

Civil Service Reform in Developing Countries: Why Is It Going Badly?

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“It has become axiomatic in modern public administration that bureaucrats *ought* to be selected on the basis of universalistic, achievement criteria, best expressed in an examination system; and that employment should be for a career. The pressure of international advisers and the demand for technically qualified personnel to staff the program-oriented services of modern government has meant the proliferation in all the developing countries of civil service and personnel systems rooted in the merit and career concepts. Indeed, so deeply engrained are these ideas that even to question their utility is to risk castigation as a heretic and subversive.” (Fred W. Riggs, 1963, page 127)

“The civil service in its modern institutional form as a merit system is to be observed in all the successful market economies but in none of the planned economies or import-substitution economies, whether these regimes are authoritarian or democratic.” (Joan Prats i Catalá, 1999, page 259)

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¹ This paper is a work in progress, and comments are welcome. Its intention is as much to broaden the debate on civil-service reform, as to provide specific answers to the problem of reform. The paper is part of a small World Bank-funded project on *Managed Depoliticization of the Civil Service* and has been written on the basis of my experience, first as a World Bank employee (working mostly recently on issues of public-administration reform in Latin America), then as a consultant to the World Bank. The findings, interpretations, and conclusions are the author’s own and should not be attributed to the World Bank, its Executive Board of Directors, or any of its member countries.

I. Introduction: a Universal Model for Reforming the Civil Service

There is a strong consensus in the international development community on the need for civil-service reform in developing countries. The civil services of the more advanced countries enjoy merit selection, insulation from undue political influence, and – to the extent possible – arrangements to promote the productivity of civil servants. The civil services of the developing countries tend to be large, underpaid, and politicized. Senior cadres lack professional depth and often fail to provide any chain of continuity in government over the longer term. As a result, delivery of public services tends to be inefficient and, often, beset by corruption. In the last decade or two, we have come to recognize the salience of institutional factors in economic and social development, and the consensus view is that reforming the civil services of developing countries more or less according to the model provided by the advanced countries would be central to making governments more effective.² Hence the call to depoliticize the civil service in these countries.

Many developing countries have, often with the help of the donors, sought to promote merit-based reforms along the lines of the richer countries: entrance to the service based on competitive exams, protection of civil servants from arbitrary removal, and protection of their political neutrality and policing of this service by an independent body.³ These principles, which constitute the basis of a what I shall characterize as a universal model for reform, are usually written into constitutions and laws. But these principles are not respected in practice. Indeed, civil-service reform has proven among the most difficult of developmental reforms to sustain, and there is little evidence that nationally- or donor-inspired reform efforts have met with much success. *Part II* of this paper briefly characterizes the universal reform model from the point of view of the experience of one leading donor, the World Bank, and indicates how the Bank's own analyses have admitted, if guardedly, that success has been limited.

The main body of this paper is concerned with understanding the nature and causes of this failed reform paradigm.

Part III asks about the lessons of history. Can the historical reform process in today's advanced countries shed light on the reform process in today's developing countries? This paper puts a first step – barely going below the surface – into the sea of

² In the matter of reform, it is perhaps not always wise to lump the transition economies in with developing economies to which this paper refers: a number of the more advanced transition economies of Eastern Europe – typically those applying for membership of the European Community – have governmental institutions that bear comparison with those of Western Europe.

³ See Horn (1995), page 97. We shall use the terms merit as shorthand for the set of principles underlying the universal reform model. Horn also mentions other characteristics of the merit system, shared to a greater or lesser degree by different national systems: positions are established centrally and classified according to rank; bureaucrats are paid a salary and pension that is determined by their rank, rather than the work that they do; there are often impediments to external lateral entry at senior grades; there are few points of entry, with most entering at a young age and most senior positions filled by promotion. The biggest difference that Horn notes among national systems is in the amount and depth of political, as opposed to merit, appointments, the US system, notably, allowing large numbers of political appointments.

history. This first step suggests some interesting propositions relevant to the application of the universal reform model to civil-service reform in developing countries

- First, patronage systems are not the universal evil now supposed: they had their political advantages and they worked under certain conditions.
- Second, reforms only come to fruition when they are moved by powerful external forces. Notably, merit-based civil-service reforms were initiated in the Nineteenth Century when popular or economic demand for better public services overcame the political class's preference to use civil-service appointments as the currency of politics (or the means of personal gain).
- Third, civil-service reforms evolved under different political traditions and in different ways in different countries, though they tended to converge – amazingly closely, perhaps – on a similar institutional model, the merit system.
- Fourth, there was no such thing as quick reform: laws may get written quickly, but the reforms typically took a number of decades to become more or less universalized across the executive branch.
- Fifth, the trend towards professional civil services with a protected merit status has also meant the development of the civil service as a powerful public-sector institution and interest group in its own right.
- Sixth, merit-based reforms, while solving some problems, created others – notably, they often undermined civil servants' incentives to be efficient and responsive. As a result, there is a continuing tension in these countries between the merit-based principles that lead to management inflexibility and the “managerialist” principles that lead to greater flexibility, but also often open the way to greater politicization.⁴

Part IV suggests three propositions to explain why civil-service reform has proven so difficult in developing countries.

- First, the revolutionary political conditions – the emergence of new interests with the need and the power to promote a more efficient and honest public administration – have not been met in many countries. Some of these countries are characterized by spoils systems that provide the currency of political competition, others by the continuing vigor of traditional systems (where, for instance, kinship ties are important) which frustrate reform movements.
- Second, governments are significantly larger than in the past as a result of modern ideological approaches to development, as well as the local articulation of political demands. This has led to large civil services, often characterized by public welfare employment, whereby public jobs are provided to a large part of the population as a means of ensuring their political support. It has proven very difficult to reduce such high levels of employment, while they have led to fiscal crisis and personnel performance problems.
- Third, many of these large civil services have emerged as strong interest groups capable of challenging reform efforts.

⁴ I use the term “managerial” to encompass practices borrowing from the managerial methods of the private sector. Particularly relevant for personnel management are the use of monetary incentives to induce better performance and the threat of being fired to discourage shirking.

It can be inferred from the reform record, as this paper discusses it, that the civil-service-reform policy community—that group of organizations and individuals (politicians and experts) which has formed the dominant view on reform – has failed to respond to an evident problem of reform design. *Part V* advances two speculative explanations of why the policy community may have failed to make more progress. First, it may be that the policy community, dominated by technocratically-inclined expertise, has proven deficient on political and historical expertise. Second, it may be that the incentive to learn from failures and change paradigms is not sufficiently strong: neither donor bureaucracies nor the individual governments that are recipients of technical assistance or funds appear to have suffered from this failure, if only because successes and failures in this type of institutional reform are not always evident to the political masters – i.e. centers of government or electorates – of the donor agencies or the recipient governments.

This paper has sought to establish a critique of the universal model for civil-service reform because it has not, in general, worked in developing countries. The paper does not have any one alternative model to propose, so *part VI* asks: what next? It makes proposals in two areas:

- *Change the mindset*: recognize reform failures more openly; develop a more balanced view of the relative advantages and disadvantages of merit and patronage systems (and incorporate politics into analysis and solutions, rather than ignoring or denying it); rethink the issue of lifetime tenure for civil servants; and understand better the lessons from history, the nature of politics, and the transferable lessons from contemporary cases of successful reform.
- *Think of alternative approaches to reform*: look for ways of separating the welfare aspects of current civil-service regimes from their service-delivery aspects (for example, transform excess employment into a social-security regime); promote schemes (“hybrid appointments”) that recognize politics in senior civil-service appointments; concentrate on selective approaches to reform (for instance, “graduate” selected agencies or promote selected careers).

II. The Universal Model: the Example of World Bank Projects

Since the World Bank first began to lend for civil-service reform, in the 1980s, it has prepared more than 200 projects with specific civil-service reform components. The Bank’s lending was originally motivated in large part by concerns about the fiscal cost of public employment, but lending has increasingly addressed issues of the performance of the civil service.

Fiscal concerns. Dominating the World Bank’s first wave of lending for civil-service reform (1987-93) were projects that addressed the problem of high wage bills. Bank structural adjustment loans have often established agreements with governments for specific targets to reduce the size of civil-service employment and limit the public-sector wage bill (World Bank, 1999). Technical-assistance loans have sometimes funded the design and financing of retrenchment schemes which selectively reward civil servants

(and sometimes offered them job retraining) for leaving the service or for early retirement. Many of the Bank projects primarily addressing fiscal concerns have been prepared for African countries.

Performance concerns. The major part of the World Bank's lending for civil service reform, especially since the early 1990s, has been directly related to improving the performance of civil servants. Projects have sought to support better performance in a variety of ways, through both structural-adjustment and technical-assistance loans. (Some of these projects have taken a sector-specific approach to reform, notably in health, education, and revenue administration.) World Bank loans have, variously, supported the preparation or implementation of civil-service rules reflecting:

- Recruitment systems based on open competition and transparency, often administered by politically independent civil-service commissions.
- Further reduction of political influence through tenure and pension provisions.
- Performance incentives based on a rational wage structure, merit-based promotion systems, and, in some cases, performance-related pay.
- Behavior codes in support of professional behavior and to minimize favoritism, etc.
- Information systems to manage remuneration policies (job classification and payroll systems) and personnel management (employee data bases).

It is this general set of merit-based rules more or less along the lines of modern civil service practice in the more advanced countries – also typifying the approach of other donors – which constitutes what this paper calls the universal model for reforming the civil service. Note also that addressing the fiscal concerns of excessive public-sector wage bills constitutes a pre-condition for introducing merit-based systems in countries with bloated public employment rolls.

In a series of analyses and reports, the World Bank has recognized the enormous challenge of civil-service reform operations and it has recognized that success has been limited (some of these analyses are summarized in Box 1). The outcomes of interventions to support reductions in the size of civil services are relatively easy to monitor. Loans have often missed their main targets – such as reduction in the wage bill and reduction in employment—and the reforms have often subsequently been reversed. Performance-related reforms are more difficult to measure and monitor, but the Bank's reports nonetheless express concern that more has not been achieved. Projects often provide “palliative measures to solve problems that require major surgery”. To improve projects, the reports makes suggestions that relate to the institutional dimension of reform (political, culture, and labor markets), more appropriate aid instruments (that recognize the slower pace of reform and the need for continuity in support), and more systematic information on civil services and the progress of reform.

Box 1. The World Bank Analyzes its Own Lending for Civil-Service Reform

World Bank (1999), *Rethinking Civil Service Reform*, PREM Note No. 31, October

- This briefing note questions the success of past projects. It proposes a new approach which emphasizes: the adoption of deeper and slower pay and employment reforms (shifting from shorter-term fiscal goals to more performance-oriented goals); linking civil-service reform with other institutional reform (in addition to human-resource management, financial management, sub-national devolution, sector-specific institutional reforms); and moving from a project to a program approach (for instance, a series of projects, within a program, to make aid more flexible and support more continuous and longer term).

World Bank, OED (1999), *Civil Service Reform: a Review of World Bank Assistance*, Report No. 19211, April 27

- This review of 124 civil-service reform loans and related studies for 1980-97 found a poor level of satisfactory outcomes, whether in downsizing, capacity building, or institutional reform. With the Bank's largely technocratic approach (and its interactions usually limited to a narrow group of interlocutors), four factors undermined its interventions: the poor quality of information on performance available for management of the civil service; the limited role afforded to strategic management and cultural change; the absence of coordination arrangements and checks and balances on arbitrary action (as a result of which fiscal control remained lax and patronage uncontrolled); and a failure to appreciate key contextual constraints (labor markets and institutions) in the elaboration of reform scenarios.
- The report proposes the following measures: the Bank should standardize performance indicators for different types of reform outcome; civil-service reform operations should link capacity-building measures to monitorable performance; projects should be based on institutional and labor-market assessments; Bank projects should be stand-alone, allow adequate time for implementation, and use participatory techniques; the Bank should continue to evaluate its civil-service reform operations and decide on its comparative advantage; and the Bank should experiment with results-based management.

World Bank (2002), *Civil Service Reform: Strengthening World Bank and IMF Cooperation*, Directions in Development

- The paper sets out the major objectives of civil-service reform, describes recent Bank and Fund programs addressing reform, considers the effectiveness of these, and examines how both institutions have worked together. The paper incorporates a review of Bank and Fund civil-service reform operations in 11 countries. Success in civil-service reform has been limited because: reform objectives have often been unfocussed, even contradictory; reform programs have paid too little attention to political or other institutional constraints; and data have rarely been good enough to inform policy choices.
- Future Bank-Fund collaboration should be based on : being more selective and consistent in reform objectives; developing a medium-term fiscal framework to support civil-service reform; fostering national ownership by making reforms politically feasible (by identifying stakeholders and discussing trade-offs); better coordinating Fund (fiscal) and Bank (structural) conditionality; agreeing on sequencing and timing of reforms; and strengthening data collection

III. Civil-Service Reform: Some Historical Evidence

The history of civil-service and administrative reform in today's more advanced countries has not surfaced much in current discussion of reform in developing countries. In addition to historians of public administration, there is a newer body of research, broadly of an institutional nature (institutional economics, political science, political economy), looking at how changing political and economic conditions have systematically contributed to the historical evolution of civil service arrangements.

The historical emergence of merit systems in the Anglo-Saxon countries is usually explained in terms of institutional changes that politicians made to respond to changing political and economic circumstances that affected the perceived efficiency and honesty with which governments were able to deliver services. I provide a sense of this with the examples of the US and Britain below. The emergence of merit systems in continental Europe – typified by countries where civil-law systems holds sway – seems to rely on more legalistic explanations (and *raisons d'état*), in particular the codified approach to political reform that followed the French revolution. I briefly cover the French case below. In spite of the apparent differences in explanation, there is a remarkable similarity in outcomes, i.e. in the characteristics of Anglo-Saxon and civil-law merit systems. Moreover, these changes occurred around the same time. A common theme is that merit arrangements were part of an administrative revolution responding to fundamental political changes that came to a head in the Nineteenth Century.

The US federal government. Patronage originally worked well when government was small, but the growth of the government in a democratizing country led to a systems of patronage – the “spoils system” – that became progressively more corrupt and inefficient. It has also been suggested that the introduction of the merit system responded not only to this situation, but also to growing private-sector demands for a predictable regulatory environment.

The four decades following independence have been characterized as a period of “government by gentlemen” Loverd and Pavlak (1995). The first President's criteria for appointments to the then-small civil service emphasized merit and probity. Subsequent Presidents found it expedient to combine the competence criterion with political patronage in the political competition for votes.⁵

A popular reaction against the elitism of these appointment practices was consummated in the election of Andrew Jackson to President in 1829. His preference for a substantial rotation of civil servants was based on moral, anti-corruption grounds and was a response to social demands in a growing and democratizing country. The system worked reasonably well until the Civil War. But as the scope of public services and the number of civil servants grew, especially after the Civil War, this system degenerated into the abuses of the spoils system in which service to party was more important than

⁵ Johnson & Libecap (1994) characterize the patronage regime as one where employees had no tenure, lasting no longer in office than their principal, serving their principal's electoral and political objectives, and giving part of their salary to the party.

competence and governments took to creating extra jobs to provide additional political currency. The growth of government employees also led to a problem of managerial control – the so-called principal-agent problem: hiring took up inordinate amounts of time of managers (particularly the President) and monitoring the behavior of employees became increasingly difficult (Johnson and Libecap, 1994). After the War, a large debate took place on the relative merits of spoils and a merit system. The defenders of the former believed that spoils were vital to the health of political parties, hence democracy and that patronage guaranteed loyalty and accountability.

Factors additional to the principal-agent problem have also been propounded by various authors as contributing to the advent of merit-based reforms. The expansion of the economy and of government also led to a change in the nature of political competition: the center (and national policies) grew at the expense of the periphery (and of spoils politics) (Prats i Catalá, 1999). By the same token, the technical and industrial revolution was leading to a scale of productive operations (larger firms and markets, longer periods for financing investments) that required levels of economic security that went beyond spot transactions between individuals who knew each other. A great coalition of smaller firms aimed to defeat patronage and create an acceptable, predictable, regulatory environment; in other words, a credible commitment mechanism was needed, and politicians could supply this. This confluence of monitoring problem, change in political parties, and demand for security led to demand for a merit system that would offer legal security via impartial public agents, and that was less vulnerable to political manipulation.⁶

The Pendleton Act of 1883 established merit as a criterion for entrance into the civil service, eliminated federal employees' obligation to make political contributions, and prohibited the soliciting of such contributions. Soon after, more rules were added to ensure that employees could only be removed through due process. The civil service was to be overseen by an independent commission, whose head was appointed by the President. The spread of the merit system was not instantaneous. It was not until well into the next Century that the system was thoroughly instituted.

The size and scope of the federal government continued to grow in the Twentieth Century. This exacerbated problems that arose as a result of the merit system, lack of political control because civil servants were no longer as accountable to politicians as under the patronage system, and lack of managerial control because of the merit-based rules that made the workforce more inflexible. By the same token, the growing strength of federal labor unions was an outcome of the protections afforded by the merit system (Horn, 1995). Indeed, since the beginning of this Century, different governments have made various efforts to introduce greater flexibility or political control, at the expense of strict merit principles. These have included modern forms of personnel management, as well as the creation of exceptional rules for particular agencies. The vogue for agency-

⁶ Horn (1995) explains the adoption of merit system in terms of: first, the interests of a large, diffuse reform coalition which opposed an incumbent legislature's ability to use its control over jobs to consolidate its hold on office; second, the interests of any one legislature in demonstrating credible commitment by ensuring that its decisions were not reversed by subsequent legislatures.

specific rules that would allow more managerial approaches is particularly strong at present.

The UK. Britain's merit-based civil-service reform was part of a broader sweep of reform, culminating in the Nineteenth Century, that encompassed economic liberalization, democratization, and administrative modernization. Civil-service reform was the product of an interplay of technical, economic and political changes. For several centuries, the power of the state had been expanding faster than its administrative capacity, and administrative modernization appears to have been driven primarily by the dissatisfaction of growing commercial and industrial interests at the state's inefficiency, but popular aversion to corruption – the “moral” aspect of this inefficiency – also played an important role.

A nascent civil service first saw life in the form of personal servants to the king as an Anglo-Norman centralized state emerged in the Middle Ages (Fry, 2000). In the Sixteenth Century, as capitalism began to emerge, the English state became stronger and began to expand its functions, a more formal bureaucratic organization started to emerge and its employees came to work for the state, rather than for the monarch. Economic change outstripped the state's capacity to manage its new functions (partly because communications were primitive), and the state's response was to sub-contract many of its functions by leasing public monopolies, including tax collection, to private parties. This initiated a period of corruption – the illicit seeking of rents, for both personal and political purposes, arising from the rapid expansion of a still-inefficient state – that was to last, in changing form, until the fundamental economic and political reforms of the C19 (Chrisney, 1986).

From the mid-Seventeenth Century onwards, Parliament became a major battlefield between the waning power of the Crown and traditional landowners and the growing power of new, commercial interests. This expressed itself in a costly form of political corruption through vote buying and patronage. The industrial revolution of the Eighteenth Century continued to strengthen the commercial classes, and these classes helped push a drive for greater government efficiency. Political reforms, driven by a deep popular aversion to England's history of corruption, culminated in a significantly widening franchise (especially in 1832-85). These developments, underpinned by the writings of Burke and Bentham, ushered in a series of profound reforms around the middle of the Nineteenth Century promoting economic liberalization (for instance repeal of the corn laws) and strengthening of public administration (for instance, Treasury control of all central-government expenditure by the mid 1850s).

Civil-service reform was part of the broader reform. The Northcote-Trevelyan report of 1854 advocated the creation of a modern, merit-based civil service (Box 1 of World Bank, 1997 and Fry 2000). The authors based their recommendations in part on the colonial experience of the East India service.⁷ The report's primary emphasis was on

⁷ The East India service had, in turn, taken its cue from Prussia. Prussia was the first country to develop a state bureaucracy based on merit entry. An absolutist king took this step as a counterweight to a powerful

merit principles that would promote efficiency, but the political insulation of civil servants was also an eventual outcome of the report's recommendations. Actual reforms began in 1855 with the establishment of Civil Service Commission. At first there was only limited competitions among nominees. In 1870 open competitive exams for new entrants were introduced, but only for those departments whose ministers agreed to this. (The Home and Foreign Offices did not participate.) Only in 1914 did all departments come into line (and the Foreign Office only partially). The Northcote-Trevelyan reforms were not fully implemented until some 60-70 years after the initial recommendations.

Continental Europe. Some political scientists have suggested a common pattern to the historical evolution of European civil-service systems from the Middle Ages down to today. According to Bekke and van der Meer (2000), reporting on a large multi-country research study (and testing propositions of Raadschelders and Rutgers, 1996), the first such employees were *personal servants* to kings; then, as the nation-state coalesced, they became *state servants*. (These are the same broad developments that we saw for England up to the Sixteenth Century.) The concept of the *public servant*, with a broader duty than just to the government-of-the-day, emerged in continental Europe, following the French Revolution and Napoleon's legal innovations, with the concept that citizens had to be protected against the state through the rule of law. Thus developed, by the late Nineteenth Century, the legal-rational bureaucracy described by Max Weber, with its concepts of merit, the removal of honorary offices, the lessening of prerogative and privilege, and the regulation of the civil-servant-political relationship (which progressively led to a protected status for civil servants).

France: France's tradition of a strong state (rather than the minimal state in the Anglo-Saxon tradition) meant that the beginnings of a professionalized civil service was early to develop, much of this well before the Revolution of 1789. While the Revolution cemented the notion of service to the people, rather than the government of the day and replaced the notion of privileged access by more open access to public positions, there was a degree of continuity for the civil service. It continued to develop as a power in its own right, increasingly driven by a notion of public service, although a fully fledged merit system took longer to emerge than in the US or the UK (and was not fully in place until 1946).

A new administration began to emerge in France from the Seventeenth Century, as part of a process of centralization of an absolutist state which did not end until the Revolution. The reinforcement of the central administration was necessary to overcome rival powers (such as intermediate bodies and local powers). From 1629 to 1642 Richelieu informally created an administrative organization in the service of, but separate from, the king. Colbert (in senior ministerial positions in 1661-85) helped Louis XIV develop an administrative machine to support the ambitions of the French State. Colbert believed in an interventionist and rational state capable of providing security to, and promoting the efficiency of, the private sector in furtherance of the State's goals. A professional bureaucracy further developed in the Seventeenth Century in answer to the

nobility. Later this bureaucracy became very powerful. Under Frederick the Great's successors, career bureaucrats emerged as "an aristocracy of experts" (Gladden, 1972, p165).

State's growing need for technical expertise (Ecole des Ponts et Chaussées in 1747) and for continuity in the face of ministerial instability. Nonetheless, the pre-Revolution civil service was still as much a medium for resolving social conflicts as it was an instrument of the State. It consisted of officers who inherited their position, those commissioned for special tasks, and salaried employees owing their position to patronage (Rouban, 1998).

The Revolution abolished privileged positions in the civil service and established the principle of equal access to public offices. Nevertheless, there was considerable continuity in personnel: "The know-how and technical competence of the civil service, abhorred by the Jacobins, emerged unscathed." (Rouban, 1998). Napoleon built a rational and coherent administration for an authoritarian regime, using what he could of the institutions developed under the Ancien Régime. It was now deepening its professional attributes (development of careers, regulations on salaries, rights to promotion and pensions, and, from the middle of the Century, selective introduction of competitive-entry procedures).

While the Revolution had made the civil service a more middle class, more egalitarian institution, "personal relations and social criteria continued to prevail in appointments which remained at the discretion of the head of state or of the ministers." (Meininger, 2000, page 195) and the civil service was thus "transformed into a system for the institutional regulation of conflicting interests in society." (Rouban, 1998, page 16) Throughout the Nineteenth Century, the civil service continued to be in the service of politicians (and further from the neutrality that was being achieved in the British civil service), but this was to an extent counter-balanced by the growing sense of identity and self-interest of an increasingly professional civil service.

Though politicization never reached the level of the US spoils system, the reaction against it helped the drive towards a full merit system as a new culture of public service emerged and civil servants organized to press for their own interests (including regulation of careers and disciplinary procedures and the right to unionize). In the early part of the Twentieth Century, elements of a merit system began to be established under case law. It was not to be until 1946 that the merit system (as well as the right to union organization) was fully established in law.

IV. Why is Civil-Service Reform so Difficult in Developing Countries?

This section makes some propositions about why CS reform in LDCs has not progressed further. I shall advance two central propositions: that political conditions in most of these countries have not, particularly according to the conditions we have observed in history, been propitious for reform; and that the characteristics of modern government – ambitious in scope of action and large in size – also militate against reform.

The first proposition is fairly straightforward. The three national historical examples I cited in the last section all suggested that merit reform requires a

revolutionary political impetus for more efficient and honest public servants (one that sometimes, if not always, is driven by economic and technical change). This kind of impetus, where new political forces have gained sufficient power and legitimacy to change the way things are done, has been lacking in many developing countries.⁸ In fact, in many countries, other imperatives reign:

- In some countries, public-employment patronage that finances competition between political parties and factions continues to be a dominant feature. Various studies have documented the practices of patronage appointments and compulsory political levies on civil servants' wages (see, for instance, studies on Bolivia – World Bank, 2000 – and Honduras – World Bank, 2001). These are practices that recall the US spoils system of the Nineteenth Century.
- In other countries where there is still a strong overlap of traditional social systems with state modernization efforts, merit reform is resisted by continuing practices to employ friends and family. Cunningham and Sarayrah (1993) document how the practice of *wasta* – kinship-based intercession to obtain public favors and public positions – in Jordan systematically undermines modern, performance-based bureaucratic practice.

The second proposition is that reform may be undermined, on balance, by characteristics typical of modern developing countries. In these countries the attributes and size of government have been strongly influenced by modern views of the developmental role of the state and its obligations to citizens. These ideologies reflect a post Second-World-War world in which the advanced countries developed expansive welfare states and, in many cases, a strong belief in the catalytic role of the state in economic growth (leading to substantial public ownership and interventionist policies). As a result, the post-war decades also sustained a particular set of beliefs about the efficacy of state-led development in the emerging economies (hence the importance of state ownership, planning, etc.). There have been several consequences of the ahistorically large state, as far as civil-service reform is concerned.

First, large states have translated into large civil services (both in terms of their ratio to the population and their absolute size). This has complicated the challenge of reform.

Second, public employment has come to be a form of second-best welfare policy, or public welfare employment. This may not have been intended – it may have been a

⁸ Chapters 2 and 7 of Burki and Perry (1998) develop an argument. Applicable to Latin-American countries, why, even where democratic choice exists, voters in practice often do not support public-administration-reform initiatives. Voter's collective action is made difficult where voting rules encourage fragmentation and multiplication of parties and where "information asymmetries" (through poor education and poor communications and information) enable politicians and parties to win votes by providing private goods (such as access to state benefits), at the partial expense of public goods. Politicians and political parties need an army of people to provide these favors, and they need to reward this army in return, typically with government jobs. In addition, few modern political parties – open and democratic -- have generally evolved yet in Latin America: candidates selected by "closed" party dominated by oligopolies have greater latitude to act in their own (particular) interest (or those of the interest groups that provide financial backing) rather than that of voters.

side effect of the advent of the developmental state. By the same token, this welfare policy is a political policy: downsizing public sectors in many countries is made difficult precisely because public jobs buy political support (whether countries are nominally democratic or not). This phenomenon of public welfare employment reflects another change over time: through the communications revolution, if not always through the ballot box, modern populations, even the poor, have some form of political voice. Public welfare employment appears to be particularly important in African and Middle Eastern countries. Many countries have guaranteed, until recently at least, jobs to tertiary (and even secondary-school) graduates, though the cost of this policy has become increasingly difficult to sustain (see Valsan, 1997, on Egypt).

The use of the public sector to create employment leads to fiscal pressure, which in turn drives down wages, especially of more qualified personnel, and makes it difficult to employ qualified people and to pursue policies that improve performance. The advanced countries did not face this particular pressure at the comparable stage in their administrative development.

There is a third proposition about the difficulties of reform, deriving partly from the large state and partly from the attempt in many countries to impose merit rules and thereby develop a professional civil service. In many developing countries, civil services have emerged as powerful interest groups, typically protected by the constitution and by tenure provisions. These groups have tended to protect their privileges and to resist reforms designed to improve their performance. Teachers unions in Latin America have, for instance, created substantial obstacles to sectoral reform.

V. Has the Policy Community Failed?

If civil-service reform efforts have disappointed, it is worth asking why the policy community – those in the advanced countries and the developing countries whose advice and actions have ensured the longevity of the universal reform model – has stuck with this model. Has there been a failure to learn? If so, why?

A paper by Peter Spink, reporting on a study of 70 years of reform efforts in 15 Latin-American countries (Spink, 1999) throws some light on this. An overview of his findings suggests two main points (see Box 2 for more details). First, the relatively rare instances of more successful reforms were typified by ad hoc, piecemeal, and gradual reforms. The more ambitious and comprehensive reforms of the type typically recommended by bilateral and multilateral donors had a poor record of success (except, sometimes, under authoritarian governments). Second, donors and governments have done little, Spink argues, to ask where these past reforms went wrong. He characterizes this situation, where the policy community narrows down the debate and –deliberately, it would seem – leaves some elements out of the equation, a “truncated advocacy coalition”.

Box 2. Seventy Years of Public Sector Reform in Latin American and What Donors and Recipients Have Learned About It

A review of 70 years of attempts to reform public administrations in 15 Latin American countries indicates a reform record that is significantly at odds with the way that donors and recipients continue to see the reform problem. This suggests that both donors and recipients have failed – willfully, it might be said – to learn from the reform record.

Successful reform has followed the lines of unbalanced, rather than balanced, growth (to use Albert Hirschman’s terminology). Reform has, generally, not been visible, coordinated, and planned, but an “adaptive process” – ad hoc, little by little, daily doing things a bit better. Costa Rica had no explicit administrative reform until the late 1980s, but since 1949 a myriad small steps without an explicit agenda developed its public sector. In Chile until 1973 the process was one of effective gradual improvement. This was also the case in Argentina after 1933. All large global, planned reforms carried out during periods of pluralistic and democratic government failed. Reforms carried out under authoritarian rule have done better (Brazil in 1967, Argentina in the mid-1970s, Chile in 1976, Peru after 1979), though the military presence does not guarantee reform.

Since the 1980s, donors, abetted by governments, have promoted ever-more-complex technical solutions to the problems of public-sector reform in Latin America. They have not, in the process, asked much about past failures in reform strategy, and this has to throw their current reform ideas into doubt. Has self-censorship unwittingly limited the range of discussion? Bilateral and multilateral agencies, through courtesy or ignorance, avoid politics in advice they give, the histories and documents they write, and the meetings they address. The pressure is to reach conclusions acceptable to all. Latin American governments, for their part, seek resources and thus respond to areas where aid is being made available. In the end, careers and interests have become built on “reform”: there is plenty to be done and room for all.

Sabatier and Jenkins-Smith (1993) described an *advocacy coalition* approach to the formation of public policy within a specific arena. In the Latin American debate on public-sector reform, we see a “truncated advocacy coalition” which narrows and pre-empts the debate and which suffers from amnesia. Civil-service reform provides an example of the quality of the debate: the donors’ insistence on meritocracy needs some rethinking: one cannot engineer meritocracy, one has to understand what a given socio-political system is demanding of its civil service.

Source: Spink (1999)

I shall suggest two propositions that explain this weak policy-community response. The policy community – particularly the experts in the donor agencies – may have a narrow technical view of the world. In this world, politics, notably, has a small place. This is consistent not only with the post-war approach to development, which has been eminently technical, but also with the desire of donor agencies to appear apolitical. Riggs (1963, pp125-126) drew attention to the dangers of separating technical and political analysis as follows: “In the contemporary era of large-scale technical assistance under international and bi-national programs, we see a continued infusion of external pressure and assistance in the expansion and proliferation of bureaucratic organs, with relatively little attention to the growth of strictly political institutions. The reasons are

quite evident. Administration is regarded as a technical matter (technics) subject to foreign, ‘expert’ advice, whereas politics is so closely linked with fundamental values and social mores (techniques) that aid would be construed as ‘intervention’.”

Related to this, and as Spink also indicates (Box 2), the employees of both donor and recipient governments may face career incentives to promote a continuing round of “reform” actions. If these reforms fail, the corollary must be that corresponding incentives to provide demonstrable results – for instance, changes in the behavior of civil servants – are weak. This would be so if the principals who police the donor agencies – the center of government and, ultimately, the electors – are unable or unwilling to apply incentives that ensure meaningful reforms.⁹

VI. What Next?

This paper has sought to promote a debate on reforming the civil service in developing countries. Has the merit model worked? If not why not? If the paper has made a plausible case that these this reform model has not done very well and that is possible to begin to understand why this is so and where the policy community may have gone wrong, we are entitled to ask what the next steps should be. I do not have any one alternative model to propose, but I believe that it is possible to move forward in two dimensions: changing the mindset and thinking of alternative approaches to reform.

Change the mindset: This is an exhortation for a fresh look at the reform record and at the intellectual framework we bring to civil service reform. Here are some ideas:

- *Recognize reform failures more openly:* if, indeed, the reform record is poor, we should recognize this and not fall into the trap of seeking marginal improvements within the same basic model.¹⁰
- *Develop a more politically-informed view of the relative advantages and disadvantages of merit and patronage systems:* Riggs (1963, pp125-6) argues that spoils systems have two advantages. First, spoils fund nascent political party systems, as US history shows.¹¹ Second, while career bureaucracies may be more efficient, they are less responsive to political control. Strong bureaucracies do not, without political control, provide efficient public services. He suggests enlarging the extent of political appointments without sweeping away the system of merit appointments. Similarly, Prats i Catalá (1999, pp. 264 ff) defends patronage, on the historical US example. Johnson and Libecap (1994) point out that “The partitioning of the federal civilian labor force into patronage and merit components allowed the president and

⁹ See Shepherd (2002) for a discussion on the incentives in donor agencies and recipient governments that have led, in the case of the World Bank, to perceptions of “a pervasive preoccupation with new lending”; ‘an approval culture’ in which Bank staff rush to approve new projects, without taking adequate account of the risks attending to implementation of the project”.

¹⁰ Of course, the issue of donor and recipient incentives needs to be addressed. This is beyond the scope of this note.

¹¹ “Without the hope of spoils, and with minimal opportunities for penetrating the career services, the opposition parties can attract only the confirmed idealist, the bitterly disappointed, the fanatic, and the maladjusted: all predominantly drawn from the intelligentsia.” (Riggs, 1963, page 130).

the Congress to address those demands while still maintaining patronage where it remained politically valuable.”

- *Avoid the “merit trap”*. There may be a trap in pursuing merit reforms when political circumstances do not support them: experience suggests that the reforms may endow the civil service with corporate power, as well as impose fiscal costs, while doing little or nothing for performance.
- *Rethink the issue of lifetime tenure for civil servants*. There are grounds for taking a much more variegated approach to this issue. The tenure argument applies most clearly to senior civil servants at the core of government: it is the more important decisions and actions made by these people that can be subject to political manipulation; and it is these civil servants who tend to be committed to a career in an internal labor market with few career alternatives. More senior civil servants working in non-core functions, notably service delivery, arguably function within external labor markets, and can thus shift with more ease into private-sector jobs. In these cases, private-sector labor-contract arrangements (or at least fixed contracts under public-employment statutes) seem more appropriate. The tendency in advanced countries to separate policy-making from policy-executing agencies (and to create executive agencies for the latter) goes in this direction. Arguments for tenure in the lowest levels – drivers, cleaners, guardians, for instance – are these jobs are part of in external labor markets. Some countries, sensibly, exclude these jobs from the civil service.
- *Assemble better evidence*: clearly, changing the mindset requires better information, in particular a better understanding of history, the nature of politics, and the transferable lessons from contemporary cases of successful reform (countries like Botswana, Brazil, Chile, and Singapore).¹²

These considerations suggest that, rather than seeking to *depoliticize* the civil service, we should be seeking to *repoliticize* the reform debate.

Think of alternative approaches to reform: In the longer term, as history indicates, it is economic and social development that will improve the pool of human resources, reduce the need to use public sector jobs for welfare policy (thus allowing public-sector wages to rise), and create a demand from the public and business for better public services. Merit-based reforms are likely to follow, as they did in today’s rich countries.

In the shorter term, it may well be that, for those countries where this political demand is not effectively articulated, attempts to introduce, across the board, modern merit-based systems will be at best a waste of time, at worst counter-productive (c.f. the merit trap). Thus developing countries and donors need to start thinking about viable shorter-term alternatives.

First, it may be that some shorter-term ways of addressing the civil-service issue fall outside the ambit of public administration. Here are two possibilities:

¹² In the last few years, the World Bank has initiated a useful set of survey-based studies of public officials which systematically probe how institutional environments affect the behavior of public officials, covering, inter alia, issues of corruption and patronage (see www.worldbank.org/publicsector).

- It would make sense to re-consider the challenge of reducing over-dimensioned civil services as one of “welfare reform”, rather than “civil-service reform”. For instance, where it is politically impossible to retrench redundant employees at will, why not move them into a pool that would receive payments akin to social security.¹³ This would, at a minimum, provide a mechanism for differentiating the pay of productive and non-productive civil servants.
- Is there any possibility of thinking of ways of formally financing party-political activity that would obviate (some of) the need for patronage (i.e. campaign finance reform)?

Second, there are a number of partial solutions that recognize that a frontal attack against patronage practices is unlikely to succeed and that patronage must be co-opted, rather than swept under the carpet. The most novel idea – new to most developing countries but not to the advanced countries – is that of hybrid appointments, i.e. those where merit and political considerations are mixed together. But there are also variants that involve the selective introduction of merit in specific areas of government, with the expectation that these areas can move to a higher level of efficiency and probity, while other areas will continue, for the present, to bear the brunt of merit appointments.

Hybrid senior appointments (across the whole of government). Most advanced countries separate political appointments (advisers and senior managers) from civil service appointments, with a fairly restrictive approach to the number of political appointments. Some of these countries make significant numbers of hybrid appointments (see Box 3): typically, qualified candidates of whatever political color are placed in a pool and selections are then made using political criteria. There are also arrangements to minimize the risk of candidates entering the pool, for instance by allowing civil servants having obtained employment through the pool to re-assume jobs in the regular civil service, once their political appointment has terminated. The application of merit criteria to hybrid appointments is usually overseen by an independent body.

There is an important way in which the management of patronage in senior appointments differs between advanced countries. This is the extent to which political (patronage) appointments reach down into the management hierarchy. Political appointees in the US penetrate further down the managerial scale than in the other countries, and political appointees work alongside career civil servants at many of these levels. Deepening the formal reach of political appointments, along US lines, in developing countries is another way, in addition to a formal system of hybrid appointments, to recognize political realities. Such a system would require clear rules on the maximum number of such positions and on the merit and political criteria for selection.

¹³ A World Bank project for civil-service modernization in Yemen is taking some first small steps in this direction.

Box 3. Hybrid Appointments in OECD Civil Services

Most civil servants in OECD countries are hired based on the principle of individual merit for a given position. However, a closer look at some OECD bureaucracies shows the existence of a significant number of hybrid appointments in which merit criteria are accompanied by subjective political judgments. For hybrid appointments, merit is a necessary but insufficient condition for appointment. There are two problems to be solved in hybrid appointments: 1) attracting the best candidates for the position, since the best candidates may be deterred in light of the threat of apparently arbitrary political dismissals; and 2) striking the right balance between two conflicting types of recruitment criteria.

In OECD countries, the most common solution for the first challenge is the creation of a “pool” system. Applicants must satisfy merit criteria to enter the pool, which is then available for subsequent political selection. “Pool management” requires that the pool be sufficiently attractive to recruit candidates who meet the merit criteria but will not always satisfy the political criteria. The pool system ensures that civil servants will not face redundancy. In France, for example, all discretionary appointees are guaranteed a job in the career civil service, so that the prospect of dismissal from the hybrid post does not imply unemployment. In Germany, appointments to senior positions automatically lapse when there is a change in government. The incoming government can reappoint the civil servants. Civil servants who are not reappointed are retained as “ruhestand” (resting). They receive an allowance and may be reappointed at any time. In Canada, Deputy Ministers serve “at the pleasure” of the Crown, and the Prime Minister may terminate the appointment at any time. In the event of dismissal, convention dictates that a comparable position be found or that a voluntary retirement package be arranged.

The classic solution to the second issue, striking a balance between merit and political recruitment criteria, is to make an initial selection based on merit. In Canada, the Cabinet Secretary’s Office has a highly scientific approach for identifying the competency profiles necessary for specific posts and for assessing candidates. This Office proposes a list of candidates for Deputy Minister posts to the Prime Minister. From this list, the Prime Minister selects a candidate, acting on behalf of Cabinet and using purely political criteria. In the UK, a senior selection committee makes recommendations to the Prime Minister on the appointment of permanent secretaries. These recommendations take into account the views (but not the veto) of the relevant Minister. Application of the merit criteria in hybrid appointments is enforced either by standing independent commissions (UK, US, Japan), or by committees made up of senior civil servants (Belgium).

Source: Box 5.2 of World Bank (2000), Volume I.

Brazil provides a useful example of such a reform. Its federal government has evolved a system of senior appointments that combines the hybrid appointment system typical of many advanced countries with the depth of appointments characterized by the US. Brazil is noteworthy as a developing country which has developed a good merit-based civil service (over a period of several decades) and successfully mixed merit and patronage elements. The Brazilian case is described in Appendix 1 to this paper.

A World Bank report of 2000 recommended a hybrid appointment system to achieve the managed depoliticization of Bolivia’s civil service. The relevant part of the

report is excerpted in Appendix 2. The recommendations also envisaged the need for a commitment to a gradual decrease in the scope of political appointments.

- Selective reforms* (in “islands” of government). This could take several forms.
- *Agency “graduation”*. New merit-based civil-service rules could be introduced (possibly along with other administrative-reform rules and with budgetary inducements) in selected agencies that thereby graduate from the old rules. This appears to have been how merit-based reforms were introduced in many of the now-advanced countries from the late Nineteenth Century onwards. This strategy has been advocated and adopted in a number of World Bank public-administration-modernization projects, including Bolivia, Ecuador, Thailand, and Yemen. But beware that politics can still trump merit reforms. An attempt to introduce, sequentially, a contractual approach to administrative reform in all the ministries in Ecuador in the mid-1990s quickly foundered: only two months after finalizing the rules, the Government declared all central administration entities “restructured”, in order to grant salary increase, although none had met the eligibility conditions.
 - *Enclaved (or autonomous) agencies*. Many developing countries have – given the difficulties of more comprehensive reform approaches – sought to modernize selected, key agencies – usually on an ad hoc basis – by reforming personnel and administrative rules (and usually providing for privileged access to resources). In Latin America, notably, there have been many reforms of revenue-collection, regulatory, social investment, and other service-providing agencies. These reforms have provided one of the most successful approaches to public-sector reform in recent years. They have, inter alia, produced model arrangements for merit-based personnel regimes (see, for instance, the reforms reported on in Bolivia’s regulatory agencies in World Bank, 2000). But they do not appear to provide an adoptable model for broader civil-service reform. First, these enclave reforms do not always prove durable since they tend to be the particular initiatives of, and to rely on the protection of a particular instance (a President or a donor agency, for example), without being institutionally well “anchored”. Second, such reforms tend to balkanize the state: for instance, the functions of social investment agencies overlap with other central or local-government departments. Third, these reforms typically adopt private-sector-type personnel regimes which are not appropriate to governments’ core activities. But enclaves may also have a demonstration effect, showing that merit systems can be sustained and productive.
 - *Development of selected civil-service careers*. Countries that have career-based civil services (like France, Spain, and Brazil), or are prepared to adopt them, have the option of preferentially developing key careers (analogously to the graduation approach mentioned above). Brazil has since the mid-1990s been reasonably successful in pursuing a differentiation strategy by privileging specific careers in key government functions such as tax administration, public finances, auditing, and trade (see Appendix 2).

Appendix 1: the Development of Brazil's Civil Service

In general, Brazil's Federal government is well served, compared to most other Latin American countries, by its employees. They are by and large well qualified, accountable, loyal, and competent. There is a permanent corps of Federal civil servants (Servidores Públicos – Public Servants) who staff the ministries and agencies and a large cadre of political appointments (“DAS” appointees) who staff the top management posts in the Ministries and the autonomous agencies. This Appendix characterizes the two regimes as they function today, then describes how today's civil service has emerged as a result of many decades of underlying progress towards a professional civil service, albeit punctuated by large policy swings.

Federal Public Servants. These are permanent, tenured civil servants (Servidores Públicos) under the civil service law (Regime Juridico Unico – RJU). The rules of the RJU reflect a Weberian model with weak in-career performance incentives. The regime benefits from competitive entry, protection from politics, and reasonably good remuneration. Basic salaries have not risen since 1995, but for selected Careers within the Regime substantial bonuses keep remuneration competitive with the private sector. The ministries hire, but the regime is tightly overseen from the center.

Many argue that, under this Regime, high pensions, automatic promotion, the absence of a performance-related element in remuneration, and absolute tenure undermine incentives. A widespread perception in Brazil is that the general lack of incentives is a large barrier to introducing greater performance orientation into public administration. The government has experimented, apparently successfully, with performance-related incentives in a minority of Careers (notably in the Treasury).

The Public Service is occupation-based (on the French model). Under the Regime, there are 26 separate Careers and a general (residual) category of Public Servants (“PCC”). The Careers represent an elite minority of well-paid Public Servants. Developing a human-resource capacity within selected Careers has been a center-piece of public-management policy since 1995. This policy enabled the government to effectively staff key functions (especially those relating to fiscal performance) in key ministries. Thus Careers were favored in areas such as tax administration, public finances, auditing, and trade. (Other Careers, such as the diplomatic and military, have traditionally been strong.). The Careers have also helped to foster Public Service corporatism, leading not only to a loyalty more to the particular Career and its agency than the government, but also providing a natural unit for political (union) organization.

The PCC, accounting for nine-tenths of all Public Servants in intermediate and auxiliary jobs and two-thirds of those in senior jobs, is a hodge-podge of many occupations (mostly in ministries that provide public services) and less well paid (though not necessarily poorly paid). The policy of favoring certain occupations (through elite Careers) over others helps create two classes of ministry. Ministries whose Public Servants were largely in PCC occupations have faced substantial difficulties in

maintaining a qualified, permanent senior workforce (and they have had to resort to finding temporary employees).

Federal Political Appointments. The Commission for Senior Administration and Expertise (Comissão de Direção e Assessoramento Superior – DAS) is the government's system for making political appointments for managerial and advisory positions at the sub-ministerial level. It seems to work well to provide effective senior public servants with limited abuse of patronage. The system is transparent and centrally controlled. Agencies have a legislated ceiling on the number of appointments under each of six grades. The agencies propose new DAS contracts (which are limited-term) and the Presidency (Casa Civil) vets them (and approval is not automatic). While there is no minimum qualification for entry, the administration in recent years has generally acted to ensure that appointments were qualified and appropriate. In general, salaries are competitive, though the top level may be less competitive. There are no pensions and no tenure. However, Public Servants can enjoy DAS status by having their existing salaries topped up and, when they no longer have DAS positions, they can return to their old jobs. Thus their tenure and pension rights are preserved. DAS positions are occupied by a mix of private sector and Public-Servant appointments. In the top management jobs (the top three levels) the mix is about half and half.

Such widespread use of political appointments (reminiscent more of the US than European practice) is controversial in Brazil. While some DAS positions are certainly used for patronage (especially to get support from State governments through appointing DAS positions in sub-national outposts of the Federal government), the system works overall rather well. It allows the government to tap the potential of Brazil's highly qualified private sector, and it makes up for the perceived problem of poor incentives, hence inferior performance, inside the Public Service.

The Historical Development of the Civil Service. The core of the federal civil service was initiated in the 1930s, based on a Weberian model of relatively inflexible bureaucratic hierarchy. The regime has thus been in existence for almost 70 years, but there has been a constant tension between the control of political interference that a centralized, hierarchical system can bring and the need for flexibility and decentralization which can improve performance but, in turn, re-open the system to political abuse. The tight discipline of the system began to be lost in succeeding Administrations. Brazil's military government represented an extreme of flexibilization and decentralization which worked for some years, from 1967 onwards, by promoting "islands of excellence" in the autonomous agencies and public enterprises. But this then led to abuse and loss of central control, which were, in turn, addressed by the new, rigid rules imposed by the 1988 Constitution. The first Cardoso Administration (1995-99) then sought, under Minister of Administrative Reform Bresser Pereira, to undo some of the "damage" of 1988 by building up key Careers within the Public Service – another form of "island of excellence", but more centrally controlled – and by reinforcing the system of political appointees to provide the top management that the Careers could not. These reforms, undertaken without major legal changes, represent a significant achievement.

The favorable evolution of Brazil's Federal civil servants and their relatively good performance today is in turn the outcome both of public policies and of external conditions.

- The *human-resource policies* (selection; pay, pension, other incentives; promotion, tenure/longevity, training, system management) affecting most civil servants are strong on promoting merit-based appointments, if weak on promoting incentives for efficiency and effort. These rules have been long in the making and practising.
- *Organizational policies* have not obviously contributed to good performance (any more, say, than in other countries). But certain ministries and agencies have for various reasons – for instance, because they have had good, continuous leadership or because they have been less subject to political influences – created local cultures that have promoted accountability and incentives. Organizational incentives and cultures matter to employee performance.
- Brazil has a dynamic *labor market* for skilled people, as well as a developed system of tertiary education. This creates a pool of potential employees which has an extremely important impact on the quality of civil-service entrants.
- *Political conditions* determine the relative demand in a country for patronage employment in the civil service versus professionalism. While promoting professionalism has been a historical struggle, successive regimes since the 1930s – of different political colors – have emphasized the need for professionalism in large parts of the state, whether in the name of the developmental state (Presidents Vargas, Kubitschek, etc.) or of democratic values (President Cardoso). Since the return to democracy in the mid-1980s there is some “soft” evidence of the increasing importance of popular demand for honest and effective civil servants.

Appendix 2: Managed De-politicization: a World Bank Proposal for Bolivia

(Extracted from pp. 85-87 of Volume I of World Bank, 2000)

Among the components of the Institutional Reform Project, the Civil Service Reform is the most critical one that attempts to de-politicize the public administration by introducing a system of merit-based personnel management. A successful civil service reform is absolutely essential for transforming the Bolivian state from a source of patronage to a professional bureaucracy and for introducing the ambitious set of measures to promote performance and results orientation in the public sector. Without de-politicization, none of the other measures is likely to bear fruit.

Significant reduction of patronage politics would require institutional development not only in the public sector but also in the private sector and civil society. The private sector must become capable of offering attractive employment opportunities to the large number of citizens who currently seek public sector jobs for lack of alternative opportunities. Civil society has to demand more professionalism from the state instead of seeking private goods through bribery and exploitation of other privileged access to the state that some enjoy. The need for maturing of the private sector and civil society is a generic problem afflicting many developing countries, which will take many years of persistent structural reforms to overcome. In this regard, the Government should continue deepening measures that promote private sector development and improve labor market flexibility. The findings from the proposed World Bank study on “Microeconomic Constraints and Opportunities for Higher Growth” are expected to offer some policy recommendations that may be useful in this regard.

Besides this structural dimension, the question that is uniquely important for Bolivia is how to address the pressures for patronage that arise from the particular problem of coalition building and maintenance. This is where a dose of realism is especially important as de-politicization of the bureaucracy cannot and will not be accomplished over night. Because the use of patronage is closely related to the government’s need to build and maintain a viable governing coalition, de-politicization of the public sector must be done in a “managed” fashion, or the political resistance would become insurmountable. This is by no means an easy task. But there are reasons for some optimism as the Bolivian political system has demonstrated its capacity to arrive at open consensus among political parties that is necessary for “managed” de-politicization (e.g., parties’ respect for the National Electoral Court).

One way in which the process of de-politicizing the bureaucracy may be made more manageable is to recognize explicitly some limited, legitimate space for political appointees, instead of aspiring to establish a purely merit-based state in a short time period. Politicians/political parties have a legitimate interest in being able to exert some influence over the bureaucracy (as discussed in Chapter 3 of this Review). Currently, the unreliability of formal administrative mechanisms for controlling bureaucratic behaviors raises the importance of direct, informal control mechanisms including patronage/political appointments. It is unrealistic to expect that politicians will easily

relinquish the influence they are currently able to exert through their appointees in key bureaucratic posts. In this context, the only way in which de-politicization may be accomplished is to provide politicians with some abilities to retain legitimate political control over the state bureaucracy through limited and transparent practices of hybrid appointments, whereby governing parties can fill certain senior posts in the government on the basis of political/partisan criteria *as well as* merit.

One instrument that might facilitate political consensus-building over this hybrid approach (or any other approach to de-politicization) is *transparency about ways in which political parties exercise control over the government bureaucracy*. To the extent all the parties can be more or less certain that no other party is taking unfair advantage of the new rules of engagement, the likelihood of successful de-politicization will increase. On the contrary, if opaqueness prevails about the process of civil service reform, parties in opposition, for example, may suspect that the reform is a government's ploy to staff the bureaucracy with its sympathizers, whom the opposition party would be unable to fire if and when it regains power. The challenge is that the quality and availability of information in Bolivia is extremely low. Thus, one key to achieving the consensus described above is to improve the quality of information about personnel management, and especially about the political parties' control over the state. For example, the Government might:

- ✓ establish reasonable parameters for political appointments in government bureaucracy agreeable to major political parties;
- ✓ publish information about the number of political appointees in each agency (possibly including their party affiliations), and make this information available to Congress and the public; and
- ✓ and commit to gradually decreasing the scope and magnitude of political appointments within the public sector.

These tasks can be given to a credible central oversight body such as the Civil Service Superintendency. The idea is to allow the political parties themselves, as well as the general public, to monitor compliance with the reasonable standard on political appointments to be set in the implementing regulation of the Ley de Estatuto de Funcionario Público. Unless there is some assurance that no single party would be breaking the rule to take unfair advantage by continuing to engage in patronage appointments, there will be no incentive for the other parties to also comply with the new rule of de-politicization. It is equally important that the agency in charge of handling this information be seen as politically neutral and professionally competent in order to avoid the perception that information may be manipulated or mishandled.

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