delivery. So the provincial government continues to have an interest in efficient, effective and ethical service delivery. In these circumstances, particularly when provincial civil servants mistrust local capability to manage staff and resources properly, provincial departments – who also have limited experience of exercising oversight and support at arm's length - can be expected to cede detailed control reluctantly.

188. The first group of arguments really have to do with the political economy of change. If significant private interests are threatened, there is really no solution for a reforming government except to mobilise enough support for its policies to overcome this resistance or buy it off. The other, wider risks to the public interest however can be mitigated.
189. The elements of a strategy for devolution of the HR function which takes these risks into account would include:
- (1) Complete the transfer of detailed management of service delivery operations and projects from provincial departments to districts and TMAs but only having devised rules for setting and monitoring service delivery standards which clearly define the supervisory and support roles of provincial departments;
  - (2) Develop the capacity of provincial departments, with priority for Education, Health, Planning and Development and Finance, to refocus on their new roles of setting standards and monitoring district performance and managing conditional grants; and review provincial establishments accordingly;
  - (3) Ensure that district management have the organisational capacity and competence to manage operational functions and the full range of human resource functions for the staff under their control;
  - (4) Define District Cadres whose staff would expect to find all of their job opportunities at a local level but distinguish these occupational groups from those – particularly management and specialist professional – who would form a pool for assignment to posts at both provincial and district level;
  - (5) Develop transparent and accountable processes for the management of staff functions by the district governments. One important step would be to strengthen the role of independent oversight authorities as checks on the improper use of authority over the civil service by local governments.

**Recommendation 8. Redefine roles and relationships in service delivery between provincial and local government departments: complete the devolution programme by allocating accountability and resources for each service on one of three levels:**

- a. continued full planning and management of local delivery at the provincial level;
- b. joint intergovernmental delivery based on service planning agreements or conditional grants;
- c. full responsibility for planning and resourcing delivery at a local level.

**Recommendation 9. Define local government control of staff**

- a. Continue transfer to local governments of full authority over APT and establishments.
- b. Create pools of management and professional staff available for posting across all districts.
- c. Establish differentials in pay and conditions and associated fiscal equalisation to even up incentives for posting in less attractive districts.
- d. Build HR management capacity in local government.
- e. Strengthen role of independent oversight authorities in APT at local government level.

**11.5. Containing and rolling back patronage**

190. An issue that must be directed confronted in CSR is political patronage within the civil service, the most significant impediment to successful reform. According to Levy (2004): "... many developing countries attempted civil service reforms under conditions where



clientelist politics of one form or another were already deeply entrenched. Hence the reforms met formidable opposition and, not surprisingly, their results have been quite discouraging”.

191. Patronage in the civil service is endemic and deeply corrosive of both effective and ethical performance. Kardar (2007) summarises the situation as follows:

- (1) Bureaucrats and politicians build patron-client relationships over the course of a career;
- (2) These relationships are collusive and erode both bureaucratic and political accountability to the wider public interest;
- (3) Politicians can put pressure on civil servants through their control of the posting system to grant favours or punish recalcitrants;
- (4) Decisions on recruitment and posting have become more centralised in the secretariat to relieve pressure on lower-level provincial and district civil servants.

192. As Kardar points out, some political interference is inevitable in any democratic system, but asserts that acceptable boundaries have to be drawn that protect civil servants from unethical political demands (op cit p 19). But this is more a restatement of the problem than a solution. The remedies that address the political incentives problem might include (without any claim to have a solution):

- (1) Understand the mechanism of the patronage networks and what they are intended to produce: in the former case – the use of postings as rewards for friends, strategic placement of clients or threats to the uncooperative; in the latter case, the two main candidates are personal wealth or favourable election results; by understanding what they are for, the problem can perhaps be tackled from a different angle: for example by tightening systems to reduce opportunities for rent-seeking, vote-buying or results-rigging;
- (2) Understand the potential incentives on political parties to reduce their use of patronage: perhaps through encouraging whistle-blowing and publicity mechanisms; or donors putting direct pressure on governments to control the process (within the limits of a donor’s mandate to get involved in electoral matters);
- (3) Increase the role of checks and balances institutions affecting the processes of the civil service: possibly by a more transparent posting process whereby all postings are published and all early terminations have to be publicly notified and countersigned by the Chief Minister and the Chair of the Public Service Commission; normal audit and complaints mechanisms should play a role as well;
- (4) Reduce direct government production of services where patronage is deeply embedded, such as education.

#### **Box 9: How Karnataka tackled patronage**

In the Indian state of Karnataka over a number of years after the 1999 elections there was strong commitment to reform from the Chief Minister and senior bureaucrats. This was driven by the need to resolve the fiscal situation; and also by a vision of developing Bangalore into a world-class competitive city. This vision opened up a large service delivery agenda.

In Karnataka overall management and administrative capacity has been strong. There are a lot of capable individuals in IAS and in lower levels of civil service. In addition, Karnataka’s civil service is not felt overall to be over-staffed.

The main governance issue was political. Patronage in job appointments and postings and corruption are driven by election financing and party financing issues. Firstly there is the need to generate enough money to get elected; then if elected the need to allocate benefits to followers, not the population. Once elected, the imperative is to stay in power which requires further raising of money. As a comparatively rich state, Karnataka was also looked to by political parties nationally to contribute to national level party coffers. There was extensive corruption in procurement and public works, the power sector and education and health. In education local

control of appointments by local politicians has led to severe abuses.

On its own initiative, the State Government had set up an Administrative Reforms Commission shortly after the 1999 elections. The Commission recommended moving to lateral entry of civil servants; and getting a grip on the politically motivated transfers of civil servants. An early approach was to set up a database (which ended up on a public website) to make the process of transfers transparent; and to allow for monitoring and control of this process. A cap of 5% of transfers a year was set (around 600,000 positions, 500,000 civil servants in post, and a cap therefore of 30,000 transfers each year). In addition, a cadre management committee was set up in an attempt to weaken the control politicians had over postings and transfers.

In the end the 5% cap appears to have been reasonably successful. The number of transfers was reduced from around 50,000-60,000 in 2000/01 to around 15,000 a year; but rose to around 20,000 in 2004, the last election year.

From Laking (2007a), based on Parison (2005)

## Recommendations

**Recommendation 10. Commission an independent study of patronage in personnel decisions: make patronage a more public issue with a detailed analysis of its extent and mechanisms.**

### 11.6. Conclusion: managing change

193. Administrative reform always carries risks for reformers. The main question for governments contemplating reform is to find a way in: points of leverage which will enable them to mobilise support for reform sufficient to overcome the opposition. A number of factors are relevant.
194. *Finding cause for reform in the social and economic circumstances of the country.* As discussed earlier in this report, a likely candidate issue for mobilising support is the problem of improving service delivery in areas like health, education and water services. Impediments imposed by regulation to business development might be another. These problems of government that impact adversely on people's lives need to be linked in public perceptions to problems with civil service performance. In the case of the Punjab, given the low public opinion of civil servants in delivery roles, this should be possible.
195. *Confronting, outflanking or negotiating with forces resisting change.* The resistance from existing interests and the inertia of existing institutions are major factors in administrative reform in the Punjab. Some important political and bureaucratic interests are affected by the changes discussed in this report. A government with popular support for service improvement may be able to confront this opposition directly. But the political strategy may need to be a change negotiated with affected groups that protects some of their interests (such as in patronage or future promotion) but mitigates the harm caused by these factors.
196. *The availability of "windows of opportunity" for reform.* Reform initiatives often emerge out of a sense of crisis or a political change, because the time seems to be right in the public view. The issue of poor service delivery could be represented as a crisis and as suggested linked to performance of the bureaucracy. A political transition (an election for example) might appear to give a mandate for change. The outcome of the forthcoming provincial elections might create this opportunity, provided that reform-minded Ministers are returned to power.
197. *A committed group of reformers.* Successful reforms often begin with a small group of change agents both inside and outside government, who have the necessary political power and are prepared to initiate and sustain reform projects. In situations parallel to the Punjab, such as in Karnataka, the axis of the Chief Minister and Chief Secretary proved to be a necessary element of reform, together with perhaps a group of other influential Ministers and Secretaries, supported by business and other interests outside government.

198. *Visible top level support for change.* An essential element of a change management strategy is visible and continued support from the top political and civil service leadership. This support is commonly embodied in a formally constituted steering group of the key actors in change. The steering group might be led by a senior Minister, should certainly include the Chief Secretary and a small group of other key players from government (particularly in the case of the Punjab from the Planning and Development Board and the Ministry of Finance), business and academia. However a real test of this group is whether the nominees appear in person or send delegates, whether they will take public mobilising action in support of the reform initiatives and whether they are available to the change management team to unblock access and protect them from internal opposition.
199. *A change management working group drawn from the civil service.* Opinions differ on whether this should be inside or outside the normal working machinery of administration. On the one hand, a specific project management unit (like PRMP) has the advantage of its ability to draw on a wider group of skilled personnel and a degree of separation from the day to day constraints of the civil service. Its disadvantages are that it is to some extent on the "outside", and may be regarded with jealousy and suspicion and isolated from the workings of the core civil service.
200. The alternative of locating change management within the core civil service (like the present Public Policy and Change Management Wing (PP&CMW) of the Services and General Administration Department has the advantage of a direct line to a key political or bureaucratic change agent like the Chief Secretary. This is an important point of leverage and if the unit does not have this access, its effectiveness and clout with other departments will be significantly compromised. Its disadvantages are that posting to the unit may be driven more by promotion requirements than by selection of the best staff for the job and that it may not be seen as a good career option by the civil servants posted to it. It also depends for its impetus on a strong drive for reform from senior management; if this drive slackens, it may become preoccupied with relatively minor ad hoc assignments or inhibited from taking an independent view on significant reform issues. However, on balance, the advantages of being directly under the wing of a powerful champion of reform outweigh the potential risks.

## **Recommendations**

**Recommendation 11. Establish and control the reform agenda: Support the development of the reform agenda with:**

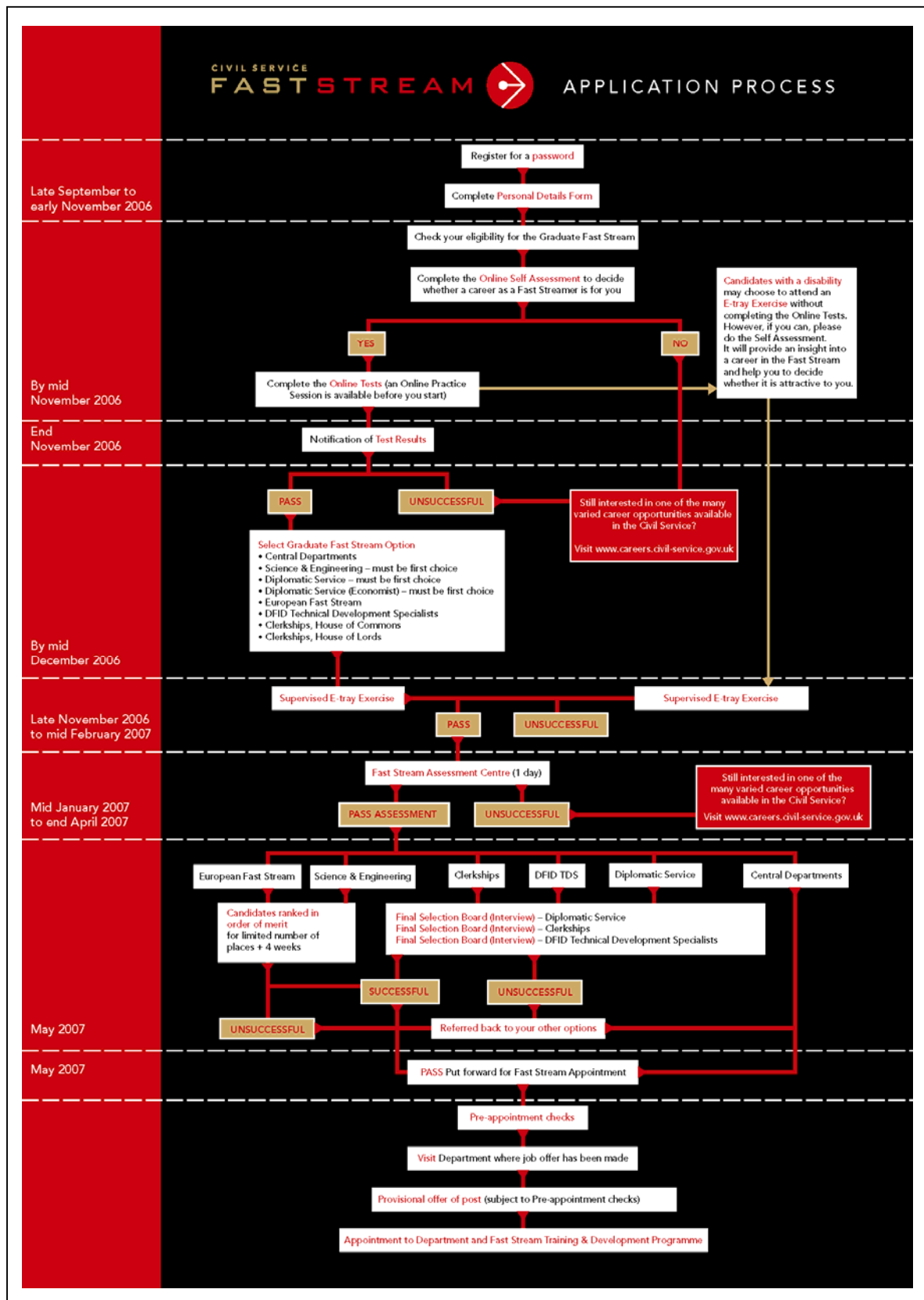
- a. **Research and case studies on the symptoms of poor public sector performance and diagnosing the role of the civil service in performance problems;**
- b. **Analyses of civil service reform experiences in other jurisdictions as much as possible working in a similar context to Pakistan and the Punjab.**

**Recommendation 12. Use service improvement as a point of entry into reform: develop a service improvement campaign based on:**

- a. **Raising public awareness of poor service quality and securing political commitment to improving it;**
- b. **Linking the solutions to problems of poor services to reform in the civil service.**

**Recommendation 13. Launch a major civil service reform initiative: identify appropriate public fora for announcing and discussing CSR program.**

## Annex A The UK "FastStream" Process



## **Annex B New Zealand Public Service Job Descriptions**

### **General Manager, Collections, Ministry of Justice**

Second-tier management – reporting to Deputy Secretary. Responsible for overall management of collection and enforcement of court imposed monetary penalties and infringement fines, and overall management of the enforcement of civil court orders and the collection of civil debts.

Experience and knowledge required:

- Substantial experience and/or sound understanding/knowledge of:
  - Operational management in a medium or large organisation which demonstrates success in a senior management role, including:
    - financial management
    - team leadership at a high level
    - strategic management
    - working as a member of an executive group with varying unit goals but shared organisational goals
    - communication to a wide range of audiences on a range of complex issues
  - Relationship management demonstrated by establishment and maintenance of a range of effective business/operational management inter-relationships across business units and/or a network of professionals, managers, and external parties.

### **Manager National Maritime Coordination Centre, Customs Service**

Coordinates all civilian-related maritime patrol and surveillance activities.

Special knowledge, skills, experience and qualifications:

- Experience in an operational leadership role and good working knowledge of New Zealand government environment.
- Problem solving and decision making ...
- Project management, strategic, business planning and reporting.
- Identify and manage risks at an operational level.
- Building and sustaining a wide range of strong relationships ...
- Effective two-way communication between staff, management and external contacts
- Proactively coaching, supporting, motivating and encouraging staff and ensuring they have the skills to effectively achieve results.
- Achieving timely results and outcomes from a team and organisational perspective of goals, strategies and plans in area of responsibility.
- Ability to implement strategic plans and outcomes and provide direction and coaching to staff to achieve organizational and team outcomes.
- Security clearance to a "Top Secret" level.
- Tertiary qualification at least equivalent to Bachelors or Operational Management or demonstrated equivalent intellectual capability.

## Annex C Models for governance of civil service appointments

### New Zealand

Under the State Sector Act 1988<sup>41</sup>, Chief Executives of government departments are responsible for the employment of all their staff including hiring and dismissal and pay and other conditions. The Chief Executives themselves are appointed for a term contract (by statute, five years with an option to renew for a further three years) by the government on the recommendation of the State Services Commissioner. The Commissioner is responsible for managing the contracts of the Chief Executives during their tenure, including reviewing their performance.

The State Sector Act provides that "A chief executive, in making an appointment under this Act, shall give preference to the person who is best suited to the position." (s 60) and that "Where a chief executive of a Department intends to fill a position that is vacant or is to become vacant in the Department, the chief executive shall, wherever practicable, notify the vacancy or prospective vacancy in a manner sufficient to enable suitably qualified persons to apply for the position." (s 61). The CE or his or her delegate must certify every appointment in writing (s 63) and notify all employees of the department of every appointment (s 64). Section 65 provides that:

- (1) The chief executive of each Department shall put into place for the Department a procedure for reviewing those appointments made within that Department that are the subject of any complaint by an employee of that Department.
- (2) The procedure shall be approved by the Commissioner and shall comply with the guidelines prescribed by the Commissioner for such review procedures.

The Commissioner has the power to issue "guidelines" (in fact, enforceable standards) regarding appointment processes. There are no mandatory guidelines on the definition of merit but the definition in the State Sector Act is amplified in Commission guidance on equal employment opportunities.

Any applicant for a position in a Public Service department or any agency of government would have rights to review of a decision in the courts. Public Service employees have recourse to the personal grievance provisions of the Employment Relations Act 2000 if they believe they have been unfairly treated in an employment matter, including a decision of their employer relating to a promotion.

### Australia

The Public Service Act 1999 requires that all appointments and promotions must be made on an assessment of merit should be the "primary consideration in making the decision." Merit is defined in the Act as "the relative suitability of the candidates for the duties, using a competitive selection process"; "based on the relationship between the candidates' work-related qualities and the work-related qualities genuinely required for the duties" and focusing on "the relative capacity of the candidates to achieve outcomes related to the duties".<sup>42</sup>

Public Service Commissioner's Directions 1999 give "Examples of work-related qualities that may be taken into account in making an assessment" such as<sup>43</sup>:

1. Skills and abilities
2. Qualifications, training and competencies

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<sup>41</sup> Government of New Zealand (1988)

<sup>42</sup> Government of Australia (2006)

<sup>43</sup> Government of Australia (2007)

3. Standard of work performance
4. Capacity to produce outcomes from effective performance at the level required
5. Relevant personal qualities
6. Demonstrated potential for further development
7. Ability to contribute to team performance.

The Directions require that all “ongoing” Australian Public Service jobs must be openly advertised and all members of the Australian community “whether or not they were APS employees” must have an opportunity to apply for them. The requirement extends to promotions, other than salary rises within a broad-banded classification.

Disappointed applicants for an APS position who are not APS members can apply for administrative review of an Agency Head’s decision. APS members can apply for review of a promotion decision by a statutory Merit Protection Commissioner. Alternatively, an Agency Head considering an appointment or promotion can apply to the Commissioner to establish an Independent Selection Advisory Committee to advise on the decision. If the Agency Head accepts the recommendation of the Committee, it is not reviewable by the Commissioner.

#### **United Kingdom<sup>44</sup>**

Responsibility for recruitment to the UK government is divided between government departments and agencies, who are recruit and appoint about 95% of public employees, and the Civil Service Commissioners, who recruit the remaining 5% to the most senior posts in the civil service. The Commissioners are appointed by the Crown and are independent of the government and the civil service.

The Commissioners have their origin in the reforms consequent on the Northcote-Trevelyan Report of 1854 which recommended recruitment based on open competitive examinations to ensure merit-based appointments. Up until 1945, entry was mainly by examination, but since then “methods such as interview of those possessing appropriate academic qualifications, psychometric testing, and assessment centres were introduced to supplement or replace the traditional examination”.

The scope of the Commissioners’ direct role in recruitment has been reduced during the 1990s to their present responsibilities for senior posts, but since 1991 they have had the authority to issue a Recruitment Code for direct departmental recruitment and to audit the recruitment systems of departments to ensure that they comply with the Code. Since 1996 the Commissioners have also had the power to “hear and determine appeals in cases of concerns about propriety and conscience raised by civil servants under the Civil Service Code which cannot be resolved through internal procedures and to report on such appeals made to them”.

Also since 1991, the actual recruitment and assessment functions of the Commissioners were separated out into an Executive Agency: Recruitment and Assessment Services (RAS) “to provide recruitment, consultancy and related services to departments and agencies and other public sector bodies on a full repayment basis”. This agency was fully privatised in 1996.

The Commissioner’s Recruitment Code establishes the following principles for appointment on merit based on fair and open competition<sup>45</sup>:

- Prospective candidates must be given equal and reasonable access to Adequate information about the job and its requirements, and about the selection process
- Applicants must be considered equally on merit at each stage of the selection process

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<sup>44</sup> Information from the Civil Service Commissioners website: Government of the United Kingdom (2007).

<sup>45</sup> United Kingdom Civil Service Commissioners (2006)

- Selection must be based on relevant criteria applied consistently to all candidates
- Selection techniques must be objective and guard against bias.

The Code defines merit-based recruitment as “finding the best available person for the job”, “putting all appointments above suspicion of patronage” and “ensuring that recruitment procedures reinforce the political impartiality of the Service.”

Government department and agency recruitment procedures are audited for compliance with the Code by:

1. Requiring departments and agencies to complete an annual self-assessment of compliance;
2. Using consultants to review the self-assessment on a risk basis, perhaps including an on-site visit.



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