

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: PIDC73

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| Project Name | SL Public Sector Pay & Performance (P128208) |
| Region | AFRICA |
| Country | Sierra Leone |
| Sector(s) | Central government administration (90%), Sub-national government administration (10%) |
| Lending Instrument | Specific Investment Loan |
| Project ID | P128208 |
| Borrower(s) | Minister of Finance and Economic Development, Minister of Finance and Economic Development |
| Implementing Agency | Minister of Finance and Economic Development, Minister of Finance and Economic Development |
| Environmental Category | C-Not Required |
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| Concept Review Decision | |
| Other Decision | Quality Enhancement Review meeting before appraisal |

I. Introduction and Context

Country Context

1. Following the end of a decade long civil war in 2002, peace has been consolidated in Sierra Leone. Politically, the country has been relatively stable. Two multi-party elections have been successfully concluded, with power peacefully transferred to the opposition party in the last election in 2007. However, despite relatively strong average economic growth of 4.57% between 2008 and 2010, Sierra Leone was ranked 180th out of 187 countries in the 2011 edition of the United Nation's Human Development Index (HDI). The country still faces serious development challenges: over 62 percent of the population lives below the poverty line of \$1.25 a day, and almost two-thirds of the population is illiterate. According to a 2009 report of the World Health Organization (WHO), life expectancy in Sierra Leone is 49 years, well below the regional average of 54 years. The under-5 mortality rate is 174 deaths for every 1,000 live births, significantly more than the average for low-income countries (127/1,000). Sierra Leone is very vulnerable to external shocks. Economic performance has been adversely affected by the global recession. However, the medium term economic prospects, based on the mining and oil sectors, are good. Following a slowdown resulting from the financial crisis, economic activity recovered in 2010, led by growth in the manufacturing, mining, construction, and agriculture sectors and supported during the second half by a large increase in public spending. Real GDP expanded by 5.0 percent in 2010 as the economy emerged from the effects of the global economic downturn, which had reduced real GDP growth to 3.2 percent in 2009. Revenue from the natural resources sector is expected to boost domestic revenue by an estimated 95% from 2010 to 2014. According to the recent budget speech of the Finance Minister, including iron ore GDP is projected to grow at 50% in 2012 and 10% in 2013 in real terms.

Sectoral and Institutional Context

Background

2. Over the years during and after the civil war the public sector in Sierra Leone has suffered progressive depletion of skilled manpower and the middle level cadre of professional and technical staff. This is evident when comparing the composition of Sierra Leone's (core) civil service to other African countries. In Sierra Leone today, over 87 percent of the personnel are in the lowest ("blue collar") grades 1-5. Top management grades only represent slightly over 1 percent of civil service employment (see table 1 and chart 1). Professional and technical staff constitutes only about 11 percent of the total civil service workforce. Comparable numbers for professional and technical staff in Gambia (in 2007) were 26 percent and even in Sudan (in 2004) 14.3 percent.

3. The overall depletion of skilled manpower during the civil war is manifest when comparing current civil service employment levels to 1993/94-levels. For example, in grades 6 and above the number of civil servants has shrunk to one third of 1993/1994 levels. According to a recent Public Expenditure Review (PER) (World Bank 2010), the total number of civil servants in grades 6 and higher was 5858 in 1993/94. The current number in these grades is only 1736. Although this represent a significant growth in technical staff compared to 2008 (1129 staff), it is still less than one-third of the numbers in these grades in 1993/94.

4. The structure and composition of public employment is highly skewed towards the lower grades, in particular in the core civil service. The real problem of the low numbers in the middle/technical and senior grades is in the "bureaucracy" and not with the front line staff associated with service delivery. Low staffing levels in the middle/technical grades can partly be explained by incorrect (too low) grading of certain jobs. For instance, nurses are currently placed in grade 4 whereas they should be in grade 6.

However, even when accounting for such in correct grading, the composition of the civil service is likely to be highly skewed toward the lower grades. However, it is evident that the central ministries have inadequate staff and capacity at these levels and that this has implications for their ability to perform their core functions of policy making, regulation and service delivery. While, as Collier and Davies (2011) point out service delivery need not be the monopoly of central ministries, this is currently the case in Sierra Leone. In spite of decentralization, frontline workers in health, education and agriculture continue to be on the payroll of the central ministries and there is very little service/infrastructure provision/management being carried out in the private sector.

Table 1: Composition of Civil Service, 2008 and 2011

| Category | Grades | 2008 | | 2011 | |
|----------|-----------|---------|------------------|---------|------------------|
| | | Numbers | Percent of total | Numbers | Percent of total |
| Low | 1-5 | 13,255 | 92.2% | 11,881 | 87.3% |
| Middle | 6-10 | 995 | 6.9% | 1,559 | 11.4% |
| High | 11 and up | 134 | 0.9% | 177 | 1.3% |
| Total | | 14,384 | 100% | 13,617 | 100% |

Notes: (i) The figures for 2008 are from World Bank (2010): Sierra Leone Public Expenditure Review, Report Number 52817-SL, October 28, 2010; (ii) Figures for 2011 were provided to Bank staff by the MoFED in September-November 2011; (iii) Figures for both 2008 and 2011 include core civil service and health workers; (iv) grades 1-5 are the lower grades/"blue collar" workers; grades 6-10 are professional and technical staff with grade 7 as the graduate entry level; and grades 11 and up are the senior management cadre.

5. In addition to the low numbers which are largely a consequence of uncompetitive pay, there are two other problems with the functioning of the civil service. Motivation (*esprit de corps*) is weak because of inequitable pay and no demand for performance (weak accountability). Low levels of competence, especially in senior positions, because of appointments based on a combination of patronage and seniority.

Government Performance

6. While the link is not easily established, it is generally accepted that in addition to its capability for policy making/coordination and regulation the quality of "upstream" government institutions has an impact on the "downstream" performance of government on the provision of services and infrastructure. (See World Bank (forthcoming)).

7. Available evidence suggests that the Sierra Leone's performance on the delivery of services and the provision of infrastructure is below par with respect to other similarly placed countries and the volume of resources invested in the sectors. Annex 3 provides evidence to support this conclusion and chart 1 summarizes where Sierra Leone stands relative to the rest of the region on the various dimensions for the Worldwide Governance Indicators. Note, in particular, the standing with respect to Government Effectiveness.

8. Policy Coordination: According to the CPIA 2010, Sierra Leone is mostly on par with other IDA countries. Overall, Sierra Leone scores 3.3 which is the IDA average. On the cluster of indicators on public sector management Sierra Leone scores 3.0 slightly below the average of 3.1. On the Quality of Public Administration, Sierra Leone scores 3.0 which is the IDA average. Similarly, Sierra Leone scores the IDA average of 3.0 on the Policy Coordination indicator. Sierra Leone is most markedly different from the other IDA countries in its performance on "efficiency of revenue mobilization," scoring 3.0, compared to the IDA average of 3.5. However, there is clearly scope for improvement on policy coordination. Relevant to the public sector management reform agenda is the decision to create the Teachers and Health Services Commissions which was made without any internal consultation. Follow up actions on cabinet decisions are not systematically tracked. For instance, no action has been taken so far on the pay reform strategy that was approved by cabinet in February 2011.

9. There is evidence to support the conclusion that the civil service needs to function more effectively and efficiently if the GoSL is to deliver on its development commitments in a sustainable way. Measures such as higher salaries and additional staff and resources for the health sector to implement the Free Health Care Initiative (FHCI); or the creation of a donor-funded Decentralization Secretariat virtually outside the Ministry of Internal Affairs, Local Government and Rural Development to establish and promote local governments; or the use of donor-funded staff in line positions or even government funded LTAs are all short-term fixes which circumvent the underlying problem, namely a weak civil service.

10. The next section discusses some of the possible causes for the weaknesses in the public service.

Low Remuneration as a Key Constraint to Civil Service Capacity

11. Low remuneration appears to be one of the major reasons why Sierra Leone's civil service has not been able to attract technical staff back that was lost during the civil war. Current levels of remuneration are extremely low for many professional and managerial jobs. One indication that low remuneration is a key constraint to attracting qualified staff is that entry level personnel recently recruited for certain technical positions (budget officers, procurement specialists, internal auditors) had to be offered an average of US\$1000 above the regular civil service wage (approximately \$ 200) to accept these positions. As a consequence, senior managers appointed through internal promotions have increasingly been appointed from a weak and depleted middle management pool with little consideration for competence or merit. Other indications that low levels of pay are a key constraint to

filling technical and managerial positions include a plethora of “coping” arrangements that “circumvent” the low public pay scale. These include (i) the relatively well paid local technical assistants (LTAs) in line positions, often funded by donors; (ii) the prevalence of project implementation/management units (PI/MUs); (iii) donor funded line agencies such as the Decentralization Secretariat; and (iv) ad hoc salary top-ups.

12. While these coping arrangements have often served short term needs they are proving to be unsustainable in the long run:

- First, wide discrepancies in remuneration levels for broadly comparable civil service jobs and the ad hoc and non-transparent nature of the extra-normal remuneration have created tensions within the service. They are not conducive to the establishment of an esprit de corp. One prominent example for such discrepancies is the MoFED with its exceptionally large numbers of highly paid staff. For this reason, it is resented by the other MDAs. This often comes in the way of constructive dialogue and communication during, for instance, the budget process, between it and the other agencies. Issues of pay inequity are also to be found in other parts of the civil service – for instance, the health service where nurses were graded incorrectly following a flawed re-grading exercise in 1998. Lobbying from the health professionals when the Free Health Care Initiative (FCHI) was launched, resulted in a substantial pay increase for health professionals in 2009, without reference to pay levels in the bureaucracy and other parts of the public service. These examples are symptoms of a failure by GoSL, dating back to the early 1990s, to tackle widely perceived pay inequities within the public service as a whole in a comprehensive and systematic manner.
- Second, the fact that often the funding for these arrangements comes from donor projects leads to uncertainty and the potential for high turnover that are not conducive for efficient and effective functioning of government.

Other potential causes of lack of qualified staff at middle management

13. Lack of technically qualified candidates in the labor market. Initial attempts at staffing the “missing middle” suggest that while the talent pool in Sierra Leone’s labor market clearly is limited, it is possible to find suitable candidates for open positions (at least for some jobs) with the right pay incentives. When PSC was given authority to fill critical staffing gaps by sourcing personnel from the external labor market, it has been able to fill the vacancies it has advertised, although for some jobs the GoSL has had to negotiate “top ups” with individuals to entice them to join the service. It remains to be seen whether the labor market is able to respond with quality candidates as the recruitment demands increase in future. Clearly the constraints are likely to be more severe for doctors, engineers and other professional categories for which academic institutions are not available in Sierra Leone. A labor market survey has yet to be done to ascertain if relevant skills currently exist in the country which will need to be complemented by pay data for critical skills. The last comparative remuneration survey was conducted in 2004.

14. Adverse Incentives in Recruitment. In theory even if (i) pay is increased and (ii) qualified staff is in the market, (political / patronage) incentives might be such that personal / political networks trump qualifications in recruitment decisions. However, the recent evidence suggests that this is not (systematically) true at least for the new recruitments made through the Public Service Commission but may be the case for promotions and senior management appointments and direct recruitment by MDAs.

15. However, neither of these is at this stage a binding constraint to improving the performance of the public service. Fragmented Responsibility for Public Service Reform

16. In addition to the political economy issues that make reforms difficult in Sierra Leone (Robinson 2008, Chavez and Robinson 2011), reforms in the public service are further complicated by the high level of fragmentation of responsibilities and the lack of accountability that results from this.

17. While the responsibility for public service reform is fragmented in many countries (by its very nature), in Sierra Leone this fragmentation is particularly strong which exacerbates the collective action problem in a government that is characterized by weak coordination. The institutional arrangements in the public service result in particularly diffused responsibilities. The Secretary to the President provides advice on public service matters. A Cabinet Secretary is also the Head of the Civil Service. The President has a Chief of Staff, to which the Strategic and Policy Unit (SPU) reports. The SPU has responsibility for performance contracts between the president and the ministers. In addition, a new Directorate for Performance Management is being established in the HRMO to assess the performance of individual civil servants. This responsibility potentially overlaps with the role of the SPU. A Public Sector Reform Unit (PSRU) has been responsible for coordinating public sector reforms for the past ten years but has no executive authority and implementation responsibilities. The HRMO has responsibility for leading human resource management reforms. The Ministry of Finance has a key interest in the fiscal impact of pay reforms and is responsible for providing the funding necessary for the reforms. However, it is difficult to separate the extent to which this fragmentation has led to the inability to implement public service reforms and from the political economy of the reform agenda.

18. The previous section identifies the lack of professional and technical staff at middle level in Sierra Leone as a key problem in Sierra Leone’s public sector results-chain. It argues that insufficient and distorted pay is one of the key causes that drives this lack of qualified staff within the core civil service. It also argues that “coping arrangements” to deal with this pay structure have severe negative side-effects for staff motivation, in particular (i) the tensions that the ad hoc dual pay structure/coping arrangements engender tensions between the regulars and the LTAs/persons with top ups and undermine an esprit de corps; (ii) uncertainty and high turnover of staff due to idiosyncratic requirements. Theory suggests that in a low information environment a more hierarchical structure with low turnover and an esprit de corps makes for more efficient functioning (Wilson 1991).
Reform Objectives

19. There is need for the GoSL with support from its partners to create a better functioning civil service because, without this, it is unlikely that government performance can improve over the long-run (at least not on a sustainable basis). This will require that: (a) the right jobs (professional and managerial) are filled competitively on merit so that ministries are able to deliver; (b) competitive pay is offered where appropriate to ensure critical skills can be attracted and retained; (c) people are paid fairly for the work they do so they are motivated to deliver; and (d) direction is provided in the form of performance targets to ensure that ministries and their staff are working towards agreed government objectives. The program therefore would need to impact directly on some critical intermediate outcomes - civil service size and composition, competence, motivation and accountability. If these outcomes can be addressed, in time it can be expected that government performance will improve.

Ongoing Reform Efforts

20. The government acknowledges that it must rebuild its civil service if it is to achieve its ambitious objectives for service delivery and the development of infrastructure as laid out in its Agenda for Change and the even more ambitious agenda being outlined for the next PRS. The GoSL also recognizes that the increase in revenues will increase the pressures for “rent sharing” through higher wages (already evident) and that any further increases must be accompanied with reforms that improve performance and accountability. It has started the urgent task of recruiting civil servants to the “missing middle” on the basis of merit through a transparent and competitive process managed by the Public Service Commission (PSC). It has also introduced a performance contracting system in ministries and intends to widen and deepen this process in the coming years. A new pay policy/strategy was approved in February 2011.

21. The following sections describe the current status of the reform and rebuilding efforts in the critical areas of staffing, pay and performance management which are the focus areas of the GoSL’s new reform program.

22. Staffing key positions: On the staffing side, of particular concern is what is referred to as the “missing middle”: the fact that only 11 percent of personnel in the public service are in the mid-level technical grades which have an important role in policy making, setting of technical standards, planning and budgeting, regulation and coordination that are essential for the delivery of public services.

23. It appears that all posts advertised are being filled on merit following a transparent and competitive process involving interview and examination selection methods. However, the remit of the PSC does not currently extend to senior management appointments where vacancies are filled through seniority-based internal promotions determined by the line ministry, which are simply ratified by HRMO and PSC.

24. Pay Reform: Over the last 20 years successive governments have failed to address the pay problems systematically despite the long list of proposals and recommendations that have been made over the years. Instead, governments have tended to adopt ad hoc measures in response to the immediate problems experienced, often from powerful interest groups, without much thought to the long-term consequences of their actions. Most of these measures were poorly designed and implemented, and have often exacerbated the present situation. A “Multi-year Public Sector Pay Reform Strategy (2011-2015)” was approved by cabinet in February 2011 which defines pay policy objectives, describes key implementation steps and sets out affordable pay projections. The strategy document marks an improvement over previous efforts and includes a number of reform elements. It recognizes the need to complete job evaluations and re-grading before pay increases are actually implemented. In addition, it proposes (i) an increase in the number of grades from 14 to 17; (ii) an increase in remuneration levels; (iii) that remuneration is commensurate with duties and responsibilities; (iv) a significant wage decompression. It also addresses issues of composition and the “shadow” civil service. The strategy document estimated that the salary increases together with the re-grading and rationalization would lead to a 70% increase in the wage bill by 2015.

25. As a result of political pressures, implementation so far has focused entirely on wage increases and no progress has been made on the implementation of the other elements of the reform agenda laid out in the strategy document. Starting with ad hoc increases for health workers in 2010 and for teachers and the rest of the civil service in 2011, the wage bill in 2011 is estimated to be 21% higher than in 2010; the cumulative increase by the end of 2012 is expected to be almost 50%. Thus, in spite of the significant increase in GDP and revenue between now and 2014, the share of the wage bill in both of these is not likely to decline significantly.

26. Performance management: Recognizing that enhanced pay alone will not improve the effectiveness of the public service, the GoSL has embarked upon a performance contracting process. For the last two years, the President has signed performance contracts with each of his ministers and has carried out “stock takes” of individual ministries with the support of the Strategy and Policy Unit (SPU). The plan now is for performance contracts to be cascaded down to permanent secretaries and directors in all ministries, departments and agencies (MDAs) and local councils. A pilot effort launched in mid-2011 covers seven MDAs and six local councils and involves 67 officials between the ranks of Permanent Secretaries (PS’s) and Directors.

27. However, there are a number of issues to be resolved. First, the pace of deepening and widening the initiative should be commensurate with capacity constraints as there will be a major challenges in putting sufficient capacity in place to roll out the performance contracting process to all MDAs relatively quickly. Skilled and experienced technical staff will be needed who are able to specify outputs, select appropriate performance indicators and, and most important, to challenge MDAs to meet ambitious targets. Third, MDAs will need to have confidence that the resources which have been budgeted to achieve their targets will be

released on time.
Donor coordination

28. Since the end of the conflict the Bank took the lead on public financial management and decentralization reforms with the European Union (EU) and the U.K. Department for International Development (DfID) in the lead on public/civil service reform. A comprehensive Public Sector Reform Framework and Civil Service Reform Strategy was endorsed in 2009 and its implementation was supported by DfID. However, in late 2010 DfID withdrew its support to the Public Sector Reform Unit (PSRU) as a result of a bilateral aid review (BAR) following the change of government in the U.K. in 2010 leaving a partial vacuum in this area.

29. The EU through its new Euro 10.5 million project- "Support to Civil Service Reform Programme in Sierra Leone" - which is expected to become effective in early 2012 will be supporting training, rightsizing, institutional support to the Human Resource Management Office (HRMO), the Public Service Commission (PSC) and other oversight institutions and mainstreaming of anti-corruption efforts. The rightsizing and training components of the project will complement this project.

30. The UNDP provides support financial support to the Strategy and Policy Unit (SPU), in the office of the President, through a trust fund to which DfID and the EU contribute. In addition, the UNDP is also providing support to the HRMO in the form of technical assistance.

31. The African Development Bank (ADB) is supporting the cleaning of the teachers' payroll through the Teacher Record Management Improvement Program.

32. With the relatively few donors operating in Sierra Leone, donor coordination is easier than elsewhere and the proposed project has been discussed with the key development partners.

Relationship to CAS

As noted in the preceding section the Bank has not been involved in public service reforms in Sierra Leone and the Joint Country Assistance Strategy (JCAS) did not, for this reason, make specific reference to any Bank intervention in this area. However, the JCAS had public sector governance as a cross-cutting theme. With DfID's withdrawal from the sector the Bank has been requested by the government to engage in the sector. Success across the Bank's portfolio depends critically on improvements in the quality of the civil/public services. Most of the task teams working in Sierra Leone have pointed to the "capacity" problem as a key constraint and have resorted to a variety of ad hoc approaches to address the capacity gaps in the sector. Addressing the capacity and performance issues across the board and in a sustainable way is thus critical for delivering on JCAS priorities.

The proposed project is also consistent with the Bank's New Africa Strategy which has 'Governance and Public Sector Capacity' as a cross-cutting pillar.

Further, if the Bank is to maintain its preferred partner status and to remain relevant as GoSL revenues rise significantly in the future, it is important for the Bank to provide support at this time when the government is under fiscal stress. This intervention offers the opportunity to initiate and sustain the policy dialogue on public service reform issues which are critical for improving performance across the Bank's portfolio.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

A. Government Proposed Development Objective(s) (to be finalized)

42. The overall goal of the Public Sector Reform Programme is to improve public sector productivity and public service delivery to levels that are consistent with the developmental priorities articulated in the Government of Sierra Leone's Agenda for Change.

B. Program Development Objectives

43. To support the government to establish of an appropriately remunerated, performance oriented, competent and adequately staffed civil service.

C. New GoSL Program

Public Service Pay Reform

44. The objectives of public service pay reform are to attract and retain critical skills, to motivate all civil servants to perform their jobs satisfactorily, and to maintain an affordable and sustainable wage bill. As set out in the Results section below, this will require pay rates for professional jobs to be brought closer to those prevailing in the private sector, whilst simultaneously establishing "felt fair" internal pay relativities based on the relative worth of every job. Strengthened payroll integrity will help to expand the fiscal space to enable these results to be achieved. The reform path will involve benchmarking market pay levels and carrying out a job evaluation exercise. The information from these tasks will be used to develop a revised pay structure, which will consolidate allowances and "top ups" with base pay. MOFED will provide the fiscal space to enable the new pay structure to be introduced, and in the absence of sufficient resource to address the pay anomalies in a single year, the pay structure will be implemented in stages for different job groups (e.g. professionals). GoSL also wishes to ensure that the pay relativities inherent in any new structure can be protected and sustained by establishing an independent and impartial Pay Commission whose role will be to contain the practice of "leapfrogging" through which powerful unions and professional associations are able to extract preferential pay increases directly from the Executive.

Performance management

45. The objectives of performance management are to: (a) motivate MDAs and individual civil servants to perform by providing

direction through targets; (b) strengthen accountability through the use of rewards and sanctions; (c) enhance transparency by communicating government performance and service standards to citizens; (d) increase trust and confidence in government. This component will achieve these objectives by extending the current performance contracting system and by introducing a new individual performance appraisal process. The plan is currently under development. The present intention is to cascade the performance contracting system to PS's, professional heads and Directors in MDAs. External mechanisms will therefore be established at the centre to monitor the performance of PS's and professional heads. In turn, processes will be created within MDAs which allow PS's and professional heads to conduct effective quarterly and annual reviews of their Directors, thereby enabling them to report to the centre performance against targets to the centre. Efforts will be made to match budgets with targets and to release funds in a timely fashion throughout the year, in order for performance management to be fair. The new individual performance appraisal process defined in the new Civil Service Regulations will require all civil servants (including PS's) to agree on work plans (including targets) at the start of the year and to participate in an appraisal discussion mid-year and at year's end with their respective superiors. The outcome of the appraisal discussion will be a rating of individual performance and the identification of the training required to improve the individual's performance in future.

Recruitment and Staffing

46. The objective of this component is to establish a competent civil service of the right size and job composition to deliver its core functions assigned by government. A prior review of establishments will be required to ensure that declared vacancies reflect the real requirements of MDAs, that obsolete posts are removed and, where necessary, redundant staffs retrenched. The "shadow" civil service will be mainstreamed as part of this review. The continuing result of this component will be to fill vacancies each year according to the annual plan which will reflect the priorities established in an agreed staffing strategy to be developed. Vacancies will be filled on the basis of competency through recruitment or internal promotion (as appropriate) following a transparent and competitive process managed by the PSC. Processes will be established to develop civil servants with potential to fill positions of higher responsibility in future. This will help to ensure that vacancies can be filled where there are no qualified candidates available in the labor market. Capacity will be developed in both HRMO and PSC to manage and oversee these recruitment, selection and development processes.

Key Results (From PCN)

Pay reform

- a. Individual pay, which consolidates allowances with base salary, is based on the responsibilities of the job.
- b. For scarce skills, public service pay is competitive with the levels prevailing in the private and non-government sectors.
- c. Future pay adjustments for different occupational groups are informed by independent and impartial advice.

Performance management

- d. Permanent Secretaries and professional heads are reviewing the performance of their Directors on a quarterly basis.
- e. MDAs are providing timely and accurate performance reports to the Strategy and Policy Unit.
- f. Professionals in pilot MDAs have an annual appraisal discussion with their immediate boss on their performance and development needs.

Recruitment and staffing

- g. Vacancies are filled in accordance with the agreed resourcing plan.
- h. Selection for management positions is based on competency following a transparent competitive process.
- i. The shadow civil service is mainstreamed into the establishment.

These statements represent a selection of relevant results for this program. Further results will be defined as the government finalizes its Program document.

III. Preliminary Description

Concept Description

The proposed project will support the GoSL Program through the Program-based Investment Lending (PBIL) instrument and a Technical Assistance (TA) component. The PBIL component will disburse against the achievement of Disbursement Linked Indicators (DLIs) which will be a combination of results and key steps on defined reform paths in each of the three Program Areas. The TA component will support specific inputs for which close technical support and supervision by the Bank is justified and has been requested by the GoSL.

This operation aims to support the government's efforts as reflected in the GoSL Program document. In particular, it will establish fair and, where appropriate, competitive pay across the public service to enable competent staff to be recruited and retained. This will at the same time legitimize government's attempts to demand better performance from both its MDAs and the civil servants who staff them.

Sierra Leone's service delivery performance described above can be attributed to a multiplicity of causal factors including leadership, coordination, skills, rewards, and management structures and processes. This operation does not attempt to address all of these problems, many of which will require tailored interventions for individual MDAs. Instead, it is proposed to address the key systemic problems (as identified in the GoSL Program document) afflicting the civil service which, if tackled together, have the potential to unlock performance across all MDAs. These binding problems are: (a) an inability to attract and retain a critical mass of professionals capable of serving the government of the day; (b) the persistent neglect of the merit principle in appointments, which has led to a progressive erosion of competence; (c) a failure to tackle the perceived inequities in pay, which has depressed employee motivation and morale; and (d) a chronic failure by both governments and senior officials to hold civil servants accountable for their performance.

Project Approach

The project will reward the achievement/completion of key steps/milestones along an identified path for achieving the objectives of each of the three reform areas by making disbursements when agreed steps are achieved/completed with some scope for flexibility in the outer year milestones. It is expected that the achievement of the objectives of each of the reform elements will contribute to addressing the functional problems identified earlier in this note.

The approach will allow for a locally owned and, therefore, more feasible reform program with flexibility in the implementation approach and it will also help in addressing the collective action and coordination problems.

Implementation Arrangements (under discussion, to be finalized)

Political leadership: This will be provided by a cabinet sub-committee to be chaired by the Minister of Finance and Economic Development. The membership of the Sub-Committee will include the Chief of Staff, the Minister of Political and Public Affairs, and the Ministers responsible for Education, Health, Agriculture and Local Government; while the PSR Programme Coordinator will act as secretary. The PSRP will be designated a flagship programme on which the cabinet sub-committee will report to the President and the cabinet on a regular basis.

Strategic and Operational Oversight: The Steering Committee on Public Sector Reform (SCPSR) chaired by the Secretary to the President will provide general and strategic oversight and direction to programme implementation. This Committee will meet on a quarterly basis or as may be expedient, even though more frequent meetings will be required during the early days.

Coordination: Program Coordination will be the responsibility of the Public Sector Reform Unit (PSRU), located in the Office of the President, with the Director, PSRU as Coordinator. The programme coordinator will collaborate closely with MOFED and with the leadership of the Civil Service, as well as with the Steering Committee on Civil Service Reform and MDAs, and will report to the SCPSR and to the Cabinet Sub-Committee on Public Sector Reform (CSPSR).

Implementation: Each component will have an Implementing Agent – (i) Pay Reforms: the Director General, HRMO working closely with the Financial Secretary; (ii) Recruitment and Staffing: the Chairman of the Public Service Commission; and (ii) Performance Management: the Director-General, HRMO. Each component and (where applicable) subcomponent will have a reform agent/driver, who will be the head of department/unit directly responsible for the reform activity. The reform agent for each reform area will be accountable to the Implementing Agent, who is a member of the Steering Committee on Public Sector Reform.

Monitoring and Evaluation: A Monitoring and Evaluation Team will be chaired by the SPU, and will include the PSRU, MOFED and Cabinet Secretariat. An overall results framework, M&E and reporting arrangements will be prepared on the basis of multi-level indicators and targets to be defined and agreed, and deriving from the reform path outlined in Section II of the GoSL Program. There will be a harmonization of the overall M&E framework with the individual frameworks of all ongoing public sector reform projects under the GoSL Program, which will have separate monitorable indicators. Given the segregated and multi-stakeholder nature of the public sector reforms, it is envisaged that the reporting obligations will be multi-level, including from MDAs, and the change agents.

Challenges

The envisaged reforms are likely to encounter resistance from the interest groups which currently benefit from patrimonial politics. Pay reform, which aims to establish fair pay relativities based on the responsibilities inherent in the job, will weaken the ability of well connected individuals to secure preferential rates of pay through their sponsors (a practice referred to “grade creep” in Sierra Leone). Similarly, the restoration of the merit principle in appointments will directly challenge the exercise of patronage, especially over senior management jobs which confer powers to allocate rents and private goods to the regime’s supporters. Traditionally, the executive has exercised its constitutional authority to appoint its supporters to senior positions without consultation with the PSC. The balance of support and opposition to performance management is more ambivalent. Since this initiative was introduced by the Presidency to secure more performance-oriented and more citizen-focused government from its civil service, its deepening into the management of the civil service is likely to be sustained for a while at least. At the same time, civil servants themselves are likely to resist any attempt from the executive to secure higher performance and some may use connections with a sponsor to escape accountability. One possible undesirable outcome is favoritism in the exercise of rewards and sanctions, with the executive using “objective” performance data as an opportunity to reward supporters whilst punishing opponents.

Evidence Base

Empirically there is some evidence from within Sierra Leone that supports the conclusion that the GoSL Program will lead to the expected outcomes. For instance, the MoFED which has addressed the problem of the “missing middle” through the extensive use of LTAs, is recognized as a successful institution in Sierra Leone. As noted earlier, what is now needed is a more sustainable solution to this problem not only in the MoFED but across other parts of government. It is expected that the pay reforms will help in addressing this issue by the staffing of these critical positions by regular civil servants. This will contribute to reducing uncertainty regarding staffing and will contribute to improving motivation and an esprit de corps within the civil service. The performance management element of the Program will help in improving accountability.

This approach is also justified by the theoretical literature. The implications of Wilson (1989) are that career-based arrangements are probably better suited to provide the sorts of cultural/peer pressures that focus people on the task, rather than hard to measure contracts in coping or craft organizations with hard to measure processes and outcomes. Schick (1998) concludes that the less

developed the management structure of a country, the less likely it is to be successful with New Zealand-style strict contract-based reforms. The high level of informality that characterizes the public sector in many developing countries impedes reform efforts because they operate beyond the rules and regulations of the established system. A formal public sector is a precondition for successful New Zealand-style reforms. Others such as Shepherd (2003) argue that traditional models have not worked, especially in Africa, and make the case for more radical politically-oriented reform solutions. The alternative theories, such as those put forth by Hood (1998) which favor contracts are less developed than the career theories and possibly based on a misreading of the original use of contracts in business settings. However, there are better prospects for relational "quasi"-contracts at the senior management level as proposed in the performance contracts.

| Component | Result (R) Milestone (M) | Indicator |
|---|---|--|
| Pay reform sectors for the job they perform external completed | R1: Competitive public service pay | Public service pay for professionals as % of pay in non-government |
| | R2: Individual pay is based on the relative worth of the job | % of public servants stating they are paid fairly |
| | M3: Revised pay structure | When a revised job evaluated pay structure(s) balancing internal equity and competitiveness has been implemented |
| | M2: Market benchmarking | When a market remuneration survey has been completed |
| Performance management reviews of the performance of Directors | M1: Job evaluation | When the results of the job evaluation exercise have been approved |
| | R1: Internal performance reviews | % of PSs/professional heads conducting quarterly |
| | R2: External performance reviews | % PSs/professional heads assessed annually on the performance of their ministries by the central monitoring unit |
| | M4: Performance reporting | All Ministries provide timely and accurate performance reports to the central monitoring unit |
| contracts | M3: Predictable funding | % of Ministries receiving resources within 15 days of the start of each quarter |
| | M2: Performance contracts | When all Ministries and Directors have signed performance contracts matched with budgeted resources |
| | M1: Central performance monitoring capacity agreed competencies | % of staff in central performance monitoring unit with |
| | Recruitment and staffing | R: Filling of vacancies |
| | | % of vacancies filled through competitive competency based selection |
| M3: Selection process for senior managers | | When a competitive competency based |

selection procedure for senior management appointments has been approved

M2: Staffing strategy

When a civil service staffing strategy has been agreed by Cabinet

M1: Establishment review

When an establishment review has been completed and obsolete posts abolished

Technical Assistance Component (USD 2.0 million)

The TA component of the Program will finance the following activities at the request of the GoSL for which the Bank's close technical support and supervision are considered to be critical:

- Labor market survey
- Job evaluation and re-grading
- Surveys
- Others – tbd.

IV. Safeguard Policies that might apply

| Safeguard Policies Triggered by the Project | Yes | No | TBD |
|--|-----|----|-----|
| Environmental Assessment OP/BP 4.01 | | X | |
| Natural Habitats OP/BP 4.04 | | X | |
| Forests OP/BP 4.36 | | X | |
| Pest Management OP 4.09 | | X | |
| Physical Cultural Resources OP/BP 4.11 | | X | |
| Indigenous Peoples OP/BP 4.10 | | X | |
| Involuntary Resettlement OP/BP 4.12 | | X | |
| Safety of Dams OP/BP 4.37 | | X | |
| Projects on International Waterways OP/BP 7.50 | | X | |
| Projects in Disputed Areas OP/BP 7.60 | | X | |

V. Tentative financing

| Financing Source | Amount |
|---|--------|
| BORROWER/RECIPIENT | 0.00 |
| International Development Association (IDA) | 17.00 |
| Financing Gap | 0.00 |
| Total | 17.00 |

VI. Contact point

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