Paths between Peace and Public Service

A Comparative Analysis of Public Service Reform Trajectories in Postconflict Countries

Jürgen René Blum, Marcos Ferreiro-Rodríguez, and Vivek Srivastava
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E.1 UNTAET’s Salary Scale for the Public Service in Timor-Leste, 2000  
E.4 Evolution of Staff Numbers at the Budget Directorate in Timor-Leste, 2006, 2011, and 2013
This book is a timely and welcome addition to the operational literature on post-conflict state building.

Fragility, conflict, and violence (FCV) constitute some of the most pressing challenges to meeting the World Bank’s twin goals of eliminating extreme poverty by 2030 and boosting shared prosperity. Effective governance and sound institutions are foundations for growth and development more broadly, particularly in FCV-affected countries. Yet in such contexts, governments often lack the capacity, accountability, and legitimacy to credibly perform state functions, including provision of security, resolution of conflicts, and delivery of public goods and services.

At the same time, the World Bank is stepping up to this challenge. Under IDA18—the most recent replenishment of funds for the world’s 75 poorest countries—the resources dedicated to FCV-affected countries are being doubled. While this unparalleled financial support is a critical first step, it will no doubt shine a brighter spotlight on the fact that for these resources to translate into results, there must be a dedicated focus on strengthening the underlying institutions that will ultimately be responsible for delivery.

It is well recognized that the approach to rebuilding public services in post-conflict countries should be different. One of the biggest tensions is between the short-term imperatives and longer-term state-building objectives. The imperative to restore state authority and generate “quick wins” raises a very difficult challenge for external assistance in aid-dependent contexts. One of the main challenges in postconflict situations is finding the right balance between the urgencies of the present and addressing medium- to long-term governance challenges.

Until now, however, operational guidance on how to do this in practice has been scarce.

*Paths between Peace and Public Service* uses a rigorous methodology, with the objective of unpacking this question by distilling relevant lessons from five countries—Afghanistan, Liberia, Sierra Leone, South Sudan, and Timor-Leste—on four crucial issues: (1) size and composition of the public service, (2) pay reforms, (3) public service management bodies, and (4) parallel structures.
The study charts the postconflict trajectories in these five countries, which are replete with development partners’ ambitious first-best attempts at rebuilding public services. Many of these attempts have not turned out as planned, often in the face of political pressures. With hindsight, some appear as idealistic exercises, and some did more harm than good. Such first-best policies are typically based on a vision of a lean, efficient, and affordable public service; standard institutions for establishment control and merit protection such as independent civil service commissions; pay levels and grade structures based on job evaluations; and a single-pay spine.

Given this track record, the study’s primary message is therefore a call for modesty and pragmatism. Rather than continuing to invest in strategies that ignore or resist political forces and capacity limitations, donors should accept and anticipate these pressures, and pragmatically pursue second-best policies that further long-term state building within a realistically limited margin of maneuverability.

In this context, parallel project structures that aim to deliver much-needed public services quickly should be designed with a view to what this implies for long-term capacity building. Over a decade after the end of conflict, the study finds that parallel structure designs have massively influenced public service capability, in many settings even more so than dedicated public service reforms. Parallel structures are thus likely to be the single most important lever that development partners have for augmenting state capacity in postconflict settings.

I expect that the study will become an important reference for guiding efforts to rebuild state capacity in postconflict settings. The findings have already been leveraged to inform a range of World Bank projects in fragile settings.

Finally, thanks are given to the Governance Partnership Facility, which funded the preparation of this study, and the Korea Trust Fund, which contributed to the final publication.

Deborah Wetzel
Senior Director
Governance Global Practice
World Bank
We owe a deep debt of gratitude to the many government officials and non-government counterparts from Afghanistan, Liberia, Sierra Leone, South Sudan, and Timor-Leste who kindly agreed to be interviewed for this study. It is a mosaic of their insights and would have been impossible without their readiness to openly share their experiences with us. To protect their identities, we cannot acknowledge them individually, but it is they whom we must first and foremost thank.

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For any remaining mistakes, we are responsible.
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Executive Summary

Building a capable public service is fundamental to postconflict state building. Public servants design rules, manage public money, and are the eyes, ears, arms, and legs of the state. Yet in postconflict settings, short-term demands typically outweigh the long-term objective of building a capable public service. To ensure peace and stabilize fragile political coalitions, political elites are often obligated to hand out public jobs and better pay to constituents, regardless of merit. Donor-financed parallel project structures, which rely on highly paid technical assistants (TAs) rather than the regular public service, often become the primary vehicle to address citizens’ immediate service delivery needs. In light of these necessary short-term compromises, what is the best approach to rebuilding public services in postconflict settings?

This study seeks answers to this question. It aims to identify policy lessons for the future engagement of development partners in building public services. To this end, it compares public service reform trajectories in five postconflict countries, all of which signed peace agreements more than a decade ago: Afghanistan, Liberia, Sierra Leone, South Sudan, and Timor-Leste. The study seeks to explain these countries’ different trajectories by identifying their primary drivers, employing process tracing and structured, focused methods of comparative analysis (George and Bennett 2005). It draws on more than 200 semistructured interviews conducted with government officials and other stakeholders to reconstruct reform trajectories, and it analyzes available administrative data.

The study finds that three “grand forces” have shaped the five countries’ postconflict paths: (1) preconflict legacies, (2) conflict itself, and (3) postconflict elite bargaining. Conflicts have acted as disruptive shocks to public services. They have drained public services of qualified personnel, destroyed offices and records, and brought to power new political elites keen to reward their own clients with public sector jobs. Contrary to what many might wish, however, conflicts have not resulted in a blank slate ready for the building of public services anew. Preconflict legacies have proven “sticky” and have endured beyond the conflicts’ resolution. Continuity and path dependency are powerful themes throughout this study, setting the five countries on different trajectories. Public service institutions, administrative traditions, norms, and values have yielded slowly—and often only superficially—to reformers, and inherited generations of public
servants have only gradually made room for younger leaders. Meanwhile, the question of who controls public jobs and pay has been central to political bargains. Political elites have used public jobs as a key rent for holding together fragile coalitions and preventing factions from reverting to violence (North, Wallis, and Weingast 2012). The institutional choices observed in the postconflict public service can best be understood as the result of shifting elite bargains.

These three forces have shaped public service pathways and delimited the level of influence of political elites and development partners. Yet the study finds that in the five case study countries, development partners’ “first-best” attempts at reforming public services have tended to ignore or resist these forces. First-best policies have typically pursued visions of a lean, efficient, and affordable public service; sought to build standard institutions for establishment control and merit protection, such as independent public service commissions; and aimed to establish rational pay and grade structures based on job evaluations. In hindsight, many of these reforms did not work as planned, calling upon development partners to rethink their approach to building public services postconflict.

Given this track record, the study’s primary message is a call for pragmatism. Three leitmotifs resonate throughout. First, development partners ought to “think history, not tabula rasa”—that is, accept and anticipate that legacies tend to persist. Building institutions upon prevailing values can provide a powerful source of legitimacy. Second, development partners ought to negotiate pragmatically, recognizing that to domestic elites, public jobs are necessarily a political currency for buying peace. Last, they ought to adopt a long-run perspective. In particular, the early postconflict period has often provided a window of “high institutional malleability” in which development partners exert significant influence over public service reform decisions. These decisions have tended to focus on meeting immediate needs, yet they have often shaped public service trajectories over the decade to follow.

The call for a long-run perspective applies in particular to the design of parallel project structures. Afghanistan’s massive “parallel state,” financed by donors and staffed by TAs, epitomizes how strongly parallel structures have influenced public service capability—and how they have locked countries into dependency, putting sustainable gains in service delivery at risk. Thus, designing these parallel structures with a realistic long-term exit strategy is essential. Perhaps the toughest challenge for development partners is to internalize this long-run perspective.

Three Grand Forces

Legacies

“What we had at the end of conflict was the heritage of twenty years of a one-party state.” These words of a Sierra Leonean official highlight a legacy that all five case study countries share: public services fueled by patronage were a corollary of authoritarian regimes with extractive institutions, which ultimately
resulted in conflict. As in Sierra Leone, even today preconflict generations represent a large percentage of public servants in most countries in this study, limiting the possibility of renewal.

Public service institutions have been “sticky”: Even if public service rules changed on the books, underlying norms, values, and culture have persisted. For example, Afghanistan inherited a “rank-in-person” system that tied staff rank and grade solely to seniority. When the World Bank pushed for a position-based system to place well-educated young recruits into senior jobs (e.g., deputy governors), these recruits often struggled to find acceptance. As a senior official at Afghanistan’s Ministry of Finance (MoF) noted, “Our society does not believe so much in the young . . . who may not know how to deal . . . with the communities, with the elders, with the shuras . . . most of them fail, or the communities are unhappy.”

A contrast observed between Liberia and Sierra Leone highlights the longevity of administrative traditions. Influenced by U.S. tradition, the administration of Liberian president Ellen Johnson Sirleaf filled the top echelons of the executive with political appointees, often selecting outsiders from the diaspora. By contrast, postconflict Sierra Leone largely upheld its British heritage of strong protections against political appointments, with senior civil servants coming almost exclusively from within the service. Not least, public servants’ familiarity with existing systems can be an asset for building capacity. In the words of a World Bank task team leader: “If you have an existing system, and people understand [it], employ them. There is no point in starting from scratch.”

Perhaps the most palpable symptom of the power of legacies is that in the decade following conflict, public services in all five countries have tended to shift back toward their preconflict size, probably because of ingrained expectations from the state. For example, Afghanistan, which never had a functional public health care system, today contracts primary health care out to nongovernmental organizations (NGOs), whereas Timor-Leste quickly reverted from NGO to public health provision, its preconflict default position.

**Conflict**

The conflict in the case study countries disrupted and destroyed public services. It drained professional staff, most of whom fled—as in Liberia, where, “the capable were not available, so the available became the capable.” On the whole, secession wars have caused deeper disruption than civil wars. For example, in Timor-Leste, the United Nations Transitional Administration in East Timor (UNTAET) had to build a new public service practically from scratch. Most Indonesian public servants fled after the 1999 independence referendum, and by 2000 only about 1,600 employees were left. By contrast, Sierra Leone’s peripheral civil war left Freetown’s administration largely unaffected.

Conflicts have also shaped the public service by forging political settlements. The presence of transitional governments born of fragile peace agreements has
heightened the risk of nepotism and discretionary recruitment. In South Sudan, for example, fears of Dinka dominance from the capital Juba shaped the 2005 Comprehensive Peace Agreement (CPA), which decentralized several powers to the state level, including the power to hire public servants. With more than 230 appointment authorities (by 2010), hiring spiraled out of control, adding tens of thousands of former combatants to the payroll.

Political settlements have also shaped attitudes toward ex-combatants and the diaspora. Under the administration of the Sudan People’s Liberation Movement (SPLM), ex-combatants were celebrated as heroes, and generals were turned into directors-general; many South Sudanese see diaspora returnees as deserters of the war for independence. In Liberia, on the other hand, ex-combatants were despised and feared, and, in her inaugural address, President Sirleaf appealed strongly to the diaspora to come home. Further, conflict has influenced the composition of public employment directly: where it persisted, as in Afghanistan and South Sudan, it made security forces balloon, crowding out expenditures for the civilian public service.

Last, conflict has in some cases opened a window for donor influence under transitional governments, when institutions were malleable—for a time. In Timor-Leste, for example, the UNTAET administration (1999–2002) literally took over government. Under President Hamid Karzai’s Transitional Administration (2001–04) in Afghanistan, the influential Independent Administrative Reform and Civil Service Commission (IARCSC) was created out of nowhere by a presidential decree in 2003, as envisaged in the Bonn Agreement. Once elected parliaments were in place, executive power became more restrained by political bargains and checks and balances, and donor influence declined.

**Bargaining**

Postconflict, different players compete for control over public sector jobs. Changes in the rules that de facto govern the public service have reflected political bargaining equilibria between these players. Line-ministries, departments, and agencies (MDAs) have sought to maximize their discretion over hiring and pay. De jure, central players—the head of government, central civil service management bodies, and ministries of finance—are empowered to check this discretion. All five countries inherited public service institutions designed to collectively tie politicians’ hands and reduce this discretion—through establishment control, merit protection, and centrally set pay policies. But in practice, central players have often lacked the incentive to reduce patronage, or the bargaining power to do so.

Historically, wrestling public jobs from political control has been hard. In Latin America and in member countries of the Organisation for Economic Co-operation and Development (OECD), patronage systems have only slowly given in to reformers, under significant political pressure (Grindle 2012; World Bank 2017, 220–24). For example, the reform coalition that advocated for the U.S. Pendleton Act in 1883 was backed by voters who were growing restive over the buying and
selling of public jobs (Horn 1995). By contrast, in the five postconflict countries, such domestic coalitions were largely absent. Handing out public jobs to a few constituents was a rational survival strategy for political leaders, yielding higher and more immediate payoffs than long-term investments in public service capacity. Development partners—not domestic coalitions—have been the main advocates for reducing discretion over public jobs.

When it comes to disciplining line-MDAs, the more fragmented the governing coalition, the less power the center of government has held. Afghan president Karzai’s need to accommodate former warlords in his cabinet is well known. Consequently, for Afghanistan, reformers recognized that “even within central government, current political divisions and rivalries render impossible any meaningful consensus on even the key policy elements of a comprehensive administrative reform program, let alone practical implementation of such a program” (Hakimi et al. 2004, 11). By contrast, in Sierra Leone, a powerful presidency and Ministry of Finance and Economic Development (MoFED) have been much more influential; they are supported by relatively homogenous coalitions, dominated by two large political parties (the All People’s Congress and the Sierra Leone People’s Party, SLPP) that mostly compete along ethnic identity lines.

Catalytic events have in some cases punctuated these bargaining equilibria. The most striking case is Timor-Leste’s 2006 crisis, in which public protests against nepotism and corruption helped trigger a change in government in 2007 and led Prime Minister Xanana Gusmão’s administration to announce that 2008 would be a “year of administrative reform.” The reforms were aimed at strengthening merit in the public service, among other improvements. This sequence of events makes Timor-Leste an outlier among the five countries. Here public service reform responded to public pressure, akin perhaps to the conditions that fueled the Pendleton Act in the United States more than a century earlier.

Elite bargaining has often not happened at the negotiation table and over de jure rules. Rather than contesting and replacing existing rules, players have often exploited the “soft spots” (Mahoney and Thelen 2009) between public service rules and their enforcement, by reinterpreting or evading them de facto. Line-MDAs have recruited large numbers of temporary employees outside the payroll to evade central recruitment processes, ceilings, or establishment controls. Political leaders have mimicked the institutional designs advocated by development partners, but some have done so only on paper, and to appear responsive to external pressures even while protecting domestic constituents’ interests. For example, the cabinets of both Liberia and Sierra Leone adopted development partners’ systematic pay and grading (P&G) reform proposals, while at the same time undermining them with ad hoc increases and discretionary allowances.

In all five countries the forces of institutional legacies, conflict, and postconflict bargaining have shaped the path of public service reform in four essential policy areas. The study focuses on these in detail: (1) the management of public service size and composition, (2) the management of pay, (3) the role of central public service management bodies, and (4) the design of parallel project structures.
Key Findings by Policy Area

Public Service Size and Structure

Conflict has disrupted public services to different extents and set them on different paths. Where dispersed patronage was part of a fragile political settlement, as in Liberia and South Sudan, public services grew rapidly in the transition period, with little central control.2

Where conflict has prevailed, security and defense forces have ballooned, as in Afghanistan and South Sudan. Where oil has fueled revenues, as in South Sudan and Timor-Leste, public services have grown rapidly. In countries that have largely depended on aid, such as Liberia and Sierra Leone, donor influence has helped contain public service growth, at least temporarily—most visibly in Sierra Leone, where the International Monetary Fund (IMF) imposed a wage bill ceiling.

The various public service trajectories, however, share one common feature: development partners’ aim of building “lean and efficient” public services has proved elusive. Public services have not necessarily been bloated with too many people. In all five countries, they are about as large as those of neighboring countries, relative to the size of their populations. Rather, Joint Assessment Mission projections have simply been overoptimistic and have underestimated public service growth. The main problem has been the composition of public services. They have typically continued to lack skilled managerial and professional staff (the “missing middle”8), while adding too many unskilled clerical employees at the bottom of the pyramid. It has proven difficult to bridge the gap between an aging prewar generation of public servants and new entrants. Public service growth and pay increases have caused wage bills to skyrocket in the postconflict decade. At the time of research, all countries except Timor-Leste, on average, paid their public servants four times the per capita gross domestic product (GDP) or more—far above neighboring countries.9 Consequently, at the time of research, three of the five governments spent about half of their revenues (excluding grants) on general government10 wages, raising concerns over wage bill sustainability.

Against this backdrop, donors must end the fruitless quest for a lean and efficient public service in postconflict settings. They may need to accept that an efficient postconflict public service is one that balances political accommodation needs—and thus peace and stability—with gradual performance improvements.

Development partners can influence public service growth, but ought to use their bargaining power carefully and with a long-run perspective. Wage bill ceilings, for instance, have a mixed track record. Sierra Leone’s ceiling delayed public service growth—but hindered a timely renewal of the preconflict workforce. Timor-Leste’s ceiling provoked line-MDAs to recruit temporary and often insufficiently qualified staff outside the public service—and this temporary workforce grew to nearly the size of the entire formal public service. Conversely, wage bill financing may in some cases have been inevitable, but it came at a long-term cost. It has locked Afghanistan into aid dependency for the foreseeable future, with its
large aid-financed security forces and a (general government) wage bill that exceeds total government revenues. In Liberia, meanwhile, U.S. dollar salary supplements for health workers have set the precedent for salary escalation across the board.

The cases suggest that development partners should invest in generational renewal in the public service early on. Pension systems in particular have been too often neglected. A “no golden handshake, no retirement”\textsuperscript{11} logic has made pension-age public servants reluctant to retire, particularly in South Sudan. Donors could help governments put credible pension systems in place by, for example, providing guarantees. Conversely, investing early on in the education of critical staff groups could have reduced later shortages in the labor supply, such as for qualified nurses in Sierra Leone and for professionals that could help fill the missing middle.

**Pay**

At the end of conflict, most of the five governments barely paid a living wage. Even managers often earned only a few times more than low-level clerical staff, and pay was vastly insufficient for attracting qualified mid-level professionals.

Over a decade later, the ideal of establishing affordable and transparent pay systems suited to attracting the right skills to the right jobs remained elusive. Significant pay increases for public servants have often driven the wage bill beyond affordable levels. However, as aid inflows for reconstruction fueled hefty competition for skilled professionals from donors and NGOs, paying enough to attract and retain scarce skills often became impossible for government, except in a few “high-pay” islands within the administration. By contrast, clerical employees were often well paid (compared with the private sector) for political and equity reasons. The five countries’ pay systems for the most part became increasingly fragmented, differentiated, and discretionary in the decade postconflict.

**Seize Early Opportunities for Pay Reform, with a Long-Run Perspective**

In the immediate postconflict period, development partners often had significant influence over pay. But these early decisions have turned out as risky “shots in the dark,”\textsuperscript{12} in some cases locking in unsustainably high pay. They were typically made under extreme pressure, when a pay system was needed to get public servants to show up for work, and with little information on the size of the public workforce and pay levels in the labor market. Once pay was set too high or unfairly, it could be politically prohibitively costly for later elected governments to revise pay downward. In Timor-Leste, for example, it turned out that the pay scale set by the UNTAET was unaffordably high, with the average pay set at about three times per capita GDP. Yet the Timorese government was stuck with this pay scale for nearly a decade, having to wait for inflation to erode pay levels. Development partners hence ought to seize the postconflict window of opportunity for influencing pay, but assume a long-term perspective and err on the side of setting pay too low rather than too high.
Balance Patronage and Merit in Pay Differentiation

In the five postconflict countries, ad hoc pay increases have been the rule, and systematic P&G reforms the exception. A move toward making pay more differentiated and discretionary can be seen as a rational way of managing what Geddes (1994) calls the “politician’s dilemma writ large.” Postconflict leaders are typically torn between paying skilled professionals who can deliver public goods and “buying” the loyalty of key constituents they need in order to maintain a fragile peace. Within tight fiscal envelopes and under hefty competition for skilled staff, the politically optimal “bargain” thus can be to selectively target high pay toward a small “pay elite” of patronage-based appointees. Or, high pay can serve to create islands of performance within the administration. At the same time, across-the-board pay increases keep the majority of public servants, an influential constituency, happy. In postconflict settings, governments’ incentives to pay to attract skilled professionals may be particularly weak if many government functions are assumed by donor-funded parallel structures rather than the public service. In sum, pay differentiation comes at the price of equity, fairness, and—often—building a sustainable and coherent pay system. However, it can be a pragmatic way of selectively investing in skills where they are most needed, or of ensuring stability and political survival.

Development partners have mostly been onlookers in the creation of pay elites, or have only indirectly influenced them. In Liberia, for example, donors paid salary supplements in U.S. dollars to doctors and nurses who had previously worked for NGOs. This set the precedent for the more widespread use of allowances, originally also to attract qualified members of the Liberian diaspora. Yet, these allowances later spiraled out of control, destroyed any consistent pay structure, and are being used with vast discretion. To prevent such spillovers into the mainstream public service, donors might advise governments to establish distinct cadres of highly paid professionals and/or political appointees, outside the public service system.

Donors have directly contributed to differentiation by financing programs designed to attract qualified nationals from the diaspora to come home, such as Liberia’s Senior Executive Service or the Afghan Expatriate Program. These experiences suggest that such programs can succeed in injecting competent professionals, but need to be strategically targeted, may require micromanagement to limit political interference in selecting applicants, and entail long-term dependency.

Avoid Systematic Pay and Grading Reforms

Given these pressures, the push from development partners for systematic P&G reform gained little traction. These reforms imply certain immediate financial and political costs (for job evaluations, the reclassification of public servants, and so on) but only uncertain long-term payoffs (better public services). Accordingly, they have rarely been supported by any but small coalitions of central technocrats, failing to mobilize support within cabinets from line-ministers. Governments either rejected proposed P&G reforms outright, or did not implement them. Afghanistan’s 2008 P&G reform is the only
exception, but it was a massive undertaking whose benefits may hardly have justified the costs. Whereas a few MDAs with committed leadership used the process to adjust relative pay for their staff, in others the results differed little from simply increasing pay across the board.

Hence, development partners should not attempt systematic P&G reforms without strong buy-in from a broad reform coalition that includes line-MDAs. Caution is warranted before tasking international consulting firms with developing P&G reform proposals. Doing so has often resulted in politically and fiscally unrealistic proposals, whereas engaging public servants in designing reform proposals can buy these greater acceptance. In the words of an Afghan official, “Local capacity needs to be created and established, grounded, and then local capacities should work on any [pay reform] program. This will make reform programs more contextual.”

**Influence Ad Hoc Pay Adjustments**
Postconflict governments have frequently increased pay ad hoc, and these increases account for a large share of wage bill growth. Such increases are politically attractive: they take immediate effect, do not involve time- and labor-intensive job classifications, and produce mostly winners. They can help appease public servants and keep them from going on strike. Tellingly, ad hoc increases have often coincided with changes in government, possibly as a means for buying votes or as signals of change after an election. But they have also had unintended snowball effects; after selectively increasing the pay of one staff group, political leaders have often had to give in to demands for a similar raise from other groups.

Donors hence need to accept that ad hoc pay increases are the dominant way of doing business postconflict. They should aim at being part of the conversation when ad hoc pay adjustments occur, for example in order to advocate for including particularly critical staff groups in the increase.

**Consider Asymmetric Pay Reforms as an Option, but No Panacea**
Asymmetric pay reforms may appear to be a pragmatic, if unconventional, way out, but they are far from a panacea. In countries where the central government lacks the political authority and capacity to push through comprehensive pay reforms, “asymmetrically” reforming the pay structure of selected and willing MDAs may be the only feasible option that preserves some degree of order in the pay system (compared with discretion and uncontrolled differentiation). Especially where wage envelopes are tight, raising the pay of particular agencies and staff may be the only affordable way to fill the missing middle. This was exactly the argument reformers made for Afghanistan’s first generation of asymmetric pay reforms in 2003, which were then followed by a second generation of asymmetric reform in 2011.

As the Afghan experience highlights, the main challenge of asymmetric reforms is selecting which agencies and which individual public servants will receive higher pay. In Afghanistan, agencies were required to apply for funding,
to ensure a demand-driven process and to justify the financing of specific selected agencies. This experience suggests that such selection processes should be kept simple, to avoid red tape and reform delays. Red tape can be avoided altogether by encouraging a political choice of eligible priority agencies. Alternatively, the risk of investing in unproductive agencies can be managed through a “tit-for-tat” strategy\(^{19}\) that rewards MDAs with additional better-paid positions when they achieve agreed-upon milestones.

In selecting individual public servants, donors will need to accept that “separating the wheat from the chaff”—that is, targeting higher pay to the best-performing public servants—will work only in a few reform-oriented MDAs. The Afghan experience suggests that (1) individual selection criteria should accommodate an old generation of prewar public servants, who often cannot easily acquire computer or English skills; (2) selection will work only if those not selected are offered viable exit options; and (3) if pay is targeted toward senior public servants, it may be helpful to provide room for the inevitable patronage-based appointments by identifying explicitly political positions or by allowing for so-called “hybrid”\(^{20}\) appointment systems in which merit is accompanied by subjective political judgments.

**Public Service Management Bodies**

It is tempting for development partners to look to central public service management bodies\(^{21}\) as “guardians” of merit in the public service and as “gatekeepers” who will keep public service size in check.

**Merit Protection: Provide Space for Political Appointments and Focus on Selected Agencies**

Historically, in the OECD countries, public service commissions (PSCs) have played a central role in protecting the public service from political interference, reducing line-MDAs’ discretion over appointment decisions. Postconflict, some of the countries in this study—for example, Liberia and Sierra Leone—inherited central commissions with mandates shaped by these models. In others—such as Afghanistan and Timor-Leste—such commissions were externally imposed after the conflict.

In the postconflict countries, the ability of these central bodies to protect merit has mostly been disappointing. A decade after the conflict, Liberia’s Civil Service Agency (CSA) and Sierra Leone’s PSC functioned on the margins, despite their strong inherited mandates for making hiring decisions.\(^{22}\) They lacked the political authority, staffing, and money to influence who receives public jobs.

It is telling to contrast the fates of the two externally imposed commissions, Afghanistan’s IARCSC and Timor-Leste’s PSC. Both were foreign transplants, created under donor influence, with powerful mandates. But whereas the IARCSC’s reputation declined rapidly, seen as a conduit for patronage, Timor-Leste’s PSC is a positive outlier, having gained significant influence and credibility. It was first abolished, but later re-created (and renamed the Civil Service Commission [CSC]) with a strong mandate in 2009 by Prime Minister
Gusmão’s administration—a mandate that it exercised quite effectively at the time of research. These divergent fates highlight the fact that the merit protection mandates of central bodies can only be as strong as the domestic reform coalitions backing them. Whereas Afghanistan’s governing coalition was fragile and depended on distributing senior jobs for its survival, Prime Minister Gusmão’s government in Timor-Leste could capitalize on public pressures and greater internal cohesion within the government to push for a stronger CSC mandate.

With the exception of Timor-Leste, such coalitions were lacking in the case study countries, and the merit principle has remained a foreign concept. It has collided with the political prerogative to give cabinet members the freedom to hand out jobs as spoils to stabilize fragile political coalitions. In settings where state legitimacy and reliance on rules are weak, and where family, clan, and friendship networks are often the only form of functional social safety nets, helping members of these networks obtain public jobs can be both a practical and a moral obligation.

It is too early to tell how public service bodies will fare in the five study countries in the long run. Big victories in Afghanistan or Sierra Leone should not be expected after a decade, if it took half a century for meritocratic reforms to be implemented in the United States and in Latin American countries (Grindle 2012). But the case studies do suggest that donors ought to be cautious in advocating for the creation of central bodies as the guardians of merit. If equipped with politically unrealistic mandates, such bodies risk being undermined and evaded by line-MDAs and quickly losing credibility. Granting space for political appointments and aiming for more modest mandates may buy central bodies more credibility over time. In adverse political contexts, it may be more feasible to focus on strengthening merit in individual MDAs, rather than seeking to enforce meritocratic rules across government through central commissions.

**Wage Bill and Payroll Control: Anticipate Evasive Responses and Rely on the Payroll**

Several of the case study countries have developed quite effective mechanisms for keeping the number of public employees in check postconflict. Enforcing such mechanisms is a crucial function of the center of government—as line-MDAs have incentives to expand their staff in a “tragedy of the commons” logic. The five cases in this study yield two major lessons for designing such control mechanisms.

First, policy makers should beware of overdoing it when tightening central controls. They risk provoking line-MDAs to adopt evasive strategies for circumventing these controls. The recruitment of large numbers of contractual staff in Timor-Leste is one example. In Liberia, line-MDAs bypassed the CSA to avoid red tape and long delays in getting urgently needed staff appointed. Policy makers should anticipate and minimize such evasive responses. Overly tight constraints may ultimately weaken and not strengthen control. Where central
bodies exert control functions, it is essential that they have the staff and capacity to perform these functions effectively.

Second, policy makers should rely on the payroll—and the MoF—as the most effective gatekeepers for controlling the size of the public service. Central personnel bodies have mostly proven unable to effectively exert such control through traditional establishment lists. One reason for this poor performance is that managing the information flows required for traditional establishment control is simply beyond the capacity of postconflict administrations. At the time of research, none of the five countries was able to systematically map individuals to established positions. In addition, MoFs and central personnel bodies often compete for control over access to the payroll. Thanks to its “power of the purse,” the MoF typically has the upper hand in the power struggle. Since what ultimately matters to public servants (and their superiors) is getting a paycheck, line-MDAs have simply bypassed central personnel bodies and requested MoFs to include recruits in the payroll.

For policy makers, this implies that bundling the central personnel function and the payroll in a single agency may help strengthen control over staffing. A Verified Payroll Program, implemented in Afghanistan to ensure the payroll’s basic integrity, is perhaps the most promising precedent for this. In addition, policy makers ought to accept that choices about the right staffing mix will largely remain delegated to line-MDAs, beyond the control of central bodies. Given limited information-processing capacity, it is more promising to focus on the modest goal of keeping numbers in check through the payroll than to attempt putting sophisticated systems (that check individuals’ qualifications and so on) into place. Such systems are likely to break down.

**Parallel Structures**

A perennial dilemma in postconflict countries is how to meet pressing service delivery needs when state capacity is low or nonexistent. At least in the short term, development partners have invariably responded by bypassing the public service, rather than building it. Government functions, such as budgeting or health contracting, are often performed by units staffed with well-paid and qualified TAs paid from donor projects—so-called “parallel structures” to the public service. Such parallel structures can quickly get essential government functions up and running, but at the risk of long-term sustainability. Once project financing runs out and TAs leave, capacity and institutional memory may be lost. In addition, parallel structures often undermine the government’s own legitimacy and capacity by poaching the most competent public servants at multiple times the salary the government can offer.

In Afghanistan, for example, parallel structures have helped achieve great results through well-known programs such as the Basic Package of Health Services (BPHS) and the National Solidarity Program (NSP). But what will happen to these results when the projects end? Despite major public service pay increases, attempts to break the dependence on TAs have failed because the government cannot compete with exorbitant donor-supported TA salaries.
President Karzai’s push to abolish parallel structures in 2013 was a clear warning that they have a limited life expectancy—even if development partners are willing to fund them over extended periods of time.

Asking how to design parallel structures in view of making service delivery sustainable even after exit is critical. Parallel structures are three times more prevalent in fragile and postconflict states than in other developing countries, and they are here to stay. Parallel structures also have strongly influenced government capacity—often, arguably, more than dedicated public sector reforms. While this study could analyze only selected parallel structures—primarily budget and treasury departments—these cases suggest that carefully designing parallel project structures is one of the most effective ways in which development partners can support state capacity following conflict.

Parallel structures have pursued one of two stylized paths—“declining” or “chronic” TA dependency. In the former, TAs gradually transfer skills and tasks to public servants, ultimately making themselves superfluous. In the latter, TAs continue doing the job themselves, eventually presenting governments with the choice of either absorbing them into the payroll at high salaries, or risking the loss of institutional memory and the breakdown of the functions they perform.

There are good reasons for considering the declining role of TAs to be a better choice, in view of long-term sustainability, than chronic dependence on them.

Depending on TAs in the long run is problematic, first and foremost because TA absorption may simply not work as an exit strategy. Competent TAs may lose their jobs because of political interference. In addition, absorbing TAs on the payroll may stir resentment in public servants working side by side with TAs while making a fraction of their salary. Nevertheless, strong initial reliance on TA may be inevitable and can easily turn chronic—when the financial stakes are high, when the skills gap between TAs and public servants is large, or when interfacing with development partners is essential, as is often the case in budget departments.

How does the design of a parallel structure influence whether TA dependency persists or whether capacity transfer ultimately takes place? First, building on existing systems and implementing systems that are not overly complex and continue to be used improve capacity transfer between TAs and public servants. The design of the Afghanistan Financial Management Information System (AFMIS) in Afghanistan’s Treasury provides a good example of how to maintain old procedures with new technology. By basing the AFMIS on long-existing accounting practices, public servants were able to adapt to the new system because they already understood the procedures. By contrast, numerous examples in the five case study countries show that technological disruption has hindered skills transfer and prolonged dependence on TAs. Development partners should thus resist the temptation to set up new, sophisticated systems in a blank-slate approach.

Second, parallel structures can involve outsourcing government functions to firms, or bringing in individual TAs to perform them. Experiences suggest that what is outsourced and how contracts are designed and supervised matter more for sustainability than the mere fact of outsourcing. For example, in Afghanistan’s
Treasury, capacity transfer worked despite outsourcing the AFMIS design and rollout—because individual contractors worked closely with public servants, were retained throughout the project, and were well supervised by government. By contrast, outsourcing to South Sudan’s government accounting agent caused later disruption and little capacity transfer, with the firm performing its tasks largely in isolation from public servants. As a general rule, bringing in individual TAs has often proved more conducive to knowledge transfer than contracting to outside firms.

Third, the case studies suggest that initial reliance on national rather than international TAs has encouraged their later absorption, and thus may thwart skills transfer. National TAs often have weaker incentives to build public servants’ capacity, since they hope to stay on the job themselves. Development partners should therefore anticipate that reliance on national TAs involves a long-term financing commitment. Utilizing international TAs, however, carries its own significant risks. For instance, they may leave after a short period, resulting in the loss of institutional memory. Several cases suggest that they frequently adopt technologies that are unsuitable for the local context, locking in dependency on TAs for running these systems.

One of the strongest messages emerging from the five case studies is the importance of providing continuous, uninterrupted support to parallel structures, far beyond the five-year life cycle of a typical project. Even short disruptions of funding or changes of contractors can result in an exodus of TAs as well as a loss of institutional memory that cannot be restored. Ensuring continuous support for parallel structures should thus be paramount for development partners. World Bank country management units ought to caution entrepreneurial World Bank staff, who may seek to change project designs too frequently in a desire to innovate. In sum, there is a great deal that development partners can—and must—do to enhance the prospects of building sustainable capacity through parallel structures.

Policy Leitmotifs

Three leitmotifs for development partners to consider when building public services resonate throughout these findings: (1) accept the forces of history, and beware of looking at the current situation as a blank slate wiped clean by conflict; (2) negotiate pragmatically; and (3) look into the future, anticipating that early decisions will set the long-term path for public service evolution.

Think History, Not Tabula Rasa

Thinking history, not tabula rasa, is essential. Different legacies and different conflicts have set the five countries’ public services on different paths.

Postconflict countries share common public service challenges: often, patronage has undermined public service capacity well before conflict; political elites need to stabilize fragile coalitions by “handing jobs to the boys”; parallel
structures provide a temporary “scaffolding” to support the weak public bureaucracy, but entail the risk of boom-and-bust dynamics, once aid dries up.

But the differences between the five case study countries often outweigh the similarities. The influence of preconflict legacies makes clear that development partners have often vastly overestimated the opportunity for postconflict renewal. Public services have converged toward their distinct preconflict sizes, and administrative traditions—rooted in American, British, or Portuguese historical influences—prevailed. Forging a new public service out of two forces, as in South Sudan, posed a fundamentally different challenge than building it from scratch, as in Timor-Leste. Where disruption was minor, as in Sierra Leone, an old generation of public servants continued to dominate. Where conflict persisted, security forces ballooned. Oil wealth and aid dependency influenced donors’ bargaining power in enforcing wage bill ceilings, pushing for pay reform, or strengthening central guardians of merit.

Recognizing these differences is essential, and the list of generic policy prescriptions is necessarily short. In the words of a Sierra Leonean official: policy makers should stop “keeping on hanging everything on the bogeyman of war.” Rather, tailoring reforms to prevailing norms and values, administrative traditions, and memories can be a powerful source of capacity and legitimacy.

**Negotiate Pragmatically**

The study’s second leitmotif is a call for pragmatism in negotiating and designing public service reforms. Pragmatism, above all, implies accepting that, for political elites, handing out jobs for the sake of stability and peace may often outweigh service delivery and state-building objectives.

Pursuing first-best policies in spite of these forces has not only been for the most part in vain, but it also has led to undesired consequences and lost opportunities. Ceilings set in a fruitless quest for a lean and efficient public service have provoked MDAs to recruit temporary workers at scale, undermining merit as well as establishment and pay controls. By insisting on systematic P&G reforms, development partners may have excluded themselves from having influence on ad hoc pay decisions. In the case of Afghanistan, pushing for a strong merit protection mandate for the IARCSC—one that it could not live up to—undermined the commission’s credibility, whereas a more modest mandate might have helped build it. In the worst case, first-best policies can be destabilizing.

Instead, pragmatism implies pursuing a second-best approach to public service reform, one that accepts and anticipates the limited margin of maneuver set by elite bargains over public jobs. If, as occurred throughout the five cases, de jure rules get reinterpreted and evaded de facto, such second-best policies should, above all, anticipate whether and how they can be implemented.

First, pragmatic solutions can be found as they emerge from an engagement process with a broad set of stakeholders—beyond central players—that includes line-MDAs in particular. Asymmetric pay reforms adopted by selected, willing MDAs may be one such solution.
Second, anticipating line-MDAs' strategic responses is essential. Central control regimes ought to be designed under the assumption that line-MDAs will seek to evade them. Relying on the payroll, rather than on sophisticated establishment controls, for keeping numbers in check, is one example.

Third, development partners ought to anticipate capacity constraints and the costs of rule enforcement. The central state often is partially blind—that is, has unreliable data—with regard to such basic questions as how many employees it has, what they are paid, and how they are recruited at the periphery. These knowledge gaps limit the state's ability to govern the public workforce. As the daunting task of developing job descriptions and evaluations for thousands of public servants makes clear, reforms are less likely to get implemented the more information they seek to process—and the tighter the capacity constraints are.

**Adopt a Long-Run Perspective**

Adopting a long-run perspective is essential for several reasons. First, institution building is inherently a long-term process; inherited generations of public servants, norms, and values persist, and only slowly yield to change. Expecting too much in too short a time can lead to “state capability traps.”

Second, tomorrow's challenges may require preventive solutions today. It is easy to neglect long-term planning postconflict, when attention is absorbed by immediate needs. But it is important to sow seeds for generational change in the public service early on. Putting into place functional and credible pension systems is key. Early investments in training a new generation of public servants, such as qualified nurses, are needed to prevent shortages in the labor supply a decade down the road.

Third, the study finds that public service reform policies are highly path dependent: early decisions narrow later choice sets. In particular, choices made in the “window of high institutional malleability”—and donor influence—in the early postconflict phase often set the long-term path for public services. Salary financing has locked countries (e.g., Afghanistan) into long-term aid dependency. Ceilings have frozen in an old generation of public servants (as in Sierra Leone) or provoked massive evasion (as in Timor-Leste). Most striking, Timor-Leste was stuck for a decade with the UNTAET's inflated pay scale. Given these path dependencies, anticipating the long-term consequences of choices driven by short-term prerogatives is essential.

Above all, development partners should make the exit-friendly design of parallel structures a primary focus. As these structures are under donor control, they are likely the single most effective instrument through which donors can influence state capacity. They have also resulted in long-term dependencies: Over a decade after conflict’s end, most government functions considered in this study remain dependent on project support, without an easy exit in sight. This implies that state building becomes fundamentally a task for development partners’ entire portfolios—and not the business of dedicated public sector projects.
The toughest challenge for development partners will be to effectively internalize a long-run perspective. Who guards the future when country and project managers are under pressure to deliver results and disburse in the short run? Prevailing incentives often push staff to focus on short-term delivery objectives and underemphasize sustainable state capacity building. Individual managers’ intrinsic commitment to “do the right thing” is clearly not enough to balance these pressures. Institutional solutions are needed. Such solutions could comprise longer-term staff assignments, some form of institutional development safeguards for operations in postconflict settings, and reduced disbursement pressures. Achieving these institutional solutions will, above all, require honest internal debate and commitment to reform. Development partners, as much as postconflict countries, have a long way to go to effectively rebuild public services.

Notes

1. This study focuses on the public service. The public service is here understood to comprise civilian government employees at the central and subnational levels. These include the core civil service, education, health, and the police forces. Public servants typically have a long-term contractual status and are paid from the government payroll. Beyond the public service, the study covers various forms of off-payroll employment, such as temporary staff. While not a focus, the armed forces are in particular discussed in chapter 2, as they have played an important role in driving general government wage bill growth in some case study countries. Please refer to chapter 2 for a more detailed definition of different groups of public employees.

2. The study defines parallel structures as donor-supported (at least in part), functionally bound units that perform activities typically managed by the public administration. Such units use systems and procedures that differ from (or add to) country systems, or human resources that are (partially or fully) paid, recruited, or managed by donors.

3. Authors’ interview with the chairman of Sierra Leone’s Public Service Commission, Government of Sierra Leone, 2013.


5. Authors’ interview with task team leader for Afghanistan’s financial management project, Afghanistan, 2013.

6. Authors’ interview with a former civil servant, Liberia, 2013.

7. Under Liberia’s Transitional Government, different factions appointed numerous unskilled staff, driving up the payroll by over 10 percent in less than three years.

8. The “missing middle” refers to a frequently found problem in developing countries’ public administrations: too few professionals (typically with university degrees) in the middle grades of the administrative hierarchy for the administration to function effectively. By contrast, the lower public service grades (comprising clerical and technical positions) are often overstaffed with unqualified or poorly qualified staff.

9. In Timor-Leste, the ratio between average annual public service wages and GDP per capita was 2.5 in 2013. This may be compared against average ratios of 1.3 in Africa, 1.4 in Asia and the Pacific, and 1.9 in low-income countries.
10. The general government comprises both civilian government (the “public service”), including health workers, teachers, the police, and the armed forces. It excludes state-owned enterprises (SOEs).

11. Authors’ interview with an official, Government of South Sudan, 2013.

12. ‘‘Shots in the dark” here refers to pay decisions made under great uncertainty about the context and their long-term consequences.

13. In contrast to simple ad hoc pay increases, systematic P&G reforms seek to calibrate pay based on empirical analysis, including comprehensive job evaluations and descriptions, and private sector pay comparator studies.

14. Following the World Bank (2014, v), pay differentiation here refers to “differences in pay between apparently similar workers across agencies, career groups, and geographical locations.” Such differences can, but need not, reflect the need to compete for specific skills in the labor market.

15. Pay discretion refers to the extent to which line-MDAs or individual managers can set their staffs’ pay at their discretion, rather than according to centrally managed rules.

16. Following Geddes (1994, 18), the politician’s dilemma is the “wrenching” conflict politicians face between using the resource of public appointments “as a political or economic investment.” To serve their need for “immediate political survival” politicians have incentives to make appointments based on party affiliation and patronage. To serve “longer-run collective interests in economic performance and regime stability,” they have incentives to make appointments on the basis of technocratic expertise.


18. Asymmetric pay reforms are here defined as pay reforms that gradually apply a centrally defined, homogenous pay regime to select, eligible MDAs (or select units within MDAs) and their staff. For example, line-MDAs may apply to be part of such a scheme and then be granted funding for a defined number of positions. Asymmetric pay policies are distinct from introducing agency-specific pay regimes. Whereas the former preserve some homogeneity across MDAs, the latter grant agencies room to adopt agency-specific pay scales.

19. A tit-for-tat strategy aims to encourage cooperation between two players in games with repeated interactions. If the first player cooperates, the second player cooperates; if the first player defects, the second player defects. In this case, if MDAs achieve agreed-upon milestones, they receive funding for additional positions; if they do not, they get no additional funding.

20. Following the World Bank (2015b), in hybrid appointments, merit, defined by meeting explicit and contestable criteria, is accompanied by subjective political judgments. Unlike “purely” political appointments, in which serving members of the government make hiring and firing decisions, in hybrid appointments merit is a necessary but insufficient condition for appointment.

21. Central public service management bodies are defined as all administrative bodies at the center of government that have policy making, management, oversight, or recourse roles for the public service. The institutional setup of these bodies varies between administrative traditions. They comprise, for example, public service commissions, establishment secretary’s offices, ministries of public service and administration, and public sector reform units (PSRUs). They may be located in the president’s office or in the ministry of finance (if it has a mandate to manage human resources). They do not include ministries of finance if the latter exercise no human resource functions beyond controlling the payroll.
22. The same holds for South Sudan’s Civil Service Commission (CSC) and its Ministry of Labor, Public Service, and Human Resource Development (MoLPS & HRD). Although the MoLPS & HRD had a strong de jure mandate for recruiting public servants working in the central government, de facto recruitments were near exclusively controlled by line-MDAs.

23. The tragedy of the commons is an economic theory attributed to Garrett Hardin. It highlights that rational, self-interested individuals may deplete common-pool resources against the collective interest. In this case, line-MDAs seek to expand the number of their staff, depleting the government’s budget.

24. Establishment lists serve to control the wage bill through headcount ceilings. For each line-MDA, they represent departmental hierarchies of authorized positions, each with a designated grade level, negotiated between the central personnel office (in the Westminster tradition) or MoF and the respective line-MDA. The establishment list then shapes the basis for budget preparation. During budget execution, line-MDAs are permitted to fill only vacant authorized positions in their establishment list. If line-MDAs wish to add to their establishment, they require prior approval by the central personnel office or MoF (see World Bank 2015a).

25. The BPHS was the centerpiece of efforts to rebuild Afghanistan’s health system, devastated at the time of the Bonn Agreement (in 2001). The BPHS was rolled out nationwide by contracting out its provision of services to NGOs, with the Ministry of Health exercising only a stewardship role. BPHS has significantly improved health indicators. The contracts are managed by the project-financed Grants and Service Contracts Management Unit (GCMU) in the Ministry of Public Health.

26. The NSP is a large-scale community development program created in 2003 to develop the ability of Afghan communities to identify, plan, manage, and monitor their own development projects. It provides direct block grant transfers to Community Development Councils. It is administered by the Ministry of Rural Rehabilitation and Development and run by a large number of TAs.

27. For example, financial stakes were high in health contracting, and in the Ministry of Rural Rehabilitation and Development in Afghanistan.


29. Pritchett, Woolcock, and Andrews (2010) use the term “state capability traps” to describe a situation in which “the implementation capability of the state is both severely limited and improving (if at all) only very slowly.” The authors ask how countries can consistently fail to acquire capability, although engaging in the domestic and international logics of “development.” They identify “a fundamental mismatch between [overambitious] expectations and the actual capacity of prevailing administrative systems” as one of the techniques of failure. “This mismatch leads to premature load bearing, in which wishful thinking about the pace of progress and unrealistic expectations about the level and rate of improvement of capability lead to stresses and demands on systems that cause capability to weaken (if not collapse).”

**Bibliography**


## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACPA</td>
<td>Accra Comprehensive Peace Agreement</td>
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<td>AEP</td>
<td>Afghan Expatriate Program</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>AFMIS</td>
<td>Afghanistan Financial Management Information System</td>
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<td>AFRC</td>
<td>Armed Forces Revolutionary Council</td>
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<td>AG</td>
<td>Accountant General</td>
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<td>AGD</td>
<td>Accountant General’s Department</td>
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<td>AMP</td>
<td>Alianca Maioria de Parlamentar</td>
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<td>AOP</td>
<td>Administrative Office of the President</td>
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<td>APC</td>
<td>All People’s Congress</td>
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<td>AR</td>
<td>administrative reform</td>
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<td>ARA</td>
<td>Afghan Registry Authority</td>
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<td>Administrative Reform Secretariat</td>
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<td>Afghanistan Reconstruction Trust Fund</td>
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<td>BB</td>
<td>Budget Bureau</td>
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<td>Budget Department</td>
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<td>Basic Package of Health Services</td>
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<td>Basic Services Fund</td>
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<td>CAGD</td>
<td>Comptroller and Accountant General’s Division</td>
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<td>Civil Authority for the New Sudan</td>
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<td>CBR</td>
<td>Capacity Building for Results</td>
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<td>Capacity-Building Trust Fund</td>
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<td>CCSS</td>
<td>Coordinating Council for Southern Sudan</td>
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<td>Consolidated Fund for East Timor</td>
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<td>Common Humanitarian Fund</td>
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<td>CISPE</td>
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<td>Country Management Unit</td>
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<td>Comprehensive Peace Agreement</td>
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<td>CPI</td>
<td>consumer price index</td>
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<td>Full Form</td>
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<tr>
<td>CPS</td>
<td>Computerized Payroll System</td>
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<td>CS</td>
<td>civil service</td>
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<td>Civil Service Agency</td>
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<td>Civil Service Commission</td>
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<td>CSMS</td>
<td>Civil Service Management System</td>
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<td>CSRD</td>
<td>Civil Service Reform Directorate</td>
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<td>CSRS</td>
<td>Civil Service Reform Strategy</td>
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<tr>
<td>DDR</td>
<td>disarmament, demobilization, and reintegration</td>
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<tr>
<td>DFID</td>
<td>U.K. Department for International Development</td>
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<tr>
<td>DoB</td>
<td>Department of the Budget</td>
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<tr>
<td>EAA</td>
<td>External Audit Agent</td>
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<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EJC</td>
<td>Employees Justice Chamber</td>
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<td>EPRU</td>
<td>Economic Policy and Research Unit</td>
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<td>ES</td>
<td>Establishment Secretary</td>
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<td>ESI</td>
<td>estimated sustainable income</td>
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<td>ESO</td>
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<td>ETTA</td>
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<td>EU</td>
<td>European Union</td>
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<td>Fixed Amount Reimbursement Agreement</td>
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<td>fragility, conflict, and violence</td>
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<td>Free Healthcare Initiative</td>
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<td>FM</td>
<td>financial management</td>
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<td>FMAS</td>
<td>Financial Management Accounting System</td>
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<td>financial management unit</td>
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<td>FRETILIN</td>
<td>Revolutionary Front for an Independent East Timor</td>
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<td>GAA</td>
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<td>Global Alliance for Vaccines and Immunizations</td>
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<td>GC</td>
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<td>Grants and Service Contracts Management Unit</td>
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<td>GDP</td>
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<tr>
<td>MDAs</td>
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<tr>
<td>MoJ</td>
<td>Ministry of Justice</td>
</tr>
<tr>
<td>MoLPS &amp; HRD</td>
<td>Ministry of Labor, Public Service, and Human Resource Development</td>
</tr>
<tr>
<td>MoPEA</td>
<td>Ministry of Planning and Economic Affairs</td>
</tr>
<tr>
<td>MoPF</td>
<td>Ministry of Planning and Finance</td>
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<tr>
<td>MoPH</td>
<td>Ministry of Public Health</td>
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<tr>
<td>MoPS</td>
<td>Ministry of Public Service</td>
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<tr>
<td>MPW</td>
<td>Ministry of Public Works</td>
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<tr>
<td>MRRD</td>
<td>Ministry for Rural Rehabilitation and Development</td>
</tr>
<tr>
<td>MSA</td>
<td>Ministry of State Administration</td>
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<tr>
<td>MTPS</td>
<td>Medium-Term Pay Strategy</td>
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<tr>
<td>NA</td>
<td>Northern Alliance</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>NCP</td>
<td>National Congress Party</td>
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<tr>
<td>NDCS</td>
<td>National Directorate of the Civil Service</td>
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<tr>
<td>NDP</td>
<td>National Development Plan</td>
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<tr>
<td>NDPS</td>
<td>National Directorate of the Public Service</td>
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<tr>
<td>NGO</td>
<td>nongovernmental organization</td>
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<tr>
<td>NHP</td>
<td>National Health Policy</td>
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<tr>
<td>NPFL</td>
<td>National Patriotic Front of Liberia</td>
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<tr>
<td>NPRC</td>
<td>National Provisional Ruling Council</td>
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<tr>
<td>NSP</td>
<td>National Solidarity Program</td>
</tr>
<tr>
<td>NTA</td>
<td>national technical assistant/national technical assistance</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<td>--------------</td>
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<tr>
<td>NTGL</td>
<td>National Transitional Government of Liberia</td>
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<tr>
<td>OAA</td>
<td>Office of Administrative Affairs</td>
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<tr>
<td>ODA</td>
<td>official development assistance</td>
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<tr>
<td>ODI</td>
<td>Overseas Development Institute</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>OFM</td>
<td>Office of Financial Management</td>
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<tr>
<td>P&amp;G</td>
<td>pay and grading</td>
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<tr>
<td>PAA</td>
<td>project accounting agent</td>
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<tr>
<td>PAD</td>
<td>Project Appraisal Document</td>
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<tr>
<td>PAR</td>
<td>Public Administration Reform</td>
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<tr>
<td>PAR-CG</td>
<td>Public Administration Reform Consultative Group</td>
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<tr>
<td>PBA</td>
<td>program-based approach</td>
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<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
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<tr>
<td>PEM</td>
<td>public expenditure management</td>
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<tr>
<td>PER</td>
<td>Public Expenditure Review</td>
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<tr>
<td>PF</td>
<td>Petroleum Fund</td>
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<tr>
<td>PFM</td>
<td>public financial management</td>
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<tr>
<td>PFMCBP</td>
<td>Planning and Financial Management Capacity-Building Project</td>
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<tr>
<td>PFMF</td>
<td>Pool Fund Management Firm</td>
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<td>PFMU</td>
<td>project financial management unit</td>
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<td>PGC</td>
<td>Public Grievances Chamber</td>
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<tr>
<td>PI</td>
<td>parallel institution</td>
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<tr>
<td>PIU</td>
<td>project implementation unit</td>
</tr>
<tr>
<td>PKO</td>
<td>peacekeeping operation</td>
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<tr>
<td>PMT</td>
<td>project management team</td>
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<tr>
<td>PMU</td>
<td>project management unit</td>
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<tr>
<td>PO</td>
<td>President’s Office</td>
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<tr>
<td>PPP</td>
<td>purchasing power parity</td>
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<tr>
<td>PRGF</td>
<td>Poverty Reduction and Growth Facility</td>
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<tr>
<td>PRR</td>
<td>Priority Reform and Restructuring</td>
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<tr>
<td>PS</td>
<td>public service</td>
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<tr>
<td>PSC</td>
<td>Public Service Commission</td>
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<tr>
<td>PSRU</td>
<td>public sector reform unit</td>
</tr>
<tr>
<td>RIMU</td>
<td>Reform Implementation Management Unit</td>
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<tr>
<td>RMIP</td>
<td>Records Management Improvement Program</td>
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<tr>
<td>RMP</td>
<td>Records Management Project</td>
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<tr>
<td>RUF</td>
<td>Revolutionary United Front</td>
</tr>
<tr>
<td>SAF</td>
<td>Sudan Armed Forces</td>
</tr>
<tr>
<td>SES</td>
<td>Senior Executive Service</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<td>--------------</td>
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<tr>
<td>Sida</td>
<td>Swedish International Development Cooperation Authority</td>
</tr>
<tr>
<td>SIU</td>
<td>Special Implementation Unit</td>
</tr>
<tr>
<td>SLPP</td>
<td>Sierra Leone People’s Party</td>
</tr>
<tr>
<td>SOE</td>
<td>state-owned enterprise</td>
</tr>
<tr>
<td>SPLA</td>
<td>Sudan People’s Liberation Army</td>
</tr>
<tr>
<td>SPLM</td>
<td>Sudan People’s Liberation Movement</td>
</tr>
<tr>
<td>SRF</td>
<td>Sudan Recovery Fund</td>
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<tr>
<td>SSDF</td>
<td>South Sudan Defense Forces</td>
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<tr>
<td>SSEPS</td>
<td>South Sudan Electronic Payroll System</td>
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<tr>
<td>TA</td>
<td>technical assistant/technical assistance</td>
</tr>
<tr>
<td>TFET</td>
<td>Trust Fund for East Timor</td>
</tr>
<tr>
<td>TOKTEN</td>
<td>Transfer of Knowledge through Expatriate Nationals</td>
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<tr>
<td>TTL</td>
<td>task team leader</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
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<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
</tr>
<tr>
<td>UNMIL</td>
<td>United Nations Mission in Liberia</td>
</tr>
<tr>
<td>UNTAET</td>
<td>United Nations Transitional Administration in East Timor</td>
</tr>
<tr>
<td>USAID</td>
<td>U.S. Agency for International Development</td>
</tr>
<tr>
<td>VPP</td>
<td>Verified Payroll Program</td>
</tr>
<tr>
<td>WB PAD</td>
<td>World Bank Project Appraisal Document</td>
</tr>
<tr>
<td>WDI</td>
<td>World Development Indicators</td>
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<tr>
<td>WGI</td>
<td>World Governance Indicators</td>
</tr>
<tr>
<td>Af</td>
<td>Afghani (Afghan currency)</td>
</tr>
<tr>
<td>Le</td>
<td>leone (Sierra Leonean currency)</td>
</tr>
<tr>
<td>SD</td>
<td>Sudanese pound</td>
</tr>
<tr>
<td>SSP</td>
<td>South Sudanese pound</td>
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</table>

All dollar amounts are constant 2011 international dollars unless otherwise indicated.
Introduction

Objectives

When John Garang, chairman of the Sudan People’s Liberation Movement (SPLM), and Ali Osman Taha, first vice president of Sudan, signed the Comprehensive Peace Agreement (CPA) in Naivasha, Kenya, in January 2005, they put an official end to five decades of civil war between Khartoum and Juba. After the CPA was signed, a Joint Assessment Mission declared a “lean, efficient, decentralized and transparent Government of South Sudan” as a “foremost objective” (World Bank 2004). It projected that South Sudan’s public service, counting about 62,000 in 2005, would not grow beyond 1 percent of the population, or the 100,000 mark—and SPLM officials agreed. But the reality turned out differently. Between 2005 and 2014, the public service absorbed thousands of ex-combatants and nearly tripled in size; in 2013, South Sudan’s payroll financed 161,000 public servants, representing 1.4 percent of the population. The general government wage bill grew to 18 percent of gross domestic product, far beyond what was fiscally sustainable. Development partners had advised Garang’s government to grant public servants lifelong employment status, locking in a large and expensive workforce over decades.

After the CPA was signed, development partners agreed that most aid funds would be channeled through a multidonor trust fund (MDTF), to be managed by the World Bank. Drawing on a model the World Bank had used in the West Bank and Gaza, the team advised Garang’s government to establish a so-called super-project implementation unit (PIU) for the MDTF. It was to centrally—and efficiently—handle the fiduciary and procurement matters for all projects financed by the MDTF. But when the super-PIU proposals were drawn up, Garang rejected them. He insisted that the public service itself would manage the funds, despite the government’s low capacity. Two years later, slow disbursement of the MDTF, partly due to the limited capacity of the public servants handling it, led many donors to look for other financing vehicles.

In short, after South Sudan’s CPA was signed, the World Bank team found it challenging to provide the government with realistic advice on building a
functioning public service. The team was told that “postconflict is different,” but they did not know what that meant. They called up colleagues who had worked in Afghanistan, Timor-Leste, and the West Bank and Gaza to draw on their experiences. But even so, they lacked systematic evidence showing what did and did not work in other postconflict settings.

Over a decade later, in 2018, this study aims to help fill that gap. With the benefit of hindsight, it aims to provide policy makers, World Bank staff, and development partners concerned with building public services in postconflict settings with systematic evidence culled from past experiences. To this end, it conducts a comparative analysis of public service reform trajectories in five postconflict countries: Afghanistan, Liberia, Sierra Leone, South Sudan, and Timor-Leste, and identifies policy lessons.

This study focuses on public services in postconflict countries. As the state’s agents, public servants are fundamental to the state-building process. The study focuses on two major channels through which development partners have influenced public services postconflict. First, it considers dedicated efforts to build the public service itself—that is, interventions aimed at renewing the policies and practices that govern the public workforce. It asks the following questions, among others: Which public service policies have been effective and why? What are the best ways to manage the size and structure of the public workforce? How can governments attract and retain capable staff? How can they balance merit and patronage in appointment decisions?

Second, the study analyzes how development partners have indirectly influenced public services by creating “parallel structures” alongside the core public administrations. Such project-financed parallel structures are almost three times more prevalent in fragile and postconflict countries than in nonfragile countries. They proliferate in order to bridge the gap between citizens’ urgent demands for services and governments’ low capacity for supplying them. Financed by donors and staffed with well-paid technical assistants, parallel structures help ensure that the basic functions of government are performed. But these short-term results can come at a significant cost to long-term state building. Parallel structures can undermine efforts to strengthen the government’s own legitimacy and capacity, in particular by driving up salaries and increasing competition for competent staff in the local labor market. Intended to serve as temporary “scaffolding,” they can perpetuate governments’ dependency on aid. For these reasons, parallel structures have had a profound impact on public services in these five postconflict countries—arguably at least as much as dedicated public service reforms themselves. This study therefore explores how parallel structures can be designed in order to improve their sustainability (see chapter 5).

The public service is here understood as comprising civilian government employees employed at both the central and subnational levels. These employees include core civil servants, teachers, doctors, nurses, and other civilian staff working in government, including in autonomous agencies. Beyond the public
service, the study covers informal payroll workers, such as temporary staff. It does not cover the police, other civilian uniformed forces, or the armed forces, except when analyzing the size of the public workforce and wage bill.

**Research Design and Limitations**

To explain the postconflict evolution of public services, the study employs the method of structured, focused comparison (George and Bennett 2005) as well as traces the process of public service reform in each country over time. These methods are not suited for arriving at uncontestable causal explanations for similarities and divergences in public service reform trajectories. The number of countries observed is too small, and the explanatory factors too numerous. But these methods do lend themselves to a systematic and argued inquiry into these questions.

The five case study countries were chosen with care. The selections were drawn from a review of an original sample of nine countries, based on four main criteria. First, the countries were reviewed to ensure relevant public service reform experiences. In particular, it was required that the World Bank and other donors had a significant role in supporting or influencing reforms. Second, in the countries selected, at the time of research (2013–15) about a decade or more had passed since the signature of their peace agreements (these fell in a six-year window, from 1999 for Timor-Leste to 2005 for South Sudan). This permitted the team to trace postconflict trajectories even as a number of officials involved in the reform process were still accessible, along with relevant records. Third, the team sought to achieve some regional balance, combining a focus on African countries (Liberia, Sierra Leone, and South Sudan) with Afghanistan and Timor-Leste. Fourth, not least, given the importance of stakeholder interviews as a data source for this study, the World Bank team pragmatically chose countries where the team would have ongoing engagement and relatively easy access to key informants.

This choice of countries (and method) has its caveats. A primary limitation is that at the time of research, conflict had ended just over a decade earlier in most countries. Hence, it may simply be too early to tell success from failure. For member countries of the Organisation for Economic Co-operation and Development (OECD), and for Latin American countries, Grindle (2010) shows that civil service reform paths have historically been marked by dynamics of construction, deconstruction, and reconstruction over decades. Early reformers may suffer setbacks, but future generations can sometimes capitalize on their legacies. If such long-term dynamics apply to these postconflict countries, then the observed failure of a reform could nevertheless contain the seeds of future success. Care is thus warranted in interpreting the latest situation reflected in this study as an ultimate reform outcome.

Specifically, it may be too early to evaluate the sustainability of parallel project structures—for the simple reason that most have not yet “exited” from
donor support. Similarly, it is too early to know whether national technical assistants, who are currently paid high salaries, will agree, once aid declines, to stay on in government jobs that will pay them a lower wage. As of 2015, aid levels had not yet begun to decline in most cases. Also, there is the challenge of learning from failure. Although a few interventions have unambiguously succeeded, most efforts to rebuild public services have so far fallen short. This raises the question of where to set the bar for “success.” Say, for example, the World Bank finances the salaries of 100 senior experts to fill line-positions in Afghanistan’s public service. Five years later, after World Bank financing ends, 90 of these have failed to make an impact, but 10 have moved into senior government positions, carrying out their duties with integrity and skill. Was this a worthwhile investment, or a tragic failure? As Andrews, Pritchett, and Woolcock (2013) argue, development partners’ unrealistic expectations about the speed of state building have led countries into “capability traps.” In this study, it would be a similar mistake to measure reform outcomes against an unrealistically demanding yardstick. But calibrating this yardstick is hard. The spectrum of variation among the five countries provides the only guide.

The poor track record of public service reforms also poses the challenge of making policy inferences based on failures. Normally, in a comparative analysis, one would make a case that a certain policy was the distinguishing factor that led to positive outcomes as opposed to less positive outcomes in the absence of that policy. But when there are no positive outcomes, policy inferences are harder to make—and it becomes tempting to engage in counterfactual speculation. This study seeks to address this challenge by making inferences based on the mechanisms that led to failure, the form: “Policy 1 probably failed because of its properties a and b. A more promising policy could thus seek to reduce or change these properties.” When the study offers speculative policy conclusions beyond what the evidence supports, this will be flagged.

The study draws on over 200 semistructured interviews conducted with government officials and other stakeholders between 2013 and 2015. The interviews were conducted during missions to the five countries, lasting about two weeks each, and in subsequent follow-up research. Quotations from these interviews shape an essential part of the evidence base for the study. In addition, the study draws on administrative data and records, in particular on payroll data and regulatory documents for the public service. The findings—most notably on the size and composition of public services—should be interpreted with caution, because data are often limited and unreliable postconflict. (See box I.1 for a description of how public service pay and wage bill data were converted to constant 2011 international dollars.) Perhaps the biggest caveat regarding the evidence base underlying this study is that the team could not gather primary microdata on public servants’ perceptions, capacity, and performance as the ultimate outcomes of interest. Follow-up research that gathers such microdata—for example, through public servant surveys—would certainly be desirable.
Box I.1 Currency Conversion Method

In order to facilitate comparisons of public service pay and wage bill data over time and across countries, this study uses “constant 2011 international dollars” as a reference currency. Consistent with the use of this term in the World Development Indicators (WDI), local currency units (LCUs) for a given year and country were converted into constant 2011 international dollars in two steps. First, LCUs were adjusted for inflation based on the relevant price index and transformed into constant 2011 LCUs. Second, constant 2011 LCUs were converted into constant 2011 international dollars, by using the relevant purchasing power parity (PPP) conversion factor. Public service pay data were converted using the WDI consumer price index (CPI) for the respective country and the PPP conversion factor for individual consumption expenditure by households from the International Comparison Program (ICP). This ensures that public servants who received similar remuneration packages in constant 2011 international dollars could afford to buy a comparable basket of household goods and services. Wage bill data were converted using the WDI gross domestic product (GDP) deflator for the respective country and the ICP GDP PPP conversion factor. GDP was chosen as the basis for wage bill conversion, rather than consumption expenditure by government, because only GDP-based conversion factors were consistently available for the five case study countries.

The postconflict nature of the case study countries in some cases severely limits the reliability of currency conversion data. Hence the conversions to constant 2011 international dollars reported in this study should be interpreted with caution and as approximations. In particular, three of the case study countries—Afghanistan, Liberia, and Timor-Leste—did not participate in the 2011 ICP round (World Bank 2015). Hence, for these economies, the ICP had to impute PPP conversion factors, rather than estimating them based on actual collected data, yielding less-reliable PPP estimates than for other countries. Further, for a few early years post-conflict, CPI data were unavailable for some countries (Afghanistan and Timor-Leste). Where GDP deflator data were available for the corresponding years, the CPI was imputed assuming parallel trends with GDP-based inflation.

Structure

This study is organized as follows. Chapter 1 presents the analytical framework. It identifies the major forces that shape divergent public service reform paths in the five postconflict countries. It sets out the problems that motivate public service reforms in postconflict countries and the factors that influence the adoption and implementation of these reforms. Chapters 2 through 5 contain the comparative analysis, organized by public service policy domains. Chapter 2 focuses on managing the size and composition of the public service; chapter 3 looks at managing public servants’ pay; and chapter 4 focuses on the role of central public service management bodies. Chapter 5 concludes with an analysis of how the design of parallel structures has affected public service capability. Policy conclusions are drawn for each domain. Appendixes A through E contain individual case studies for each of the five countries. These case studies contain the detailed evidence that underpins the comparative analysis.
Notes

2. Parallel structures are here defined as partially donor-supported units that perform government functions. See chapter 5 for a more detailed definition.
3. These countries comprised Afghanistan, Burundi, the Democratic Republic of Congo, Liberia, Mozambique, Rwanda, Sierra Leone, South Sudan, and Timor-Leste.
4. Other than, for example, Barma, Huybens, and Viñuela (2014), these did not involve reform outcomes.
5. The study’s publication, originally envisaged for 2016, was delayed because the authors moved to new roles within and outside the World Bank.
6. To protect the interviewees, with a few authorized exceptions, all quotations are anonymized.

Bibliography


Analytical Framework

Two Different Examples: Public Service Commissions

Rebuilding public services in postconflict countries is at core about deciding who gets public jobs. In doing so, postconflict leaders confront what Geddes (1994) calls the “politician’s dilemma writ large.” To stabilize a fragile ruling coalition and prevent a resumption of conflict, leaders may use public jobs as currency to buy the loyalty of key constituents—in effect, handing out “jobs for the boys” (Grindle 2012). As North, Wallis, and Weingast (2009) have compellingly argued, handing out rents may be the only way of containing violence in such settings—and public jobs are a core part of the rents that political leaders have at their disposal. At the same time, leaders may need to hire or retain skilled staff on the basis of merit to get things done, deliver public services, and gain legitimacy in the eyes of development partners.

Efforts to establish or revamp central public service commissions (PSCs) as independent guardians of merit have been an important part of this struggle in most of the five countries in this study. To check political influence over appointments to public service jobs, development partners have in some cases initiated the establishment of such bodies, or at least supported them with aid. However, over a decade after the conflict, none of the PSCs can claim to have wrested control over appointments from politicians.

Despite this common struggle between merit and patronage, PSCs pursued very different paths in the five case study countries. And at the time of research, their level of influence, too, varied considerably (as chapter 4 will show). This chapter provides an analytical framework for understanding the commonalities and differences in how public services have evolved in the five countries, with reference to relevant literature. It argues that three “grand forces”—legacies, conflict, and elite bargaining—shaped divergent paths.

Consider Afghanistan’s Independent Administrative Reform and Civil Service Commission (IARCSC) and Sierra Leone’s PSC. The IARCSC’s evolution until 2014 exemplified the gradual decline of an “isomorphic” externally imposed implant. The international community insisted on establishing an independent commission in the Bonn Agreement of December 2001. Against resistance
from most cabinet members of the Transitional Administration, development partners pressured President Hamid Karzai to pass a presidential decree in 2003, which equipped the newly created IARCSC with a strong mandate for recruiting senior civil servants through a meritocratic process. With donor support, the IARCSC immediately gained significant de facto influence. It conducted or oversaw the recruitment of several thousand public servants in the context of a World Bank–financed Priority Reform and Restructuring (PRR) program, part of the early reconstruction effort.\textsuperscript{3}

Since its creation, however, the IARCSC’s influence and credibility have declined. With the end of the Transitional Administration in 2004, the set of reformist and technocratic ministers who had supported the IARCSC left the government. Other government agencies have sought to interfere in its decisions and evade its strong mandate through a range of strategies.\textsuperscript{4} The PRR was soon nicknamed the “re-recruitment” program because it ended up hiring applicants already employed in the public service, but at higher salaries. Later “the head of [the IARCSC’s] Independent Appointments Board as well as some commissioners complained heavily [. . .] about constant attempts to interfere with standard merit-based appointment processes by members of the government, the President’s office, members of parliament, individual commanders and influential political personalities of all origins” (Michailof 2006, 14). Resistance to the IARCSC’s role reached its height in 2013, when the Wolesi Jirga, Afghanistan’s lower house of parliament, debated whether to abolish it altogether. Although it was not ultimately disbanded, as of 2014 it was generally viewed as a channel for political meddling.\textsuperscript{5}

Unlike the IARCSC, Sierra Leone’s PSC was not a new creation; it was inherited from the British colonial administration in the immediate post-independence period (1961–68) and at the time was instrumental in providing Sierra Leone with one of the best public services in West Africa. But under the All People’s Congress (APC) one-party dictatorship (1978–92), the country’s public service became heavily politicized, and the PSC was reduced to a rubber-stamp body.

Also unlike the IARCSC, Sierra Leone’s PSC was neglected in the first years after conflict. Although the 1991 constitution provided it with a strong mandate for overseeing recruitment across all grade levels, in actuality, it lacked the leadership and means for fulfilling this role. According to the PSC chairman as of 2013, until 2010, “there was complete ineptitude of the PSC.”\textsuperscript{6} It had only a handful of staff and hardly any budget or donor support. However, between 2010 and 2015, the PSC experienced a significant revival and improved its reputation as a guardian of merit. It benefitted from the leadership of a new chairman, appointed by President Ernest Bai Koroma following his election in 2007. With donor support, it has organized itself; recruited new, capable staff; and reestablished influence over senior civil service appointments. Although political leaders have found opportunities for rewarding loyalists with public jobs outside the PSC’s domain of influence,\textsuperscript{7} the PSC has gained strength as a guardian of merit at least within the core civil service.
What explains the contrasting fates of these two commissions? What was the role of reformers and donors in shaping these outcomes?

First, the institutional legacies of the preconflict public service persisted, despite the disruption of conflict. It is tempting to underestimate the resilience of public service institutions and to assume that conflict leaves an institutional blank slate, offering an opportunity for renewal. Yet, as the examples of Afghanistan’s IARCSC and Sierra Leone’s PSC illustrate, public service institutions are path dependent and yield to reform only slowly.

Sierra Leone’s case suggests that reformers can capitalize on ingrained institutions as sources of legitimacy for strengthening the public service. Even after decades, public servants retained proud memories of the PSC’s postcolonial role as the guardian of one of West Africa’s best public services. Similarly, the career-based system Sierra Leone inherited from the British remained intact and was broadly respected, thus limiting politically motivated lateral entry. In Afghanistan, by contrast, the attempt to import an independent commission met with resistance, in part because it remained a foreign concept, without a compelling precedent in Afghanistan’s own history.

Second, whereas preconflict public service legacies act as forces of continuity, conflict shapes postconflict public service paths through physical, institutional, and political disruptions. For example, at the time of the Bonn Agreement, most parts of Afghanistan’s central administration in Kabul had been physically destroyed and no longer functioned: “The remaining staff were unpaid and turned up for work irregularly. Most government offices were destroyed or in very poor repair” (Wilson 2015, 151). The urgent need to get essential government agencies up and running prompted donors to finance salaries, launch the PRR, and insist on the IARCSC as a guardian of merit. By contrast, in Sierra Leone, the absence of just such a disruption may partly explain the early neglect of the public service. Because the conflict had been peripheral, and fighting had reached Freetown only briefly, the core ministries, departments, and agencies (MDAs) continued working throughout the conflict, thereby making them less of a priority during reconstruction.

The political settlements that ended each conflict differed largely between both countries. Afghanistan’s Bonn Agreement provided an unbalanced elite settlement. It “set into motion an internal war between two opposing elite networks,” including a struggle for control of key ministries between the mostly Tajik Northern Alliance members led by the Jihadi factions and the Karzai-led, Western-supported Pashtun faction. With both factions vying for control of the administration, establishing the IARCSC as an independent body was particularly challenging. In Sierra Leone, a powerful president was better able to contain such power struggles. The democratic alternation of power between the two parties (Sierra Leone People’s Party [SLPP] and the APC) provided for more homogenous and cohesive governing coalitions with fewer internal tensions. This may have made it easier to empower the PSC to oversee senior public service appointments. In sum, the different institutional legacies and
the varying impacts of conflict in Afghanistan and Sierra Leone resulted in different starting conditions for establishing service commissions in these two countries.

Third, both these cases suggest that postconflict changes in public service institutions emerge from changing elite bargains, with different actors seeking to influence these institutions in pursuit of competing objectives. This was made strikingly clear in the resistance of President Karzai’s cabinet to removing senior recruitments from political control. In order to stabilize a fragile coalition, President Karzai was under pressure to give ministers and local governors discretion over patronage rents in their respective MDAs. This weakened the IARCSC’s influence from the start, despite its strong mandate. The IARCSC’s authority was further weakened after Afghanistan’s first postconflict elections. The elections changed the balance of power within the cabinet, and the IARCSC lost the backing of the technocrat ministers that it had under the Transitional Administration.

In both Afghanistan and Sierra Leone, self-interested MDAs, parliamentarians, and politicians have sought to influence, weaken, or bypass the commission’s control over recruitment. How this struggle played out (in part) depended on the players’ respective bargaining powers.

The above examples highlight how bargaining over public service institutions occurs: players’ strategies often focus on reinterpreting or evading rules rather than changing the rules on the books. Afghanistan’s IARCSC was politically constructed by a group of reformers and established by a presidential decree. In Sierra Leone, however, the PSC regained influence purely due to changes in leadership and capacity, along with support for a historically successful institution, whereas its legal mandate remained essentially unchanged. Opponents of central control did occasionally use legal means to reduce the IARCSC’s influence. For instance, the Wolesi Jirga attempted to abolish it, and a 2005 law placed deputy ministers on appointment panels. Often, they simply sought to evade it. For example, in Sierra Leone, the proliferation of high-paying jobs outside the PSC’s control—especially in autonomous agencies—permitted handing out patronage jobs without questioning the PSC’s mandate.

The Analytical Framework

The three grand forces—resilient preconflict institutional legacies, conflict, and elite bargaining—not only explain the different evolutions of Afghanistan’s and Sierra Leone’s PSCs, they also shape the core elements of a more general analytic narrative for explaining public service reform trajectories in postconflict countries.

In this narrative, preconflict legacies and conflict set the stage for postconflict political bargaining over changes in public service institutions. Both factors influence how malleable institutions will be following the conflict. In line with theories of historical institutionalism (Mahoney and Thelen 2009), it is useful to consider inherited public service institutions as “sticky,” narrowing the range of reform options after a conflict.
Conflict acts as a shock, punctuating the preconflict equilibrium and opening space for change after a conflict. During conflict, institutions are weakened as established public service rules are disregarded or changed. They are also damaged from the inside: public servants flee or are killed, and administrations and data are destroyed. Conflict typically opens a window of high institutional malleability, in which transitional administrations and development partners have an exceptionally large influence on policy and institutional choices, which diminishes later on.

Conflict shapes the elite bargaining situation over public service institutions, through the political settlements meant to end it. These political settlements influence which players are at the negotiation table (i.e., who is part of the “dominant coalition”\(^9\)) as well as these players’ bargaining chips and incentives. The more fragile and factional the emerging dominant coalition (as in Afghanistan and South Sudan), and the shorter its time horizon for staying in power, the more likely it is that public jobs will be needed as currency to buy peace. Conversely, the more factional political elites are, the less likely they are to collectively tie their own hands by enforcing controls on public service appointments.

The “politician’s dilemma” mentioned at the beginning of this chapter (Geddes 1994) is the central trade-off that permeates elite bargaining. Political leaders can use public jobs as currency for buying peace and for rewarding political clients, or they can seek to fill them with able staff to build state capacity and deliver services. Leaders will need to balance these competing ends to maximize their chances of political survival and rent-seeking opportunities (Bueno de Mesquita et al. 2005). They face pressures from multiple players. Other members of the dominant coalition (e.g., cabinet members with different constituencies) may claim discretion over how many staff they employ, who gets hired, and at what salaries—and threaten to defect (and revert to violence) otherwise. Donors, on the other hand, may tie aid flows to the adoption of public service institutions that restrict this discretionary power, such as independent commissions, as in the above example. Depending on the composition of their “winning coalition,”\(^10\) heads of government themselves may prefer to use public jobs for rewarding their own political clients or for recruiting capable staff. Catalytic events, such as corruption scandals, may affect the bargaining process as exogenous shocks. Bargaining outcomes will depend on the distribution of (de jure and de facto) power between these and other players.

**Legacies**

Why are preconflict public service legacies so persistent?\(^\ll\)

Theories of historical institutionalism provide helpful general explanations for why institutions tend to be path dependent. According to Pierson (2004, 21), path dependency refers to “social processes that exhibit positive feedback and thus generate branching patterns of historical development.” In economics, positive feedback occurs in situations of increasing returns—for
example, if firms have high up-front fixed investment costs. North (1990) has famously argued that the same logic of increasing returns can be applied analogously to explain the evolution of institutions. In particular, three concepts from this literature help to explain the persistence of public service institutions: norms and values, inertia, and learning effects.

First, existing public service institutions may persist because they resonate with prevalent norms and values, providing them with legitimacy and acceptance. The proud memories that Sierra Leone’s public servants hold of the postcolonial public service provide one example. Conversely, new institutions can be rejected if they conflict with existing norms and values. In particular, attempts at strengthening merit as the principle of recruitment and promotion can clash with public servant seniority norms, as well as norms of personal loyalty. For example, in Afghanistan, merit principles found little acceptance because they conflicted with traditional respect for seniority, manifest in a “rank-in-person” system, which tied public servants’ career advancement to seniority. An emphasis on merit also conflicted with norms of personal loyalty. As a senior Afghan civil servant noted:

> [W]ith the culture, the tradition, and the strong social links that we have in this society, it is really a matter of concern to have this type of policy [an independent civil service commission, making appointments]. Here social integration and social relationships are so strong and exceed policy and strategies. If I am a friend of someone and he asks me for a favor, then I don’t care about policy and strategy. This is the mentality that we have in this context. (Authors’ interview with a senior official, Ministry of Public Health, Government of Afghanistan, 2013)

Similarly, in South Sudan, contrary to merit principles, public service jobs were primarily seen as a reward for fighting for independence with the Sudan People’s Liberation Army (SPLA).

The case evidence from the five case study countries suggests that administrative traditions in particular are slow to change and can provide a powerful legacy on which to build. For example, the influence of U.S. and British administrative traditions in Liberia and Sierra Leone, respectively, may explain different senior appointment behaviors in both countries after the conflict. Whereas in postconflict Liberia political appointments from outside the public service (often of diaspora returnees) were widespread throughout the bureaucracy’s ranks, Sierra Leone largely upheld the British legacy of appointing career senior public servants from within the public service.

To anticipate this interdependence between de jure rules, norms, and values, and deeper cultural-cognitive elements, it is helpful to consider them as jointly shaping public service rules. Figure 1.1 depicts this interdependence through the metaphor of an iceberg, based on Andrews (2013) and Scott (2013). De jure institutions shape only the easily visible tip of the iceberg—and risk failing to find acceptance unless they are supported by underlying normative and cultural-cognitive elements.

Second, mere inertia also plays a role in explaining the persistence of public service institutions after a conflict. Under extreme capacity constraints,
the costs of enforcing compliance with new formal rules may be prohibitively high for the center of government. After the conflict, the central state is often partially blind (Scott 1998) with regard to such basic questions as how many employees it has, how they are paid, and how they are recruited at the periphery, thereby limiting the state’s ability to effectively govern the public workforce. For example, in South Sudan vast numbers of ghosts on the payroll made clear how little control the central government had over who it paid. These difficulties are compounded by the strategies that subordinate agencies use for evading central controls.

Inertia also pervades the public service in that older generations of public servants are slow to change. For example, data suggest that as of 2014 the majority of Sierra Leone’s public servants were recruited under the one-party dictatorship before the conflict, about 25 years earlier. Other countries present a similar picture (see chapter 2). An older generation of public servants may hold valuable institutional memory, but they may also lack the willingness or ability to adjust to changing rules and practices.

The third concept is that public service institutions persist—and may merit to be preserved—because of learning effects. For example, as chapter 5 will show, in Afghanistan’s Treasury, civil servants quickly learned to use a computerized financial management information system because it was built on accounting procedures that had been in place for decades, and so civil servants were familiar
with it. In this context, seeking continuity with existing institutions can be a powerful foundation for capacity building. In the words of a World Bank task team leader: "If you have existing systems, and people understand those, employ them. There is no point in starting from scratch." As the following chapters will argue, being aware of and building on institutional legacies is thus essential for development partners, as a source of both legitimacy and capacity.

**Conflict**

**Disruption**

Secession and independence wars have done more to disrupt public services—and in a greater variety of ways—than have civil wars that did not result in a redrawing of borders. South Sudan and Timor-Leste emerged from conflict as new countries. Secession implies that they had to build their own administrations nearly from scratch, entailing a major influx of new personnel. South Sudan forged a new public service out of two forces, namely the Khartoum Coordinating Council for Southern Sudan (CCSS) administration and the SPLA Civil Authority for the New Sudan (CANS). In Timor-Leste, between 1999 and 2002, the United Nations Transitional Administration in East Timor (UNTAET), heavily staffed by foreigners, literally took the place of the national administration. Following the 1999 referendum for independence, nearly all Indonesian public servants left, and the public service had to start over from square one.

By contrast, in civil war cases, the prewar generation of public servants has played a more dominant role. This is most clearly seen in Sierra Leone, where a peripheral conflict left the central administration largely intact. Even in Afghanistan and Liberia, although the central administration had largely been destroyed, a significant stock of public servants remained. These countries faced the challenge of restoring morale and skills in a public service that had deteriorated due to long-standing underpayment and patronage, representing a fundamentally different challenge than rebuilding public services from scratch.

**Political Settlement**

Postconflict political settlements are typically fragile compromises between formerly warring factions, carving up political power—and access to rents—in deals that, if adhered to, compel the factions to refrain from reverting to the use of arms (North, Wallis, and Weingast 2009). However, as the examples of Afghanistan and Sierra Leone indicate, these settlements vary in their inclusiveness and the extent of fragmentation within the emerging governing coalition. If power-sharing formulas carve up MDAs among ministers from competing factions, they weaken leaders’ ability to exert discipline and collective action for providing public goods and services.

The shorter the leaders’ time horizons for staying in power after the conflict, the less likely they are to have incentives for building a capable state, which is a long-term public good (see, e.g., Bates 2008). Transitional governments, as in Afghanistan, Liberia, and South Sudan, by definition had expiration dates. Transitional periods thus can, but need not, shorten leaders’ time horizons for
staying in office. Explicitly prohibited from reelection, the leaders of Liberia’s Transitional Administration engaged in large-scale rent-seeking between 2003 and 2005, ultimately pushing development partners to enforce an external cosigning authority for government finances.\textsuperscript{13} By contrast, Afghan president Karzai and South Sudan president John Garang had good reasons to believe that they would stay in power beyond the transition period.\textsuperscript{14}

Conflict polarizes identities between warring factions, between loyalists of the old regime and newcomers to power, between those who stayed and fought throughout the conflict and diaspora returnees, between different ethnic groups, and so on. This polarization can make it challenging to forge a common identity among public officials to act as servants of their country, a stance which could be a platform for strengthened state capacity (Besley and Ghatak \text{2008}). It can inhibit collaboration between public servants with hostile identities—like the CCSS and CANS administrations in South Sudan\textsuperscript{15}—and lead to inequalities in access to services (with public servants privileging friends and discriminating against foes).

Ex-combatants and diaspora returnees have been particularly affected by polarized identities and the political settlement shaping their public sector employment prospects. If a country is governed by former fighters, as for example by the SPLA in South Sudan, ex-combatants may be regarded as heroes and absorbed in the public service as a reward for their services. The SPLA military hierarchy permeated the ranks of South Sudan’s public service—with former generals becoming director generals, and uniformed services absorbing tens of thousands of combatants (see chapter 2). By contrast, in Liberia and Sierra Leone, ex-combatants were feared and even despised. They were excluded from the political settlement and public service.

The prospect of diaspora nationals returning home and assuming public service positions may decline if former fighters stay in power. To this day, diaspora South Sudanese are seen as shirkers who enjoyed a comfortable life while others fought for their country. For this reason, they find little acceptance in the administration. By contrast, President Ellen Johnson Sirleaf, herself having pursued an international career, vividly appealed to diaspora Liberians in her inaugural address to return home.\textsuperscript{16} Her administration included many returnees. Accordingly, in Liberia, dedicated donor-funded capacity-injection programs have been aimed at encouraging qualified diaspora nationals to return (see chapter 3).

Lastly, unbalanced political settlements may contain the seed of persistent violence beyond the peace agreements. Where violence has persisted, security and defense forces have tended to represent the majority of public employees, crowding out wage expenditures for social sectors. In Afghanistan, the Taliban insurgency perpetuated violence, as did the conflict with Khartoum and internal strife in South Sudan. Consequently, the police and military have grown rapidly since the peace agreements in both countries, in 2015 representing more than half of general government employment, as compared with about a quarter or less in the other three countries (see chapter 2).
A Window of Institutional Malleability

In the immediate postconflict phase, there is a limited time window during which public service institutions are particularly malleable. There are several reasons for this. First, to restart basic government functions, choices need to be made about how much public servants get paid, often under extreme time pressure and with limited information. Second, during the transition period, a small group of executive decision makers often wield extraordinary power, in some cases governing by decree. Once elected parliaments are in place, the executive’s hands may become more tied by checks and balances. Not least, transitional governments often heavily depend on development partners’ political, technical, and financial support, providing donors with leverage in influencing their decisions. By contrast, postelection cabinets may be selected based on a stabilization logic and have lower stakes in listening to donor advice. Thus, donors bear a particular responsibility for the advice they provide and the influence they exert during the early postconflict period.

This responsibility is compounded by the fact that early public service institutional choices shape their subsequent evolution and are hard to reverse. This is mostly true for pay choices, which create strong vested interests (see chapter 3). In Timor-Leste, for example, the UNTAET pay scale became unaffordably high, overly compressed, and demotivating. Yet the Timorese government was stuck with it for nearly a decade. Early decisions—such as the establishment of the IARCSC in Afghanistan—can also lock donors into long-term relationships with government agencies that later become problematic. Most important, how donors initially design parallel structures strongly influences whether they succeed in transferring skills to public servants, or end up being absorbed into the public administration (chapter 5). Anticipating path dependencies resulting from early choices is thus essential for development partners.

Elite Bargaining

Common Priorities: Peace First, Public Service Second

Traditional public service institutions, as they historically emerged in the Organisation for Economic Co-operation and Development (OECD) countries, are designed to help politicians collectively tie their own hands in making decisions about public jobs. PSCs, for example, are designed to protect merit in the public service by removing appointment decisions from political control. If, following Reid and Kurth (1988), “the power of patronage is no more than the power to hire and fire an employee at will,” then the “distinguishing feature of the merit system” (Horn 1995) is that it restricts politicians’ power over their administrative agents. Similarly, centrally set pay policies limit line-MDAs’ discretion over paying individual public servants at will. Wage bill and payroll control mechanisms serve to contain line-MDAs’ staffing within defined ceilings, as they compete for staff (as for budgets) in a tragedy-of-the-commons-type situation.
In postconflict settings, why would politicians be willing to give up the freedoms of patronage, discretionary pay, and hiring for these self-imposed constraints? The political incentives of postconflict elites are often stacked against enforcing public service rules modeled on OECD examples. They stand to lose a lot, for little gain. This theme of public service reform as an uphill battle against the odds (or, against the “grain”; Levy 2014) is common to all five case study countries and will resonate throughout this study.

In OECD countries, too, patronage systems gave in to reformers slowly. For example, after the famous Pendleton Act in the United States had been passed in 1883, it took several decades to overcome resistance and professionalize the majority of the public service. In other OECD and Latin American countries, public service institutions took root over decades, through phases of construction, reversal, and reconstruction.

Patronage is difficult to contain, because it is a powerful political and managerial tool. As Grindle (2010, 1) notes, “Electoral and party support-building are the reasons most often given for the widespread use of patronage; the distribution of jobs can mean more votes for a candidate or a party or can be used to pay off political obligations after an election.” Patronage can also be an effective tool for building well-performing organizations, if used with skill and to the right ends. It can fuel “loyalty and commonality of purpose, centrally important to accumulating and deploying power” (Grindle 2012, 241). Patronage can serve performance objectives equally well as merit principles. The problem is that “patronage is inherently capricious,” that is, “it is dependent on the skills and purposes of those who manage it” (Grindle 2012, 241).

Nevertheless, in OECD countries, public jobs could gradually be wrested from political control because concern over patronage had become a politically salient issue that mobilized voters. Reformers advocating for meritocratic systems often found support from middle-class reform coalitions. For example, before the passage of the U.S. Pendleton Act, “Wielding [patronage power] was costly; voters grew increasingly restive about stories of politicians buying and selling offices and their patronage appointees using these offices to line their pockets” (Wilson 1989, 239).

In response to such pressures, politicians may give up patronage in order to offer their constituents “a durable solution to the problem of the ‘corruption’ inherent in patronage” (Horn 1995, 101)—provided the gains in political support from those disadvantaged by patronage outweigh the loss of support from benefactors. As Horn (1995) further maintains, politicians may also want to enhance the credibility of their commitments to adopted policies beyond their own time in office by protecting sympathetic appointments in the public service from removal by future legislatures. Both of these arguments imply that tipping the balance of political leaders’ incentives in favor of merit institutions requires that political elites have long time horizons and significant pressure from a broad electorate to take these steps.
In postconflict countries, however, domestic coalitions pushing for meritocratic public service institutions are much less likely to form or gain influence over policy decisions. As a well-developed literature on the politics of reform suggests, political leaders are more likely to focus targeted private goods or “rents” on a narrow group than to invest in providing public goods for a broader public.

The work of North, Wallis, and Weingast (2009) on violence and social order is particularly well suited for explaining political elite incentives for managing the public service in postconflict settings. A fundamental assumption in their arguments is that the postconflict state lacks a monopoly on violence and that it cannot be modeled as a single actor (as it integrates formerly warring factions in a peace agreement). This raises the problem of providing powerful elites with an incentive to be peaceful. According to North et al. (2007, 3), the so-called limited access orders “are the natural response of societies to the threat of internal or external violence.”

In such orders, the dominant coalition creates cooperation and order by limiting access to “valuable political and economic functions as a way to generate rents” to elite groups. This includes access to valuable resources—land, labor, and capital—and to well-paid public sector jobs. Such rents can motivate elite groups with access to violence to refrain from fighting, because violence reduces rents. “The creation and distribution of rents therefore secures elite loyalty to the system, which in turn protects rents, limits violence, and prevents disorder most of the time.” In other words, postconflict, a primary function of public jobs is to buy peace, and public service only comes second.

The five case study countries provide ample evidence for these dynamics at play in the public services. After South Sudan’s peace agreement, the SPLA absorbed tens of thousands of ex-combatants into the public service and raised their pay, partly in order to prevent them from defecting to Khartoum. To stay in power, Afghanistan’s President Karzai had to carefully balance a cabinet of former warlords, who considered their ministries their “chiefdoms.” In Liberia’s Transitional Administration, different factions “owned” different ministries and staffed them with their loyalists.

The insight that public jobs are a major currency for buying peace makes it clear why attempts to build a lean, efficient, and meritocratic public service are not compatible with prevalent incentives in postconflict settings. With the threat of renewed violence looming, distributing public jobs may be one of the few tools political elites possess for ensuring peace. Facing great uncertainty, often short time horizons, and hard-to-discipline dominant coalitions, chief executives may find it impossible to collectively tie their own hands in favor of merit or the long-term prospect of improving public services.

**Explaining Different Paths: An Elite Bargaining Game**

While the need to preserve peace has shaped public service trajectories in all five case study countries, they have taken divergent paths. This section sets out a stylized elite bargaining game that helps explain these differences, under the constraints set by preconflict legacies and conflict itself.
Postconflict, central and decentralized players compete for discretion over public jobs. Central players comprise the chief executive (typically the president) and central oversight agencies, such as the Ministry of Finance (MoF) or the central personnel body. Decentralized players comprise all government agencies, including central line-ministries, as well as subnational governments. Decentralized players, such as ministers and governors, are assumed to have incentives to maximize their discretion over public jobs—that is, over how many staff they employ, whom, and at what salaries. On the other hand, central players have opposing incentives to discipline decentralized players and restrict their discretion over public jobs, either in the public interest (to contain the wage bill or protect merit) or to maximize their own control over jobs. In line with North, Wallis, and Weingast (2009), MDAs are often led by powerful elite members who can threaten to defect from a fragile coalition and revert to violence. Granting them discretion over public jobs may be the price to pay for keeping them from defecting.

Central players’ choices comprise setting and enforcing public service rules (such as establishment control, pay and recruitment policies), conditional on decentralized players’ (potentially heterogeneous) responses. Decentralized players can choose to comply with or reinterpret and evade centrally set rules.

Players accrue utility through their discretion over public jobs and resources in three ways. First, they maximize the present payoff to holding office by consuming government rents themselves. Second, they care about future access to government rents, and thus invest in rewarding the constituents that keep them in power. Third, to the extent that they have preferences for service delivery or believe it an effective mechanism for staying in office, they gain from any public services provided by their domain of government. Each of the decentralized players has a participation constraint defined by the utility they receive from exiting government and reverting to violence, with some probability that they will then win and become the central elites themselves.

Development partners are considered as a precursor to this bargaining game. Their preferences are to maximize the welfare of citizens through the effective delivery of basic services. Hence, they exert their influence in favor of public service institutions that help contain the wage bill, promote good-practice pay structures, and reward merit. Their action set is here limited to offering the central elites a public service reform program and associated funding. For example, a development partner may propose to fund public salaries if the government introduces a meritocratic recruitment system. This preceding stage to the bargaining game between central and decentralized players reflects the often high dependency of postconflict countries on aid and the associated bargaining power of donors.

Central elites must decide whether they will take up the reform and bind their hands in subsequent bargaining. They can renege on the agreement with the donor once the assistance is provided, but at the risk that donors become less willing to provide further funds in the future (a dynamic aspect to the game).
Since donors know the structure of the game, they will refuse to offer assistance unless they perceive there is a credible chance that central elites will stick to the reform agreement.22

Figure 1.2 formalizes this game in a sequential tree form. In a first step, development partners offer assistance in the form of a public service reform package and financing. Central elites then choose whether to reform—that is, to adopt public service rules in line with development partners’ request—or to renege and stick with current public service rules or define them without additional constraints. If reformed, public service rules have implications for (typically reduce) the amount of discretion that decentralized players retain over public jobs and for the costs of noncompliance. Last, decentralized players choose whether to comply with or to evade the resulting (reformed or current) public service rules. In the extreme case, if their participation constraint is not met, they can decide to exit government and revert to violence.

The resulting equilibrium is then defined by (1) the nature of the assistance package that donors offer, (2) the package of de jure rules and de facto discretion offered to decentralized actors by the center, (3) players’ preferences over rents versus service delivery, and (4) their outside utilities from resuming conflict. For example, if the centralized elites are powerful, in that they are able to tightly enforce de jure rules and in that decentralized players have limited options to revert to violence, the centralized elites can design public service rules that offer the periphery limited discretion over public jobs. Consequently, central players can control government resources, including public jobs, either for their own consumption or service delivery. Conversely, if centralized elites are weak, they will need to concede a lot of de jure discretion to decentralized players over public jobs or accept weak compliance with centrally set rules, to prevent reversion to violence. In other words, the more fragmented and the less cohesive the cabinet is,23 the harder it becomes to enforce coherent public service rules.

**Figure 1.2  Stylized Game between Central and Decentralized Players**

![Stylized Game between Central and Decentralized Players](source: Blum and Rogger 2018.)
This insight motivated the asymmetric design of Afghanistan’s first pay reform program (the PRR; see appendix A), for example, where deep political divisions made comprehensive reform impossible. Hence, government agencies were given significant discretion in deciding whether and how to participate in the reform. By contrast, in Sierra Leone’s presidential system, with a powerful Ministry of Finance and Economic Development, the bargaining chips were distributed to favor stronger central control.

The intensity of intra-elite bargaining over public jobs depends on the stakes. In some countries other economic rents (such as public contracts) may be more important. For example, in Sierra Leone, the most lucrative jobs for rewarding loyalists were to be found in semiautonomous agencies outside the core civil service.

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**The Bargaining Process: Evasive Strategies**

As this stylized game highlights, postconflict bargaining over public service institutions often focuses on *reinterpreting or evading legal rules* rather than changing the actual rules on the books. Historical institutionalists focus on this dynamic, emphasizing that incremental institutional change is expected to emerge “precisely in the ‘gaps’ or ‘soft spots’ between the rule and its interpretation or the rule and its enforcement” (Mahoney and Thelen 2009, 14). According to Sheingate (2007), rules are seen as “ambiguous and therefore themselves the objects of political skirmishing” (Mahoney and Thelen 2009, 12). This characterization powerfully applies to and helps explain postconflict public service reform paths and outcomes for two main reasons.

First, political leaders may exploit the gap between changes in de jure public service rules and the actual enforcement of these changes. In line with DiMaggio and Powell’s (1983) theory of isomorphic change, leaders may symbolically mimic and adopt the public service institutions advocated by development partners to seek legitimacy in their eyes. However, they may try to avoid paying the domestic political price of implementation or enforcement. “Reform, evade” is hence a frequent equilibrium outcome (see figure 1.2), which serves the interests of both central and decentralized players. For example, donor-advocated systematic pay and grading reforms have frequently fallen into this gap (see chapter 3). A central question in the subsequent chapters will be how donors can use their bargaining power to gain real traction and reduce the risk of provoking isomorphic compliance.

Second, line-MDAs may find it more opportune to reinterpret or evade public service rules than to attempt to contest and displace them. Grindle (2012) offers compelling examples of this from the public service histories of OECD and Latin American countries. In postconflict settings, fragmented coalitions exacerbate line-MDAs’ incentives to not comply with centrally set rules. The weak capacity of central public service agencies opens opportunities for evasion. For example, line-MDAs have evaded central establishment controls by hiring large numbers of temporary staff outside the payroll or by using
the salaries of deceased public servants to pay new staff. They have pro forma complied with newly introduced meritocratic processes, but de facto hired within their networks.

The nature of the de facto institutions resulting from this bargaining process will depend on the bargaining power of the players involved, as well as on opportunities for reinterpreting or evading the new public service rules. If, as in Afghanistan, powerful veto players oppose a new institution, such as subjecting senior appointments to merit oversight by the IARCSC, the result may be a layering (i.e., “coexistence”) of both. While de jure meritocratic procedures are complied with, they are de facto undermined by political interference in IARCSC decisions. In other cases, influential players may simply neglect new institutions (“drift”). For example, in Timor-Leste, a tight wage bill ceiling enforced by the international community entailed the vast growth of contractual staff outside the payroll. Drawing on Mahoney and Thelen (2009), figure 1.3 provides a schematic representation of the different expected types of public service institutional change, depending on the power of veto players and their veto points (i.e., the characteristics of the institution in question).

Recognizing that bargaining happens during implementation implies that reformers ought to anticipate and account for MDA responses and for the costs of enforcement, rather than simply assume that first-best policies will get implemented. What such second-best policies might look like will be discussed in the chapters that follow.

In sum, the analytical framework presented in this chapter suggests that three “grand forces”—preconflict legacies, conflict, and elite bargaining—have shaped public service reform paths between peace and public service in the five postconflict countries. Legacies have proven sticky and public services path dependent, limiting the margin for change. Conflict has, to varying extents, acted

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**Figure 1.3  Outcomes of De Facto Contestation over Public Service Institutions**

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<thead>
<tr>
<th>Characteristics of the targeted institution</th>
<th>Characteristics of the political context</th>
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<tr>
<td>Low level of discretion in interpretation/enforcement</td>
<td>Strong veto possibilities</td>
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<tr>
<td>High level of discretion in interpretation/enforcement</td>
<td>Layering</td>
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<td>Drift</td>
<td>Weak veto possibilities</td>
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<tr>
<td>Displacement</td>
<td>Conversion</td>
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**Source:** Mahoney and Thelen 2009, 19. © Cambridge University Press. Adapted with permission from Cambridge University Press; further permission required for reuse.
as a force of disruption or renewal. It has redistributed bargaining chips between influential elites. In this context, elite bargains have been dominated by a logic of using public jobs to buy peace, limiting the prospects for building the lean and efficient public services that development partners have strived for.

Notes

1. The concept of institutional isomorphism, as developed by DiMaggio and Powell (1983, 149, 150), refers to “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions.” That is, organizations such as PSCs face pressure to resemble their peers in structure and process. DiMaggio and Powell distinguish between three mechanisms through which such isomorphic change occurs—coercive, mimetic, and normative. Coercive isomorphism “stems from political influence and the problem of legitimacy.”

2. The Bonn Agreement provided that “the Interim Administration shall establish, with the assistance of the United Nations, an Independent Civil Service Commission to provide the Interim Authority and the future Transitional Authority with shortlists of candidates for key posts in the administrative departments, as well as those of governors and uluswals, in order to ensure their competence and integrity” (Interim Administration, Afghanistan 2001).

3. Following the Taliban reign, the civil war (1996–2001), and the U.S. invasion (in 2003), Kabul’s ministries were largely defunct or destroyed, inducing donors to finance major salary top-ups for public servants to attract and inject fresh recruits into the administration. The IARCSC was to ensure the merit of these recruitments.

4. To start with, the IARCSC chairman was weak within the Northern Alliance. In some instances, the IARCSC was simply bypassed in recruitment processes. In 2005, the appointment process was partially repoliticized by including deputy ministers of the concerned ministries, departments, and agencies (MDAs)—themselves political appointees—in the recruitment panels.

5. The evolution of the IARCSC’s role since 2014 under President Ashraf Ghani is not covered in this study.

6. Authors’ interview with the chairman of the PSC, Government of Sierra Leone, 2013.

7. In particular, postconflict, highly paid positions in semiautonomous agencies and via consultancy contracts grew rapidly, exempt from the PSC’s oversight mandate.

8. According to Sharan (2011, 1110), the post-Bonn state-building period “became a forum for conflict and compromise between two broadly opposing elite networks—namely the oppositional former Northern Alliance (NA) Jihadis, in particular the Panjshers in Shura-yi Nezar of Jamiat Tanzim, who controlled most of the security ministries in the government and whose power emanated from their regional bases, and the newly formed Western [Pashtun] technocrats around President Karzai whose power was limited to Kabul.” The Jihadis were a “loose coalition of several factions who had fought one another during the civil war of 1992–96 but then formed a coalition against the Taliban.” The latter emerged “as part of the outcome of the political settlement at the Bonn Conference in 2001.”

9. The term “dominant coalition” is here used in the sense of North, Wallis, and Weingast (2009). The authors use the concept of a “dominant coalition” to refer to
“individuals and groups with access to violence” who “grant one another special privileges” that generate rents, including limited access to organizations, valuable activities, and assets. This concept is central to their explanation for how limited access orders cope with the problem of violence: “by limiting access to these privileges, members of the dominant coalition create credible incentives to cooperate rather than fight among themselves.”

10. According to Bueno de Mesquita et al.’s (2005) “selectorate theory,” the “winning coalition” is the group of people that a leader crucially depends on to remain in power. A core implication of the theory is that the smaller the winning coalition is, the stronger leaders’ incentives are to provide coalition members with private goods. The larger the coalition is, the stronger leaders’ incentives become for providing public goods.

11. While the focus here is public service institutions, it is important to note that other sets of institutions—including political and economic institutions—are subject to similar dynamics and will shape decision making in different policy domains, including the public service. See, for example, Acemoglu, Robinson, and Woren (2012) for a comprehensive discussion.


13. The Governance and Economic Management Assistance Program (GEMAP) in Liberia was a highly interventionist “temporary international trusteeship” in several areas of public financial management (PFM), aimed at enforcing a transparent and efficient PFM in view of mitigating fiduciary risk, among other objectives.

14. President Karzai did capitalize on the international community’s backing and won Afghanistan’s first presidential election of October 9, 2004, with 55.4 percent of the votes, three times more votes than any other candidate. Had Garang survived (he died on July 30, 2005, in a helicopter crash), he might have led South Sudan to become a unified country. The SPLA would with near certainty shape the government of an independent South Sudan.

15. In South Sudan, public servants from Khartoum’s garrison town administration were merged with staff of the SPLA CANS—who were often former liberation fighters. Liberia’s Interim Administration carved up different ministries between warring factions.


17. Once vested interests in high pay levels had been created and with a parliament in place, the political costs of reducing pay became prohibitively high, forcing the first elected government to rely on inflation to erode real pay.

18. As Grindle (2012, 1) notes, it was only in the mid-1920s that the civil service incorporated as much as 75 percent of the federal public service.

19. According to Knott and Miller (1987), the coalition backing these reforms in the United States comprised farmers and small merchants, a small group of reformers, middle-class taxpayers, urban merchants, and urban social reformers—in part because small business felt that patronage favored big business and because those in the growing middle class felt “pushed out of politics” (Horn 1995). As Horn argues, this “large, often diffuse, and very divergent coalition” had high collective action costs and therefore had interests in achieving a permanent, institutional solution to the problem of patronage, beyond the term of the elected government.

20. This section draws on Blum and Rogger (2018).

21. For simplicity, public servants themselves here are not considered as separate players from agency heads.
22. The “reform agreement” here refers only to the de jure adoption of a reform package, not to the de facto compliance of decentralized agents.

23. Cruz and Keefer (2015), for example, argue that the presence of programmatic political parties can support transparent and rule-bound personnel management, by facilitating the collective action of political actors.

24. As Andrews (2011) shows for public finance management, such mimetic change is likely to be limited to (1) de jure, (2) central, and (3) visible parts of the “institutional iceberg,” rather than its (1) de facto, (2) peripheral, and (3) invisible parts.

Bibliography


CHAPTER 2

Public Service Size and Composition

Introduction

In 2002, Timor-Leste’s first elected government made establishing “a lean, effective, accountable and transparent civil service” (Planning Commission, Democratic Republic of Timor-Leste 2002) one of its main development goals. It endorsed the recommendations of the 1999 Joint Assessment Mission (JAM) to keep the size of the public service at about 1.5 percent of the total population, or about 12,000 public servants. However, by 2013, Timor-Leste’s public service numbered about 36,000 employees, equaling 3.1 percent of its population. To a lesser extent, what occurred in Timor-Leste held true in several other case study countries as well: While development partners have kept calling for “lean and effective” public services, post-conflict these have typically grown beyond expectations, reconverging on their pre-conflict size. This growth, combined with pay raises, has made wage bills balloon, often consuming over half of government spending, raising sustainability concerns. In short, a decade after conflict, public services were neither lean nor efficient.

Yet, the primary challenge in the five countries has been the composition of their public services, not their size. Some have grown beyond unrealistic visions, but not beyond the public services of neighboring countries. Instead, the main problem has been where this growth concentrated. Whereas the unskilled, “blue-collar” segment of employees has been swelling, a “missing middle” of qualified professional staff has persisted, making public services ill-suited for formulating policies or delivering services. In addition, aging public servants often leave little space for generational renewal.

Looking at the five cases in more detail, significant differences become apparent. Whereas in Afghanistan, South Sudan, and Timor-Leste the general government workforces expanded rapidly, they remained relatively contained in Liberia and Sierra Leone. General government wage bill growth ranged from 114 percent (Sierra Leone 2002–14) to 571 percent (Timor-Leste 2002/03–15), in real terms. In Afghanistan and South Sudan, security forces ballooned, whereas they shrank or stayed steady in the other countries. In Timor-Leste, nearly all public servants were recruited after the conflict, whereas in Sierra Leone, a large share belong to preconflict generations.
This chapter seeks to explain these commonalities and differences in the evolution of the size and structure of public services. As outlined in chapter 1, three “grand forces” in postconflict settings—legacies, conflict, and the distribution of bargaining power between key players—have set public services on different paths. Although not deterministic, these forces have significantly narrowed the margin of maneuver that development partners—and even central government decision makers—have had in influencing the evolution of their public services.

When a public service had to be rebuilt from scratch, as in Timor-Leste, there was vastly more opportunity for renewal than when a prewar generation of public servants prevailed, as in Sierra Leone. Where political accommodation was critical for stabilizing fragile political coalitions, as in South Sudan, public jobs were handed out to former fighters or constituents—thereby trumping affordability and performance concerns. Where oil revenues were high, development partners’ margin of influence was narrow. Where aid dependency was high, donors had significantly more influence. Where conflict prevailed, security forces consumed the majority of wage expenditures.

Recognizing these trends calls for pragmatism, “working with the grain” (Levy 2014), and a long time horizon. Development partners have certainly influenced how public services evolved, both through the actions they have taken and through those they have neglected. They have financed salaries and/or pushed for wage bill ceilings, supported payroll cleaning and downsizing efforts, as well as designed disarmament, demobilization, and reintegration (DDR) programs. This chapter seeks to identify how working with the grain—that is, aligning the design of these interventions with prevailing forces, rather than working against them—can help development partners more effectively influence public service growth and avoid unintended consequences.

The chapter proceeds as follows. First it outlines categories of public service employees. It then provides a comparative overview of how public services have evolved since the end of conflict, analyzing how key contextual factors—legacies, conflict, bargaining, and other exogenous shocks—have shaped these different evolutions. The chapter then considers the motivations and effects of donor interventions, and summarizes findings and operational implications.

**What Is the Public Service?**

Figure 2.1 establishes a terminology for referring to different categories of public employees that will be used in this and the following chapters. Drawing on Evans et al. (2004), these public service categories have been adjusted to reflect the scarcity and unreliability of public employment data in postconflict countries. Most statistics reported in this chapter will solely reflect the number of employees formally on the payroll because the payroll is typically the only and major source of employment statistics (besides, in some cases, personnel records). However, large numbers of employees may be employed outside the payroll—for example, contractual and temporary staff, employees in autonomous agencies, or so-called “volunteers.” Head counts of off-payroll employees are often lacking
or unreliable, and can be only roughly approximated using expenditure data. Therefore, it is important to bear in mind that the numbers provided in this chapter often represent an incomplete picture of the real public workforce.

Three major subsets of public employees are of primary interest for this study: general government, the public service (or civilian government), and the core civil service. The term “general government” encompasses all public employees, including the armed forces, with the exception of employees in state-owned enterprises (SOEs). The “public service” is limited to civilian employees and hence excludes the armed forces. It comprises education, health, and police employees—typically the largest categories—as well as the core civil service.

More precisely, civilian central government encompasses employees on the payroll working “in the central executive and legislative administration, in departments directly dependent on the Head of State or the Parliament, together with all other ministries and administrative departments of central government.” In nonunitary countries with significant on-payroll employment in subnational government, such as in South Sudan’s states, subnational employees are included in the public service. The public service can also include payroll employees in

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**Figure 2.1 The Structure of Public Employment**

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- **Total public employment**
  - **On-payroll**
    - **General government**
    - **State-owned enterprises**
  - **Off-payroll**
    - **Contractual and temporary staff**
    - **“Volunteers”**
    - **Autonomous agency employees**

- **Subnational government**
- **Civilian central government**
  - **Core civil service**
  - **Health**
  - **Education**
  - **Police**

**Source:** Drawn and adapted from Evans et al. 2004.
autonomous agencies. Typically, most public service employees on the payroll have a distinctive permanent-like employment status, defined in a public service law.

Lastly, the “core civil service” refers to civilian employees who perform primarily policy formulation and implementation functions in the core executive, excluding service delivery employees like teachers, doctors, nurses, and police. Given data limitations, in this study the size of the core civil service is approximated as the residual of the public service, after excluding Ministry of Education, Ministry of Health, and Ministry of the Interior (or equivalent) employees.

**Legacies, Paths, and Results**

**Starting Points: Legacies and Conflict**
Preconflict legacies and conflict have powerfully influenced the paths along which public services have evolved after conflict. This section will set out how countries’ starting points have differed and how they have influenced the subsequent evolution of the public service.

**Legacies**
At the end of conflict, all five countries inherited public services that had been fueled and often bloated by patronage under authoritarian regimes. Handing out public jobs to privileged groups was a corollary of the “extractive” institutions adopted by these regimes that excluded vast parts of the population and ultimately entailed conflict. To different extents, postconflict governments inherited these preconflict generations of public servants recruited based on patronage. This limited their margin of maneuver for renewing the public service after conflict.

The nature of these preconflict patronage dynamics varied. In Liberia and Sierra Leone, once relatively efficient public services deteriorated under patronage. In Liberia, after seizing power in a coup in 1980, President Samuel Doe systematically filled elite military units and government positions with members of his Krahn ethno-linguistic group. Doe’s coup was fueled by the previous monopolization of public office and resources by the Congos, descendants of the African-American settlers in Liberia. The Congos had run a relatively efficient, albeit exclusive, administration. Similarly, Sierra Leone’s public service, which had been one of the best in West Africa after independence, was systematically politicized under the All People’s Congress (APC) one-party dictatorship (1978–92), and in particular under President Siaka Stevens’ rule, with the 1978 constitution requiring party membership for all public servants. Fed by decades of patronage, Sierra Leone’s public service reached its peak size of about 100,000 employees in the mid-1980s.

The composition of public services in Timor-Leste and South Sudan was marked by the struggle for independence. During the Indonesian occupation (1975–99), the Timorese working for the Indonesian government passively resisted the occupying authority. Doing nothing at the workplace was regarded as a heroic form of resistance, resulting in a highly inefficient and bloated administration. When the Comprehensive Peace Agreement (CPA) was signed after five decades
of conflict between Khartoum and Juba, the Government of South Sudan (GoSS) inherited two parallel public services: Khartoum’s Coordinating Council for Southern Sudan (CCSS) in the garrison towns—formed by “loyalists” to Khartoum—and the Sudan People’s Liberation Army (SPLA) Civil Authority for the New Sudan (CANS), active in rural areas and based on volunteers. Both CCSS and CANS typically awarded political loyalties with public jobs. These dynamics were exacerbated after their merger, as the GoSS was eager to reward its “freedom fighters” and unwilling to hire “those who did not deserve it” (i.e., those who did not fight).

These preconflict generations have often shaped the majority of the public service for over a decade to come, making managing and integrating the old and new generations of public servants a central challenge (also see chapter 3).

A second important preconflict legacy concerns the quality of the labor supply. Educational standards differed across the five countries. For example, a few years after their peace agreements were signed, tertiary gross enrollment ratios ranged from only 1 percent of the population in Afghanistan (2003) to 9 percent in Timor-Leste (2002) (see figure 2.2). While all countries have significantly improved postconflict, differences persist. At one extreme, with an adult literacy rate of 27 percent (National Bureau of Statistics, Republic of South Sudan 2009), South Sudan’s educational levels ranked among the lowest in the world. By contrast, by 2010 Timor-Leste’s postconflict society had attained an adult literacy rate of 58 percent (World Bank 2010). Consequently, some governments had much more limited options than others for filling capacity gaps from the domestic labor market.

Figure 2.2 Gross Enrollment Ratio at Time of Peace Agreement (or Closest Available Date)

Source: World Bank World Development Indicators (WDI).
Note: WDI data on gross enrollment ratios for South Sudan are not available for the relevant years. Due to data constraints, enrollment ratios are reported for the following years: low-income countries (all, 2001), Afghanistan (primary, 2001; secondary, 2001; tertiary, 2003), Liberia (primary, 2000; secondary, 2000; tertiary, 1999), Sierra Leone (all, 2001), and Timor-Leste (primary, 2001; secondary, 2001; tertiary, 2002). Gross enrollment ratios can exceed 100 percent due to the inclusion of overaged and underaged students because of early or late school entrance and grade repetition.
These differences in educational attainment were reflected in the qualifications of public servants. For example, in South Sudan at the time of the CPA, two-thirds of public servants had received no more than a primary education, and only 5 percent had attended university (see figure 2.3), according to a public service census carried out in 2005–06 (Computer Feeds Ltd. and Ecotech Consultants 2006). By contrast, in Timor-Leste in 2013, 86 percent of public servants had at least a secondary education (more than twice South Sudan’s rate), and 31 percent had a tertiary education (six times South Sudan’s rate).

These different educational levels have implied different postconflict challenges. Whereas filling the missing middle may have been a matter of providing experience and on-the-job training to the next generation of public servants in Timor-Leste, the problem was much more fundamental in South Sudan, where the basics were missing.

**Conflict**

Conflict depleted the public services of skilled professionals in all five countries, prompting qualified employees to flee. But conflict disrupted public services to different extents. At one extreme, in Timor-Leste by the year 2000, the public

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**Figure 2.3 Educational Attainment of Public Servants, South Sudan and Timor-Leste**

- **Postgraduate, master’s degree or doctorate**
- **University degree (licenciatura)**
- **Bachelor’s degree**
- **Postsecondary education**
- **Secondary education**
- **Primary education**
- **No education**

Sources: South Sudan: Computer Feeds Ltd. and Ecotech Consultants 2006; Timor-Leste: Civil Service Commission, Government of Timor-Leste.

Note: For South Sudan, the reported shares refer to the public service, excluding uniformed forces. For Timor-Leste, they refer to the public service, excluding civil forces.
service counted just a few hundred public employees. This vacuum resulted in part from the departure of the majority of Indonesian public servants, who left following the Timorese independence referendum in 1999. But foremost, it was due to the decision of the United Nations Transitional Administration in East Timor (UNTAET) to rebuild the public service from scratch. Reportedly, UNTAET deliberately excluded many Timorese who had worked for the Indonesian administration, given its legacy of corruption, in an effort to break with the past.

At the other extreme, Sierra Leone’s peripheral conflict, which had reached Freetown only briefly, left the central public administration largely untouched, and preconflict generations constituted the majority of the public service.

The other three case study countries occupy a middle ground. During Liberia’s 15 years of conflict, transitional governments filled the payroll with unskilled staff. By contrast, in Afghanistan, continuity was quite high. The Taliban made little use of the administration and made practically no new appointments. Many public servants recruited under the Daoud Khan republic and Soviet occupation remained on the payroll. In South Sudan public servants who formally worked for Khartoum’s CCSS in garrison towns constituted about half of the public workforce at the time of the CPA.

Conflict also destroyed government records and personnel files, or rendered them outdated. Consequently, in Afghanistan and South Sudan, for example, initial estimates of the size of the public service varied by tens of thousands of employees. By 2005, less than 40 percent of Sierra Leone’s civil servants and health employees had personnel files. This destruction of records constrained postconflict governments’ ability to distinguish between public servants who had legitimately been recruited and others fraudulently added to the payroll.

Public service growth has also been shaped by how political settlements distributed appointment authority between different factions. The more dispersed this appointment authority, the higher the risk of the public service ballooning postconflict. In Liberia and South Sudan in particular, dispersed control over recruitment—and patronage—was part of the political settlement by design.

Liberia’s CPA divided ministries, agencies, and public enterprises among warring factions, giving each the authority to recruit at will within their respective domain of control. “There were no other options, we were trading corruption for peace.” As the CPA precluded members of the Transitional Government from running for election, its members had extremely short time horizons. The consequence was rampant patronage, with appointments of unskilled staff, driving up the payroll by over 10 percent in less than three years.

In South Sudan, the CPA and the Interim Constitution previewed power sharing both across ministries, departments, and agencies (MDAs) and between Juba and the 10 state governments. As other ethnic groups, such as the Nuer, Shilluk, and Equatorians, feared that the Dinka would dominate the Juba government, significant authority was decentralized to state governments, that is, to the dominant local tribes. This included the authority to recruit public servants. This total lack of central control entailed an unparalleled ballooning of the public service. Tens of thousands
of ex-combatants were absorbed into the public service’s so-called organized forces, comprising police, prison guards, wildlife wardens, and the fire brigade.

In the other three countries, political settlements, together with donor influence, enabled much more centralized control over recruitments. In Timor-Leste, UNTAET ran a technocratic government, initially leaving little space for politically motivated appointments. In Afghanistan, although President Hamid Karzai’s Interim Administration was highly divided, strong international influence (donors were financing salaries) and inherited central establishment control mechanisms helped to contain public service growth. As highlighted in chapter 1, Sierra Leone’s powerful presidency, Ministry of Finance, and one-party government also enabled relatively tight central control. In sum, where donor influence was weak and peace agreements fragile, patronage has fueled public service growth.

As has been noted, attitudes toward former fighters also differed across the five countries. Where they enjoyed high social and/or political recognition, as in South Sudan, they were rewarded generously with high-level public jobs, even if they were barely literate. In Timor-Leste, former combatants were also held in high regard but were rewarded with cash rather than public jobs. By contrast, in Liberia and Sierra Leone, where ex-combatants were feared or despised, few or none were integrated into the public service.

In sum, by the time their peace agreements were signed, the five public services had distinct compositions and were already on distinct paths. This is reflected in their different sizes (see figure 2.4).

Figure 2.4 Public Service Size at Time of Peace Agreement (or Earliest Available Date)

Sources: See appendix figures A.1, B.3, C.1, D.2, and E.1 for detailed source information on public service size data; population data are from World Bank World Development Indicators.

Note: The public service size reported for South Sudan includes the organized forces.
Paths, Patterns, and Results

Public Service Growth

All five countries increased the size and altered the composition of their public services following conflict, although to varying degrees. In the first years after the peace agreements, Timor-Leste and South Sudan experienced the highest on-payroll public service growth rates (see figures 2.5 and 2.6). Timor-Leste’s public service grew by 640 percent between 2000 and 2002, driven by the need to rebuild it almost from scratch after attaining political autonomy from Indonesia. South Sudan’s public service grew by 80 percent between 2005 and 2008, primarily driven by the absorption of ex-combatants into the organized forces. By contrast, Afghanistan’s, Liberia’s, and Sierra Leone’s on-payroll public services stagnated in size in the early postconflict years. Afghanistan saw a later expansion, driven by a growing police force as security deteriorated. Liberia’s and Sierra Leone’s public services even contracted, relative to a growing overall population.

Figure 2.5 Public Service Growth since Peace Agreement

Sources: See appendix figures A.1, B.3, C.1, D.2, and E.1 for detailed source information. Note: The baseline reference years are the earliest years after the peace agreement for which there is available employment data, namely, 2005 for Afghanistan, 2003 for Liberia, 2002 for Sierra Leone, 2005 for South Sudan, and 2000 for Timor-Leste. For years with missing data, linear growth was assumed. For South Sudan, the 2006 spike in the public service shown in appendix figure D.2 has been smoothed because it is due to unreliable data.
Figure 2.6 On-Payroll General Government Size and Composition Trends

a. Afghanistan

b. Liberia

c. Sierra Leone

Paths between Peace and Public Service • http://dx.doi.org/10.1596/978-1-4648-1082-4
Figure 2.6  On-Payroll General Government Size and Composition Trends (continued)

Source: See appendix figures A.1, B.3, C.1, D.2, and E.1 for detailed source information for general government size data and JAM estimates; regional averages are approximate estimates, due to the lack of reliable comparative data; for the Africa region, they are from World Bank calculations based on various sources; for Iran and Middle Eastern countries, from World Bank (2005); for Pakistan, from ICG (2010); and for the Asia-Pacific region, from World Bank (2011).

Note: JAM = Joint Assessment Mission.

a. Afghan solar years and approximately equivalent Gregorian years are cited in panel a for ease of reference. The source data are reported according to Afghan solar years.

b. For Sierra Leone, data on the size of the defense forces are missing for 2010.

c. Organized forces in South Sudan comprise the fire brigade, police, prison guards, and wildlife wardens. Data on the size of defense forces are omitted because data were unavailable for years prior to 2012/13.

d. For Timor-Leste, the figure comprises temporary on-payroll employees. Data on the size of defense forces were unavailable.
At the time of research, of the five case studies, Timor-Leste and Afghanistan had the largest public services relative to their population, at 3.1 percent (in 2013) and 1.8 percent (in 2015), respectively (see figure 2.6). Despite rapid initial growth, South Sudan’s public service remained modest in size, equaling 1.4 percent of the population in 2014/15. Liberia’s and Sierra Leone’s public services remained relatively small, representing 1.0 percent (in 2017) and 0.9 percent (in 2015) of the population, respectively.

At the time of research, over a decade after conflict, the size of each country’s on-payroll public service (measured as the share of total population) was similar to that of its regional neighbors (see figure 2.7). The common belief that post-conflict countries’ public services are bloated thus needs to be qualified. As figure 2.7 shows, it is not true in terms of aggregate size, relative to regional neighbors.

**The Missing Middle**

Rather, postconflict public services have suffered from a compositional problem: the so-called “missing middle.” In public services already depleted of skills by conflict, growth has often been concentrated in the ranks of clerical or administrative staff, further inflating the bottom of the pyramid. Progress in filling the gap of professional and managerial staff has been slow. As detailed in the appendices, the missing middle has persisted across countries, with over 80 percent of staff employed at clerical or technical grades. Filling the missing middle has been challenging due to a lack of qualified workers in the domestic labor market, exacerbated by conflict and due to pay levels that are insufficient to attract professional staff (see chapter 3).
Temporary Employment Growth
Beyond formal public service growth, employment outside the payroll has grown rapidly in some postconflict countries—in the form of contractual, temporary, and voluntary staff, or employees in autonomous agencies. Although these employees rarely had the permanent employment status of public servants, many were employed on a long-term basis. The share of such nonpermanent staff was largest in Timor-Leste (almost 50 percent of civilian employment in 2010, prior to a massive regularization) and in Liberia (approximately 30 percent of civilian employment in 2013, also with a regularization in process). By contrast, employment outside the public service was practically absent in Afghanistan and South Sudan. Sierra Leone is an in-between case, with rapidly growing salary grants to semiautonomous agencies.

In Timor-Leste, especially two categories of nonpermanent employees grew rapidly. First, line-MDAs, in particular the ministries of education, health, and agriculture, hired a large number of “temporary” employees on-payroll, in part to bypass public service meritocratic processes and the JAM headcount ceilings (see chapter 4). By 2011, most of these employees had been integrated into the public service. Second, MDAs reportedly recruited several hundred well-paid local and international consultants off-payroll, paid from the “professional services” budget line, as a way of filling the missing middle. Although no head count is available, in 2015, expenditures on professional services equaled 36 percent of total public service salary expenditures (see figure 2.8, panel e).

Whereas the size of Liberia’s public service stagnated, line-agencies directly hired significant numbers of temporary employees outside the official payroll, fueling the rapid growth of a so-called “secondary payroll.” As a result, in 2013 approximately 30 percent of civilian employees were paid off-payroll. Of these 14,000 or so employees, about 5,000 were employed at the Ministry of Health, 7,000 at the Ministry of Education, and 2,000 at the Ministry of Internal Affairs. These employees were paid from budget lines corresponding to allowances, transfers, and grants, and were absorbed into the public service. In 2013, expenditures for these temporary employees (also including salary top-ups for public servants) amounted to about 30 percent of total wage expenditures for the civilian government.

In Sierra Leone, employment growth outside the public service was more contained than in Liberia. It was concentrated in semiautonomous agencies, many of which were established after the conflict (see chapter 3). The share of salary grants for these agencies in the total civilian government wage bill grew rapidly, from about 2 percent in 2008 to about 19 percent in 2014 (see figure 2.8, panel c). In addition, until a recent absorption of nurses in the context of the country’s Free Healthcare Initiative, several thousand teachers and nurses worked as volunteers, typically paid by user fees. In Afghanistan and South Sudan, there is no evidence of a large number of employees outside the public service.

In sum, accounting for employment growth outside the public service alters the picture significantly. In Timor-Leste, public employment is even larger than 3.1 percent of the population. Liberia’s civilian employment did not stagnate; rather, it grew outside of the official payroll. Although more contained, in Sierra Leone, growth...
Figure 2.8 General Government Wage Bill Trends since Peace Agreement

(a) Afghanistan

(b) Liberia

(c) Sierra Leone

(figure continues on next page)
occurred within the semiautonomous agencies. Only in South Sudan and Afghanistan does the payroll provide a reasonably complete picture of civilian employment (disregarding the existence of ghosts, double-dippers, and other irregularities).12

**Wage Bill Growth**
In all postconflict countries, the general government wage bill ballooned postconflict (see figures 2.8 and 2.9), albeit to varying extents. Compared with baseline values near the end of conflict, the real wage bill (in constant 2011 U.S. dollar terms) grew
by a minimum of 114 percent in Sierra Leone up to a maximum of 571 percent in Timor-Leste, as noted. Afghanistan, Liberia, and South Sudan occupy a middle position, with wage bill growth ranging between 250 and 369 percent.\footnote{13}

In South Sudan and Timor-Leste, whose public services grew rapidly after the peace agreement (see figure 2.5 earlier in this chapter), this growth was also the dominant driver of public service wage bill growth (see figure 2.10). At the other extreme, in Liberia, pay increases were the sole driver of general government wage bill growth, as on-payroll employment even shrank. Salaries skyrocketed from near the poverty line to high values, relative to per capita gross domestic product (GDP). Afghanistan’s massive general government wage bill growth was primarily driven by (largely donor-funded) growth of the police and defense and salary increases, but pay increases played an important role. Sierra Leone’s general government wage bill remained relatively contained, in part due to an International Monetary Fund (IMF) wage bill ceiling.

As a result, over a decade after the conflict, in four out of the five countries the general government wage bill significantly exceeded regional and lower-income comparators. With the exception of Sierra Leone, the general government wage bill ranged between 11.6 and 18 percent of GDP at the time of research (see figure 2.11), compared with 6.35 percent, the average for low-income countries. With about 6 percent, only Sierra Leone’s general government wage bill maintained values similar to those of other African and low-income countries.

These high general government wage bills raised sustainability concerns. In most cases, they equaled or exceeded about half of total government expense and of the governments’ revenues, excluding grants (see figure 2.11). Afghanistan is the most extreme case, with the wage bill exceeding the government’s total revenues (due to the donor financing of salaries). Timor-Leste’s wage bill is high compared with its GDP (which excludes oil revenues), but modest as a share of total government expenditure (which includes oil revenues).\footnote{14}
Figure 2.10 Share of General Government Wage Bill Growth Explained by Employment Growth versus Pay Increases

![Figure 2.10](image)

Sources: Calculations based on employment and wage bill data; see appendix figures A.1, B.3, C.1, D.2, and E.1 for detailed source information on public employment size data; see appendix figures A.3, B.5, C.3, D.4, and E.4 for detailed source information on wage bill data.

Note: The share of wage bill growth explained by employment versus pay increases is estimated based on the relative magnitude of the respective growth rates. The reference years were chosen based on availability of employment and wage bill data. For South Sudan and Timor-Leste, data on the size of the public service excluding defense are reported because data on the size of the armed forces were unavailable. For Liberia, transfers, subsidies, and grants are omitted; for Sierra Leone, salary transfers to autonomous agencies are omitted; for Timor-Leste, expenditures for professional services are omitted.

Figure 2.11 General Government Wage Bill as a Percentage of GDP, Government Expenses, and Revenues

![Figure 2.11](image)

Sources: Wage bill data for case study countries: see appendix figures A.3, B.5, C.3, D.4, and E.4 for detailed source information. Wage bill data for comparator countries: IMF Government Finance Statistics data and national budgets. Data on GDP and government expenses and revenues (excluding grants) are from World Bank World Development Indicators, with the following exceptions: for Afghanistan, expenditure data are based on budget outturn data from the Ministry of Finance; for South Sudan, revenue and expenditure data are based on budget outturn data from the Ministry of Finance and Economic Planning; for Timor-Leste, expenditure data are based on budget outturn data from the Ministry of Finance.

Note: For South Sudan and Timor-Leste, revenue data comprise oil revenues. GDP = gross domestic product.

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Public Service Composition

Which compositional shifts underlie these growth trends in general government size and in the wage bill? One major pattern leaps to the eye: In the two countries still involved in active conflict—Afghanistan and South Sudan—the ballooning uniformed security and defense forces account for most of the growth in general government employment. In Afghanistan, the share of the defense forces in the population nearly tripled between 2005 and 2015, and the share of the police doubled (see figure 2.6 earlier in this chapter). In South Sudan, the share of the organized forces in the population more than tripled, from 0.2 percent of the population in 2005 to 0.8 percent in 2014/15. By contrast, in the other three countries not still engaged in conflict, the size of security forces stagnated or shrank.15

In Afghanistan, Liberia, and Timor-Leste, the recruitment of teachers was one of the major drivers of public sector employment growth. Afghanistan’s Ministry of Education expanded from about 155,000 to over 280,000 employees between 2006 and 2014. In Timor-Leste, employment in education grew from 0.7 percent of the population in 2002 to 1.4 percent in 2013. In Liberia, most of the off-payroll employment growth was driven by the hiring of teachers (and nurses).

With the exception of Timor-Leste, the core civil service has grown modestly in the study countries. In Sierra Leone and South Sudan, there are fewer than two core civil servants per 1,000 people, whereas in Afghanistan and Liberia, there are between three and four. Timor-Leste is an outlier, with eight to nine core civil servants per 1,000 people (see figure 2.12). This is in line with the fact that it has the biggest public service overall, relative to the country’s population.

Figure 2.12 Size of the Core Civil Service Relative to General Government and the Population

Sources: See appendix figures A.1, B.3, C.1, D.2, and E.1 for detailed source information.
Note: For Timor-Leste, the share of the civil service in the public service is reported because data on the size of the armed forces were missing.
In sum, a decade after conflict, all five countries had failed to build a lean and efficient public service. Public services outgrew the projections of donors’ JAMs, frustrating the aspirations of development partners. The composition of public services remained ill-suited to delivering services, because of a persistent missing middle and an inflated unskilled blue-collar bottom. Wage bills ballooned, often reaching over 50 percent of total public spending and raising fiscal sustainability concerns. High pay levels were in most cases the main driver of the wage bill.

These commonalities should not veil major differences. Whereas the size of some public services stagnated (Sierra Leone), others expanded rapidly in the years after the peace agreements (South Sudan and Timor-Leste). General government wage bill growth ranged from a twofold (Sierra Leone) to a near sevenfold increase (Timor-Leste). Besides, in Afghanistan and South Sudan, where conflict persists, defense and security sectors ballooned, at the expense of service delivery, whereas they shrank in other countries. In Timor-Leste, about 33 percent of public servants had graduate degrees (in 2013), compared with 18 percent in South Sudan (in 2005). In Timor-Leste, the vast majority of public servants were recruited after the conflict, whereas in Sierra Leone, available data suggest that about two-thirds of current public servants were recruited before the end of conflict.

Explaining Patterns
The three grand forces—legacies, conflict, and the distribution of bargaining power between key players—strongly predict how public services in the five countries evolved.

Legacies
The stock of inherited public servants and the population’s education levels are critical preconflict legacies, as discussed. However, perhaps the most interesting pattern is that the size of the public service appears to reconverge to preconflict and regional benchmarks (see figure 2.13 and figure 2.7 earlier in this chapter). Apart from regional benchmarks, the preconflict level is a surprisingly accurate predictor of the aggregate size of the public service one decade after the end of conflict.

One interpretation is that preconflict benchmarks reflect deeply ingrained societal expectations about what a public service should look like and which functions it should assume. For example, Afghanistan has never had a functional government-run public health system—and this matches the current model of outsourcing basic health services to nongovernmental organizations (NGOs). The only difference is that, before the conflict, NGOs operated freely whereas today they are contracted by the Ministry of Public Health and by development partners. Also, Afghanistan has had militias for decades. At the time of research, some of these had been absorbed into formal government employment (into the army or police), had been given uniforms, and received a government salary, but the fact that a large number of men were in arms remained unchanged. The same applies to South Sudan, where health services continued to be provided by NGOs, and security forces swelled with ex-combatants. By contrast, in Timor-Leste, prior to independence,
public health services had been provided by the Indonesian government. After conflict, Timor-Leste reverted to this model, probably reflecting citizens’ expectations of receiving health care from public servants. In sum, after a conflict, public services have, broadly speaking, tended to return to preconflict patterns.

**Conflict**

Conflict has influenced public service trajectories as a force of disruption, as illustrated by the UN Transitional Administration’s decision to rebuild Timor-Leste’s public service practically from scratch. In cases where conflict resulted in political settlements with dispersed appointment authority, uncontrolled early recruitment was the price, as in Liberia (2003–05) and South Sudan (since 2005).

Further, where conflict persisted beyond political settlements, it has made security and defense forces balloon. As shown in figure 2.14, Afghanistan and South Sudan are the only two countries where battle-related deaths have continued to accumulate—and where police and military forces are exceptionally large. Afghanistan faces an ongoing Taliban insurgency, while as of 2013 South Sudan suffered waves of inter- and intrastate conflict, sparked by unsolved tensions with Khartoum and intertribal clashes. Afghanistan’s defense and security forces represented 54 percent of general government in 2015, and South Sudan’s 83 percent in 2014/15 (see figure 2.15).

By contrast, the sizes of the police and military in Liberia, Sierra Leone, and Timor-Leste remained within regional averages. Liberia is the extreme opposite of Afghanistan and South Sudan. Immediately after taking office in 2006, President Ellen Johnson Sirleaf’s government dismantled the old army, drastically downsizing it from 15,000 to just 2,000 soldiers in 2006. New staff were then recruited and trained with the support of a U.S.-funded private military contractor. According to some observers, this renewal of army personnel
reflected a desire to recover legitimacy in the eyes of citizens, especially in view of a history of war crimes and human rights violations during the conflict. However, dismantling the army was also a strategic move intended to underpin political stability. With Samuel Doe’s military coup still fresh in the minds of citizens, a big army was perceived as a threat to democracy. In Timor-Leste, ex-combatants were seen both as heroes and potential spoilers (as proved by the 2006 crisis, which was triggered by clashes between the police and the military). The Timorese government therefore also opted to keep the armed forces small while buying off ex-combatants through generous pension schemes.

High spending on security and defense forces appears to have crowded out spending on service delivery, at least in South Sudan. South Sudan is significantly lagging behind its peers with regard to public expenditure in service delivery (e.g., health and education). For example, South Sudan had many fewer teachers per inhabitant than the other four case study countries. However, this effect is partially offset by strong donor involvement in the provision of basic services, especially in the health sector. In Afghanistan, such crowding out appears less acute, as donors finance a significant share of the police and military wage bill.
Figure 2.15 Composition of General Government: Relative Size of Major Employee Groups

Percent

a. Afghanistan, 2015

b. Liberia, 2017

c. Sierra Leone, 2015
d. South Sudan, 2014/15
e. Timor-Leste, 2013

Sources: See appendix figures A.1, B.3, C.1, D.2, and E.1 for detailed source information.

Note: Security and defense comprises the police and the armed forces. In South Sudan, it also comprises other organized forces. In Timor-Leste, it comprises only the police, because data on the size of the armed forces were unavailable.
### Bargaining

The distribution of bargaining power between donors and government has significantly influenced public service growth trajectories. Whereas development partners have often sought a lean and efficient public service, fragile governing coalitions have handed out public jobs to buy peace.

Oil and aid (financial and/or military) have shaped this distribution of bargaining power and how large governments could afford to be. Oil revenues allowed public services to balloon in South Sudan and Timor-Leste, as well as the armed forces (in South Sudan). In other words, the more domestic revenues governments had, the more fiscal space they had to politically reward loyalists or buy off potential spoilers with public jobs.

Conversely, the lower a government’s own revenue and the more aid-dependent it is, the smaller the size of its public service. This pattern holds in four of the five cases, with the exception of Afghanistan. As shown in figure 2.16, the ratio between a government’s own resources and total donor aid and military expenditure is a predictor of the size of general government employment. Afghanistan is the only outlier, precisely because donors financed the growth of the security and defense sectors.

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**Figure 2.16 Government’s Aid Dependency and the Size of the Public Service**

![Graph showing the relationship between government aid dependency and public service size.](image)

**Sources:** See appendix figures A.1, B.3, C.1, D.2, and E.1 for detailed source information on public service size data; revenue and ODA data are from the World Bank World Development Indicators; data on the cost of PKO are from the United Nations website; data on U.S. military expenditures in Afghanistan are from Belasco (2014).

**Note:** The vertical axis shows the public service sizes of Afghanistan for 2011, Liberia for 2013, Sierra Leone for 2012, South Sudan for 2010, and Timor-Leste for 2010. Revenues (excluding grants) and expenses on official development assistance (ODA), peacekeeping operations (PKO), and other international military interventions are estimated for the following periods: 2003–11 (Afghanistan), 2006–10 (Liberia and South Sudan), 2002–12 (Sierra Leone), and 2004–10 (Timor-Leste).
One explanation is that donors have more bargaining power for containing public service growth in countries that depend on aid for their financial and military support, such as Liberia and Sierra Leone. In Sierra Leone, an IMF wage bill ceiling kept public service growth in tight check until 2007, and the country underwent several payroll cleaning exercises, both during and after the conflict. Under the Governance and Economic Management Assistance Program (GEMAP), Liberia experienced a period of heavy-handed donor control over public expenditures (see chapter 5).

By contrast, in Timor-Leste and South Sudan, donor calls for containing public service growth went largely ignored. The influence of shifting bargaining powers is most evident in the case of Timor-Leste, where international influence declined dramatically as oil revenues came on stream. Oil windfalls coincided with the country’s 2006 crisis and social unrest, increasing pressure to create jobs. Hence, the year 2006 marks an inflection point in Timor-Leste’s public service and growth trajectory (see figure 2.6, panel e, earlier in this chapter).

Afghanistan is an exception because of the international community’s security agenda. As in other countries, the JAM originally envisaged limited public service growth. However, as the conflict with the Taliban persisted, international partners invested massively in rapidly growing security and defense forces (see figure 2.8, panel a, earlier in this chapter) at the expense of a lean public workforce. Indeed, most growth was concentrated in the uniformed forces. In 2015, Afghanistan’s nonsecurity civilian government was hardly larger than in Liberia and Sierra Leone, composing about 1.2 percent of the population.

Besides development partners’ influence, intra-elite bargains have marked public service growth trajectories. As noted, where political settlements dispersed appointment authority, as under Liberia’s Interim Administration or in South Sudan, public employment grew rapidly with little control postconflict. In Liberia and Timor-Leste, line-MDAs recruited large numbers of temporary staff in part to evade central controls, as chapter 4 will discuss in further detail.

Government changes have marked shifts in these bargains. In Timor-Leste, Xanana Gusmão’s government elected in 2007 did away with the austerity policies of its predecessor. In Sierra Leone, President Ernest Bai Koroma’s government partnered with donors to finance the absorption of hundreds of “volunteer nurses” into the public service and launched a first effort to recruit staff to the missing middle.

**Choices and Consequences**

In the contexts shaped by the three “grand forces,” development partners have sought to influence public service growth trajectories through a range of measures. They have provided early growth projections, financed salaries, pushed for staffing and wage ceilings, and supported efforts to clean the payroll. They have supported DDR programs, which can help reduce pressure to give ex-combatants public jobs. In most cases they have failed to support functional pension systems. This section analyzes the impact of these interventions and identifies policy implications.
Public Service Growth Projections

International influence over the evolution of public services begins with the growth projections prepared by a JAM. In South Sudan, the JAM suggested that “basic education, infrastructure, and capacity building for a lean, efficient, decentralized and transparent Government of South Sudan are the foremost objectives” (World Bank and United Nations 2005, 40) and projected that the public service would not grow beyond 1 percent of the population. Afghanistan’s JAM report recommended the same 1 percent target, while recognizing it as ambitious, as it would have made Afghanistan’s public service one of the smallest in the world (ADB, UNDP, and World Bank 2002). In Timor-Leste, the 1999 JAM recommended a maximal workforce of 12,000 public servants, or 1.5 percent of the total population.

In hindsight, the aspiration of a lean and efficient public service has been elusive. JAM projections—perhaps intentionally conservative—have significantly underestimated public service growth. Indeed, the public services of South Sudan reached 1.4 percent; Afghanistan, 1.8 percent; and Timor-Leste, 3.1 percent. The downsizing intentions of Liberia’s Civil Service Reform Strategy never materialized.

A major problem has been that these incorrect projections informed unrealistic affordability calculations for pay increases, with, in some cases, lasting consequences. Timor-Leste, for example, was locked into unsustainably high pay levels for nearly a decade.

These findings call for realism in developing JAM visions and projections of public service growth. In Afghanistan, South Sudan, and Timor-Leste, initial recommendations could have provided a more reliable basis for rebuilding public services by:

- Relying on preconflict and regional benchmarks for predicting public service growth. In the five countries analyzed, these two benchmarks provide surprisingly accurate predictors of public employment growth.
- Accounting for accommodation and stabilization pressures (as in South Sudan) and the impact of prevailing conflict on the growth of security forces (as in Afghanistan and South Sudan).

Salary Financing and Ceilings

Financing salaries or setting wage bill and establishment ceilings are the most powerful levers that development partners have for influencing public service growth. These instruments were used in only a few of the countries considered here. Although comparisons are not possible, individual cases provide interesting lessons.

Afghanistan is an outlier in the extent to which the international community financed public salaries through budget aid. The decision to fund part of the civilian wage bill was made shortly after the Bonn Agreement, in light of the government’s extremely low domestic revenue base. This support was seen as essential in encouraging public servants to come back to work. In addition, the salaries of
Afghanistan’s police and military have benefitted from massive direct international support. Donors also financed health workers in Liberia and Sierra Leone through earmarked budget aid, although to a much lesser extent than in Afghanistan. Apart from budget aid, donors and NGOs have directly paid salaries and top-ups to frontline public servants to meet urgent service delivery needs. For example, they financed health workers in Liberia, Sierra Leone, South Sudan, and Timor-Leste; teachers in Liberia; and the full public service in Timor-Leste during the UN Transitional Administration.

Donor financing of salaries serves as a quick fix that can easily turn into a long-term liability. It has been relatively effective in covering critical short-term financing gaps, in fostering basic services, or in building security forces. But it has also threatened budget sustainability and increased aid dependency. Afghanistan’s case illustrates this most dramatically: as of 2015, the general government wage bill continued to exceed the government’s own total revenues (see figure 2.11 earlier in this chapter). In addition, many essential government functions were performed by an entirely aid-financed parallel administration (see chapter 5). Without natural resource revenues or drastic pay cuts, the country is bound to remain highly aid-dependent for the foreseeable future. By contrast, Timor-Leste successfully transitioned from a largely externally funded wage bill to almost full economic independence. However, this shift was made possible only by large oil windfalls, which other countries lack.

In Liberia and Sierra Leone, donor financing of health care salaries entailed public wage increases across the board. In Liberia, the introduction of top-ups in U.S. dollars provided a precedent for the generalization of allowance budget lines, which fueled off-payroll employment (see chapter 3). In Sierra Leone, the financing of health workers’ salaries in the context of the 2010 Free Healthcare Initiative triggered a series of competing pay increases for other employee groups, thereby driving up the overall wage bill.

In Sierra Leone, employment growth was contained by an IMF wage bill ceiling until 2008. Although the ceiling appears to have contained wage bill and public employment growth effectively in the first five years after the conflict, subsequent ad hoc pay increases call the measure’s sustainability into question (see chapter 3). More important, the ceiling implied a temporary ban on new recruitments. This meant an aging public workforce and delayed investments in a new generation of public servants. A public service survey conducted in Sierra Leone in 2008 (MoFED) found that, at less than 10 percent, the share of employees aged 35 and younger in Sierra Leone’s public service was particularly low.

The case of Timor-Leste highlights that ceilings can provoke undesired evasive responses from line-MDAs, even if established as nonbinding. As noted, line-MDAs recruited large numbers of often poorly qualified temporary staff in order to meet urgent staffing needs while complying with the ceiling, bypassing meritocratic procedures (see chapter 4 for details).
These findings call upon development partners to carefully consider the unintended long-term consequences of using the heavy-handed instruments of salary financing or ceilings. The cases suggest that development partners:

- **Accept and be honest about the severe side effects and dependency caused by salary financing.** Although possibly inevitable in some cases, as in Afghanistan, salary financing can lead to long-term dependency without an exit strategy in sight. Or, as in Liberia and Sierra Leone, it can contribute to driving the wage bill to unsustainable levels.

- **Use ceilings cautiously, if at all, as part of a strategy for rebuilding public service capacity, and not only as an instrument for containing public service growth.** In Sierra Leone and Timor-Leste, ceilings were guided by macrofiscal rule-of-thumb estimates of how large a public service the country could afford, and not by a differentiated analysis of staffing needs. For example, recognizing the need to grow a new generation of public servants in Sierra Leone or to recruit teachers in Timor-Leste might have led to more realistic and promising strategies.

**Disarmament, Demobilization, and Reintegration Programs**

Why have some countries successfully implemented DDR programs, whereas others have absorbed tens of thousands of ex-combatants into the public service or armed forces? In Liberia, for example, 90 percent of the ex-combatants went through the DDR program (Jaye 2009), whereas in South Sudan coverage reached barely 3 percent (HSBA 2013). The Liberian public service hardly absorbed combatants, whereas the South Sudanese public service absorbed at least 70,000 (HSBA 2013). The five case study countries suggest that three major contextual factors have influenced whether DDR programs work. Results have depended upon (1) whether or not conflict persisted after the peace agreement; (2) the social status of ex-combatants; and (3) the level of government revenues. Figure 2.17 summarizes how these factors have interacted to shape options for dealing with ex-combatants.

First, DDR programs based on golden handshakes have been an option only when conflicts were completely over, implying that either the government or international peacekeeping forces were able to contain violence. When conflicts were over, as in Liberia, Sierra Leone, and Timor-Leste, governments had the capacity and interest to implement DDR programs. In addition, Liberia’s and Sierra Leone’s governments refrained from rebuilding a large army in the aftermath of conflict because of the risk of an internal coup led by the armed forces. This created the political space for DDR programs.

By contrast, where external and internal threats prevailed, they brought forth large armies and eliminated the political space for implementing DDR programs. This was the case in South Sudan’s ongoing conflict with Khartoum, as well as in Afghanistan’s armed struggle with the Taliban. When the threat was internal, in the form of local unrest, governments bought off potential spoilers by providing jobs to militia members. This was the case for South Sudan’s
“big tent” policy, and for the absorption of warlords and their militias in Afghanistan’s uniformed forces.

The absorption of thousands of ex-combatants into South Sudan’s public service has had highly problematic consequences. It locked the government into long-term salary liabilities that will necessarily slow public service renewal. In addition, this approach reportedly created perverse incentives for further unrest: “Anyone who is dissatisfied with the system can pick up arms, run to the bush, do some damage and will be given amnesty. When they come back, they bring a huge army that has to be integrated as part of the deal. Besides, they are promoted to the higher rank. Because they came through compromise, they cannot be reshuffled, creating immobility or rigidity in the civil service.”

Second, and as noted earlier, ex-combatants’ social status affected the awards they received. In South Sudan the “freedom fighters” were rewarded with public jobs. In Timor-Leste, where ex-combatants were considered national heroes, an expensive pension scheme for veterans was developed. The 2013 budget allocated $95 million for ex-combatants, that is, 38 percent more than the entire health budget. The lower the status of ex-combatants, the more likely it was that a simple one-off DDR program would work (as in Liberia and Sierra Leone).
Lastly, the availability of natural resource or aid revenues determined government options for rewarding ex-combatants. The most costly approaches were viable only because of oil revenues (cash transfers in Timor-Leste, jobs in South Sudan) or because donors were willing to pay the wage bill (Afghanistan).

Where governments lack incentives for real demobilization, how can the long-term costs of absorbing ex-combatants into the public service be mitigated? Policy makers might consider two options, albeit without empirical precedent:

- **Integrate ex-combatants into the public workforce, but under contractual employment regimes.** If feasible, this would avoid locking governments into long-term fiscal liabilities. Once some stabilization is achieved and the intensity of conflict has reduced, this strategy would keep the door open for governments to gradually lay off ex-combatants and attempt to integrate them into the private sector. However, this may remain a theoretical possibility, both because the political costs may be prohibitively high and because conflicts may persist, as in South Sudan.

- **Offer different deals to different military ranks.** For example, in the case of South Sudan, only the higher ranks of the SPLA could have been absorbed into the public service, while offering a golden handshake to the large numbers of foot soldiers. This might have worked if, once co-opted by the GoSS, the ex-military leaders maintained leverage on their former troops and managed to restrain them from acting as spoilers of the peace and state-building process.

**Pension Systems**

“No pensions, no retirement” summarizes a pattern in the five case study countries. In Liberia, South Sudan, and Timor-Leste, the absence of a functional pension scheme discouraged pensionable public servants from retiring. By contrast, Afghanistan and Sierra Leone had workable pension schemes for public servants.

In the absence of functional pension schemes, retirement-aged public servants remaining on the payroll have slowed public service renewal and undermined its effectiveness, especially as aging was often especially acute among those in senior positions. For example, in Sierra Leone, a comprehensive verification carried out in 2008 found that almost 50 percent of senior civil service positions were occupied by employees who were already eligible to retire or would become so over the following five years (Public Sector Reform Unit, Office of the President, Government of Sierra Leone 2008). The aging of the public service was most pronounced in South Sudan, where allegedly no public servants had retired between 2005 and 2013. It is estimated that at least 10 percent of general government employees in South Sudan were above the retirement age of 60 in 2014.25

In Timor-Leste, at the time of research, 3.4 percent of public servants were over 60, which is the official retirement age.26

The reasons for the lack of functional pension systems varied. In South Sudan, the merger of employees from a variety of backgrounds into a single public service made it difficult to agree on a uniform pension system that would be perceived as fair. In the aftermath of the CPA, the challenge was to define a compensation
formula that would cover Khartoum’s CCSS, the SPLA’s CANS, ex-combatants, and volunteers—often in the absence of personnel records. The government was reluctant to draft a pension act that was bound to be controversial and potentially escalate tensions, as it would inevitably create winners and losers. Employing everyone and dealing with the pensions later was the easiest way out, and it was taken.

However, starting up a pension system has become increasingly difficult in South Sudan. As the Sudanese tradition is to receive a lump sum upon retirement, the higher the stock of retirees on the payroll, the higher the one-off costs involved in retiring them—and the higher the financial barrier to adopting a pension system. Although a new pension act was approved by parliament in 2013, it had not been implemented at the time of research, especially given the recent escalation of violence.

In Timor-Leste, the UNTAET did not introduce a pension system because there was no sense of urgency, with a freshly recruited public service. In February 2011, the Government of Timor-Leste enacted a pension system, allowing public servants over the age of 60 to retire with 75 percent of their final average pay, a high benefit level. This model clearly was unsustainable, as the government financed the pensions entirely, with no contributions from public servants. At the time of research, it remained unclear how and when the pension system would be changed.

In Liberia a pension system was in place, but pensions were too low. Consequently, a significant number of retirement-age public servants were holding on to their positions. Pensions amounted to a fraction of total compensation, because they were estimated on basic salaries, and did not take into account generous allowances (paid in U.S. dollars), which shaped the majority of many public servants’ income (see chapter 3).

Motivating public servants to contribute has been a frequent challenge in setting up pension systems. In politically volatile postconflict environments, it has been difficult for governments to credibly commit that employees will recover their contributions, for example, in Liberia and South Sudan. A former minister of finance and planning in South Sudan noted that he created a pension account, but when he left the ministry “the money from those accounts was used somewhere else.”

In sum, in postconflict countries, development partners ought to consider investing into functional pension systems early on, in view of encouraging public service renewal, while taking into account broader distributional and equity concerns for the society at large. In most countries covered by this study, they have reportedly done too little, too late, given the magnitude of the challenges. Potential roles for donors in establishing pension systems could include:

- **Ring-fencing pension funds using an international cosigning authority.** This could help governments make credible commitments to pay pensions and encourage public servants to contribute.
- **Funding the start-up costs of pension systems.** One-time start-up funding could help countries with lump-sum pension systems, such as South Sudan, overcome the barrier to launching the system, once a number of pension-aged public servants have accumulated on the payroll.
Cleaning the Payroll

After conflict, development partners have often made it a priority to remove irregularities, such as ghost workers, double-dippers, and public servants who are beyond the retirement age, from government payrolls in order to free up fiscal space. Irregularities accumulated after public servants fled, were displaced, or died during conflict, and after periods of uncontrolled entries to the payroll. Governments were left with poor data on whom they were paying and little ability to control the payroll.

In three of the countries in this study—Afghanistan, Sierra Leone, and South Sudan—efforts to reduce irregularities have been at least partially successful. Over a decade, Afghanistan’s so-called Verified Payroll Program (VPP) gradually increased the share of public servants with verified identities being paid through bank accounts to over 75 percent, a major achievement. Just after the Bonn Agreement, in the absence of a banking system, salaries were distributed in “sacks of cash,” making central control of who received them impossible. Sierra Leone’s Records Management Improvement Program (RMIP), launched in 2008, has physically verified, completed, and updated human resource records for the majority of civil servants (with the important exception of teachers). It has permanently removed from the payroll about 12 percent of civil servants with irregular employment status. Between 2008 and 2012, South Sudan’s central government rolled out an electronic payroll system (South Sudan Electronic Payroll System, SSEPS) to over 150,000 employees, both at the central and state levels. This significantly strengthened government control over who gets paid. By contrast, Liberia’s payroll verification exercise has had limited impact, with the majority of irregularities remaining on the payroll, according to some donors.

What explains the positive outcomes in Afghanistan, Sierra Leone, and South Sudan? Leadership and the presence of a committed reform coalition have been essential in all cases. In Afghanistan, development partners had exceptionally strong leverage in pushing for payroll verification, as they were financing salaries through the Afghanistan Reconstruction Trust Fund (ARTF). The VPP also benefited from the leadership of the then-minister of finance, Ashraf Ghani, a former World Bank staff member and, today, president of Afghanistan. In Sierra Leone, President Koroma personally backed the RMIP. He himself appealed to public servants to partake in the verification exercise, on television and on the State House’s website. In South Sudan, the SSEPS project only became possible once the government had abandoned its early laissez-faire attitude and took the growing burden of the wage bill more seriously.

However, verification projects stalled when they were overambitious or politically too costly. Liberia’s case is striking. Launched with the motto “Smaller Government, Better Service,” the government’s Civil Service Reform Strategy (2008–11) aimed at downsizing the public service by laying off public servants, beyond reducing irregularities. This effort failed because line-MDAs resisted it and because the political costs were prohibitively high in the context of the 2011 presidential election. Laying off identified ghost workers was politically costly because it ran against vested interests of high-ranking officials, because it would
have occurred in a context of high unemployment, aggravated by the 2008 global economic crisis, and because any layoffs stirred controversy, with opposition parties accusing the government of conducting a witch hunt, laying off and hiring civil servants based on political affiliation and clientelism. In South Sudan, a reformist minister (Minister Awut Deng Acuil) attempted to verify not only public servant identities, but also the presence of required qualifications. This attempt at reform triggered a backlash within the cabinet that ultimately led to her resignation. In Sierra Leone, attempts to expand the verification effort to teachers stalled due to lack of political will.

Another important success factor has been to keep the verification exercises focused on gathering essential personnel data. Afghanistan’s and South Sudan’s verifications gathered data on only a few employee characteristics, including confirmation of identity. Ambitions to gather complete personnel records, such as appointment letters, and to verify qualifications were set aside for a later stage. This “basics first” logic reflected government priorities and avoided overburdening the verification process with unrealistic—and politically sensitive—data gathering. In the words of one technical assistant involved in rolling out South Sudan’s SSEPS: “First of all, get a list of who you are actually paying; this will stop people from getting great chunks out [that is, it will stop people from stealing salaries distributed in cash or diverting them to other purposes]. Then, we can discuss how many you should have in your payroll, and who should approve this. And, gradually, we can add further controls: HRMIS [Human Resource Management Information System] (have you got the justification for paying this person? Does he have qualifications?) Then, attendance . . . and so on.”

Such a minimalist approach has worked even in settings with a decentralized authority for human resource management and entry to the payroll, such as in Afghanistan and South Sudan.

By contrast, Sierra Leone’s RMIP stands out as the only case in which a more comprehensive one-off effort to restore human resource records succeeded. The project gathered complete personnel records for each employee retained on the payroll as part of the verification exercise. A number of contextual factors may have facilitated this, including: (1) a legacy of central records management by the Establishment Secretary; (2) a powerful presidency; (3) limited disruption caused by the conflict; and (4) a relatively small public service, making the order of magnitude of the verification exercise manageable.

Sequencing verification projects carefully and implementing them gradually has also been an important success factor. Afghanistan’s VPP gradually expanded the coverage of public servants over a decade. It also altered the verification mechanism over time. Initially, in late 2004, it consisted merely of independent observers witnessing the monthly pay distribution for the employees of 13 central pilot ministries in Kabul. In later stages, public servants were registered in a centralized (albeit minimalist) identity card database and ultimately paid through bank accounts. The banks in turn were required to verify employees’ identities. Sierra Leone’s RMIP was initially piloted for about 2,000 health workers, thereby generating political buy-in for its later scale-up.29
The cases also suggest that running one-time, large-scale head counts or surveys can be a waste of resources, especially if payroll management systems are not yet in place. This occurred with the health workers’ head count and civil servant survey conducted in South Sudan in 2006. Based on this experience, Goldsmith and Aguer (2012), a technical expert and a civil servant involved in the reform, recommend “focus[ing] on stabilizing systems and processes first, then verification, rather than going to major field verifications without a system in which to sustain progress.”

Relying on simple, tailored payroll information technology (IT) systems with consistent hands-on technical assistance at the subnational level has proven essential to successful implementation of payroll systems. Building on existing regulations and processes has facilitated the transition from manual to electronic systems. For example, South Sudan’s SSEPS was explicitly designed for the context of limited connectivity, IT infrastructure, and skills, as well as decentralized management (see appendix D). The system was based on Microsoft Excel and an open-source software, going against standard advice:

There were a lot of people who said, “you need to roll out FreeBalance payroll.” And FreeBalance payroll is very beautiful if you have a nice big generator and a land connection in your office and so on, but I need a payroll system that works for a guy sitting under a tree, who has 15 percent battery power on a crappy little Packard Bell computer on a wireless dongle and if he does not manage to sync the payroll on that 15 percent, we got no report. So you must design it down and down. (Interview with a technical assistant, South Sudan)

Complex IT systems have also created dependency on foreign technical assistance. For instance, in Timor-Leste, at the time of research, a FreeBalance team permanently based in Dili continued to provide technical support to the government. Finally, electronic salary payments have effectively strengthened governments’ control over who they pay. All five countries have gradually introduced direct deposits to employee bank accounts and/or used payment facilities developed and operated by private mobile-phone service providers (such as M-Paisa in Afghanistan). These have significantly contributed toward controlling public service payments.

These findings suggest that policy makers seeking to reduce payroll irregularities ought to:

- **Consider political support as a necessary condition.** Payroll cleaning exercises have stalled where they ventured beyond the politically feasible, in particular in periods where the payroll serves as an instrument of political accommodation—as in South Sudan (early on), or in Liberia.

- **Focus first on the “basics” of verifying who should get paid from the payroll.** More ambitious objectives of restoring personnel records or verifying employee qualifications are likely to be technically and politically too demanding, and should be left to second-generation reforms. In this context, though, Sierra Leone is an important exception.
• Conduct the verification process incrementally, in a long-term approach. South Sudan’s verification process has taken about four years, and Afghanistan’s nearly a decade. Gradually verifying employee identities and adding them to an electronic, verified payroll over a period of years is less risky than one-time verification exercises.

• Avoid disruptions during implementation, be they financial, technical, or in the continuity of technical assistance support. An incremental approach requires that development partners make long-term financial commitments beyond five-year project horizons. Ensuring continuity in systems and technical assistance has been shown to be an asset.

• Seek to design simple payroll IT systems, tailored to institutional legacies and local connectivity constraints. Overreliance on technological panaceas, that is, sophisticated, Internet-based, propriety software platforms, has proven to be a poor fit for countries with low connectivity and IT capacity, especially at the subnational level (e.g., the implementation of the FreeBalance payroll system in South Sudan).

• Rely on electronic salary payments and direct deposits where possible, as an effective means of reducing irregularities.

Conclusion

None of the five countries in this study was able to realize ambitious visions of building a “lean and effective” public service. Rather, this chapter has argued that the “grand forces” of history have mostly overwhelmed development partners’ attempts to influence public service growth. Public services have (re)converged toward their preconflict size. While ballooning wage bills were a serious problem, in most cases, they have been driven primarily by pay, not by size—or, where conflict prevailed, by ballooning security forces. Indeed, at the time of research, the public services in the five countries were similar in size to those of their neighbors. If public service size was not really the problem, and development partners cannot do much about it, why attempt to influence it at all? Should development partners focus instead on getting public service pay right, in order to fill the missing middle while keeping the wage bill in check (see chapter 3)? Should they go as far as letting the public service be an instrument of political accommodation, and instead focus on building a parallel administration (see chapter 5) to deliver services?

Such a conclusion would be a misleading reading of the findings. Recognizing the “grand forces” does not call for giving up any attempts at reform. Rather, it raises the question as to how development partners can pragmatically—and modestly—work “with the grain” to influence the size and structure of public services. In aid-dependent countries in particular, development partners have exerted significant influence over public service growth, be it by financing wages in Afghanistan, or by enforcing or recommending ceilings as in Sierra Leone and Timor-Leste. However, this influence has in some cases been problematic,
suggesting that development partners ought to anticipate the unintended consequences of their actions.

This chapter has also highlighted that government public service policies are often dominated by the short-term logic of accommodation and crisis. However, they can have long-term implications for decades, given the inherent inertia of the public workforce. Recognizing this implies that development partners have a particular responsibility vis-à-vis the countries they advise as guardians of the long-run perspective. Even if their influence is limited, early nudges into the right direction can matter significantly in the future.

This guiding principle—working with the grain with a long-run perspective—resonates across this chapter’s findings and policy recommendations. Above all, such pragmatism implies doing away with elusive concepts of a lean, efficient, and well-paid public service. The cases unambiguously highlight that these concepts cannot guide pragmatic policy advice. It implies accepting that governments do need to hand out public jobs to accommodate ex-combatants, reward loyalty, and pay off potential spoilers as part of the price for achieving peace and stabilization. Patronage, in this sense, can be instrumental to peace. An “efficient” postconflict public service might be more realistically defined as one that helps stabilization, is reasonably affordable, and is capable of making some incremental progress toward delivering essential services.

Pragmatically, working with the grain also implies projecting public service growth on the basis of preconflict and regional benchmarks, rather than on ambitious visions, in order to avoid setting initial pay levels excessively high (see chapter 3). It implies anticipating that unrealistic ceilings are likely to provoke evasive responses, with line-MDAs recruiting staff outside the payroll. It also implies accepting that where conflict prevails, the public service may turn into a social safety net and a peace dividend for ex-combatants and the militia, absorbing them into the uniformed forces. In such settings, DDR programs are likely to fail. Finally, it implies that payroll cleaning exercises ought to be designed and timed with a view to mobilizing the necessary political backing, such as in moments of fiscal austerity in South Sudan.

Ensuring a long-run perspective implies sowing the seeds for generational change early on. Encouraging an older generation of retirement-age public servants to leave by putting into place functional pension systems can open the space for long-term public service renewal. This has been one of the biggest areas of neglect. At the same time, development partners can help invest in educating and recruiting a new generation of public servants through training institutions or young professional programs. The persistent shortage of qualified nurses in Sierra Leone is one dramatic example of the long-term price of underinvesting in youth. This is particularly crucial in countries that start from a very low skill base, such as South Sudan.

A long-run perspective also requires honesty about the long-term price of the powerful levers of financing salaries and imposing ceilings. In Afghanistan, salary financing has led to dependency with no exit strategy in
sight. Sierra Leone’s IMF wage bill ceiling froze into place a prewar generation of public servants, delaying a much-needed renewal of the public workforce. Development partners ought to strive to advise governments from a viewpoint that balances long-term affordability considerations with investments into public service renewal that are essential for government functions.

Not least, a long-run perspective calls for finding second-best ways of dealing with large numbers of temporary staff, ghost workers, and ex-combatants on the government’s purse. Development partners may have to accept that the proliferation of temporary staff such as nurses and teachers in the aftermath of conflict is a necessary quick fix (e.g., in the transition from NGO to government provision of services), and that these staff are likely to be absorbed into the payroll sooner or later, as in Liberia, Sierra Leone, and Timor-Leste. By contrast, donors have been relatively successful in eliminating ghost workers and in increasing government control over the payroll through long-term, incremental verification exercises. Perhaps the biggest challenge for development partners is how to institutionalize this long-run perspective internally.

Notes

1. Even public servants who had worked for the previous Indonesian administration had to go through the recruitment process of the United Nations Transitional Administration in East Timor (UNTAET).

2. In most of the countries studied, contractual and temporary staff are not part of the payroll. Both contractual and temporary staff are therefore classified here as “off-payroll employees.” However, there are exceptions, such as, for example, Timor-Leste, where some (but not all) contractual and temporary staff were part of the payroll.

3. “Contractual” and “temporary” staff and “volunteers” are here delineated as follows: Contractual staff are typically qualified, whereas temporary staff are typically unqualified. Both groups are paid from the formal budget, but typically outside the payroll. “Volunteers,” by contrast, are typically paid from (in)formal user fees raised at the point of service, completely outside the budget.


5. The notion of “extractive” institutions here draws on Acemoglu and Robinson (2013). They define “extractive” institutions as those that enable a small group of individuals to exploit the rest of the population, as opposed to more “inclusive” institutions.


7. Because reliable comparative data on educational attainment are lacking for most of the case study countries, gross enrollment ratios are used as a proxy indicator.

8. For comparison, the adult literacy rate was 32 percent in Afghanistan in 2011, 43 percent in Liberia in 2007, 44 percent in Sierra Leone in 2012, and 60 percent in low-income countries (2010), according to World Development Indicators.


10. Official figures are unavailable.
11. In South Sudan, this is unsurprising, as it was relatively easy for line-MDAs and state authorities to include new employees on the payroll.

12. A ghost worker is someone recorded on the payroll system who does not actually work for government. Ghost workers can be real or fictitious persons. They can emerge accidentally (e.g., if an employee dies but continues receiving his or her salary) or intentionally, in the case of fraud. A double-dipper is someone who receives more than one salary from government, for example, both a pension and a regular income, or multiple incomes if on the payroll under several entries.

13. These growth estimates are in some cases (in particular in South Sudan and Timor-Leste) highly sensitive to the baseline year chosen. The earliest year with available data was chosen in each country. The growth estimates reported in figure 2.9 should thus be seen as indicative.

14. The low share of Timor-Leste’s wage bill in expenses and revenues does not, however, imply that it is fiscally sustainable. At the time of research, Timor-Leste spent well beyond its sustainable revenues from the Petroleum Fund. The ratio of government expenditure to GDP was greater than 1.0 in Timor-Leste, while for other countries this ratio ranged between 0.2 and 0.3.

15. In Liberia, the size of the military decreased from 15,000 soldiers in 2005 to 2,000 in 2006. (It subsequently increased again slightly, to 3,000 by 2017.) The civil forces comprised about 4,000 employees in 2017. In Timor-Leste, the police and military together grew from 4,400 in 2004 to 7,800 in 2013. However, this growth is proportionally smaller than the growth of nonuniformed civilian government. In Sierra Leone, from 2002 to 2015, the size of the police grew from 7,300 to 12,000, but this increase was more than offset by a decrease in the size of the military, from 16,600 down to 7,800.

16. Despite the signing of the CPA, hostilities with Khartoum never ceased completely. Each side blamed the other for carrying out proxy wars in its territory by feeding tribal tensions and/or supporting rebel militias (e.g., South Kordofan, Blue Nile, Jonglei, Lakes). Also, periodic clashes between both armies persisted in the disputed oil-rich territory of Abyei. This constant threat focused resources on the armed forces.

17. This comprises all civilian government employees except the police, prison guards, and wildlife wardens.

18. JAMs are typically conducted by multiple donors as a key step in defining and coordinating a postconflict reconstruction strategy.

19. In Liberia, no JAM estimates were prepared for the public service. However, in 2008 the government launched a Civil Service Reform Strategy with similar objectives, strongly influenced by development partners. With the motto “Smaller Government, Better Service,” one of the strategy’s stated goals was to establish “a lean, effective and efficient central government bureaucracy primarily dedicated to policy-making, regulation and monitoring and evaluation, while decentralizing implementation to subnational levels and limiting the role of the government by outsourcing a number of services to non-state actors” (Republic of Liberia 2008).

20. This funding has among others been provided through the recurrent expenditure financing window of the Afghanistan Reconstruction Trust Fund (ARTF).

21. DDR programs are applied strategies for peace-building operations. They entail the physical removal of arms and ammunition from ex-combatants, the disbanding of armed groups, and the integration of former combatants into civilian society.
Integration efforts often include vocational training and compensation packages in the form of lump sums and/or land for rehousing (the so-called golden handshake).

22. Containing violence has been less likely to succeed in larger countries, as vast territories are harder to control.

23. South Sudan’s “big tent” policy refers to the use of state funds to buy the loyalties of different factions.


25. The actual share of government employees older than 60 may be higher, because many interviewees indicate that the ages in personnel records are underreported.

26. For Afghanistan and Liberia, data on the age distribution of the public service could not be obtained.

27. Authors’ interview with a former minister of finance and planning, Government of South Sudan, 2013.


29. An incremental approach also implies avoiding technical, financial, or personnel disruption. For example, in South Sudan, an attempt to transition the e-payroll from Microsoft Excel to a more sophisticated off-the-shelf financial management program, together with interrupted donor financing and technical assistance support, caused severe setbacks and provoked a relapse, as several MDAs stopped using the e-system (see appendix D).

**Bibliography**


CHAPTER 3

Pay

Introduction

At the end of Liberia’s second civil war, civil servants were paid an average of nominal $18 per month, well below the poverty line. “The government pretended to pay and civil servants pretended to work.”1 Years of patronage under Samuel Doe’s regime and throughout a decade of conflict had depleted the public service of skills, and most professionals had fled during the war. Liberia’s case highlights the challenges to pay reforms in postconflict countries.

Establishing pay systems after conflict is necessary to get things done. As in Liberia, postconflict governments have to pay public servants a living wage so they will show up to work. Salaries must be defined, often under great time pressure—but with long-term implications. As highlighted in chapter 2, a “missing middle” of skilled professional staff is a common legacy of conflict. To fill this gap, governments need to pay enough to attract and retain skilled staff, either from the domestic labor market or from the diaspora.

Massive aid influxes from development partners and nongovernmental organizations (NGOs) in the postconflict period often fuel intense competition for scarce skills. This, in turn, can drive up wages and risk draining the public service of skilled employees, thereby exacerbating the challenge faced by nascent governments. Ideally, the prospect of pay raises through career advancement is enough to motivate public servants to perform. But pay also serves as a political instrument to “buy” the loyalty of constituents and maintain a peace that may be fragile at best. Not least, in increasing pay, governments risk living beyond their means by creating a fiscally unsustainable public service. Pay increases were a major driver of general government wage bill growth in three of the five case study countries.

This chapter will analyze how well the five countries have managed to balance these competing objectives. It will explore how preconflict legacies, conflict, and bargaining between political elites and development partners have shaped the evolution of pay systems.

Governments and development partners often have different preferences when it comes to setting pay policies. In bargaining over pay, development
partners are typically concerned with providing public goods. They therefore advocate for targeting pay toward skilled professionals who are able to deliver results. They also push to keep the wage bill affordable. By contrast, postconflict political leaders are often concerned with their survival in office in the short run. Their goal is to target pay (as a “private good”) to those constituencies that matter most politically—that is, those in their “winning coalition” (Bueno de Mesquita et al. 2003). Governments may want to offer well-paying and influential jobs to a relatively small inner circle of politically connected elites on “high-pay islands” within the administration. Such jobs can be a means of rewarding loyalists for campaign contributions. For instance, in fragile governing coalitions such as Liberia’s, ministers may want to preserve discretion over paying their own constituents within their respective agencies.

At the same time, politicians may also face pressure from frontline public employees demanding better pay. These may include soldiers, the police, health workers, teachers, and the lower ranks of the civil service. In the context of elections, political leaders may use broad pay increases to “buy votes” or send a signal of change. Catalytic events such as public protests or strikes can seek immediate responses, in particular where collective action is facilitated by unions. Competing claims from different staff groups can snowball into cascading pay increases.

Although the general government workforce rarely exceeds 3 percent of the population (see chapter 2), the government typically is the single-largest employer in war-devastated economies, and provides the most formal, secure jobs. Increasing public pay is thus an important lever of socioeconomic redistribution, even though the direct benefactors are a small fraction of the total population.

Uncertainty may further bias political leaders toward using pay to reward loyalists, rather than investing in skills. Handing out well-paid jobs to elite circles or increasing frontline employees’ pay will benefit these constituencies directly and immediately in the form of private goods, by putting more or less money into their pockets. By contrast, it is much less certain that investing in skills to fill the missing middle will result in improved performance. Many other factors have to fall into place before better pay translates into better performance—and ultimately into better public services that benefit citizens. Rational politicians will thus discount these indirect and uncertain payoffs, even if they care about the provision of public goods. This is one major reason why mobilizing domestic political support for donor-advocated pay reform has been difficult, as this chapter will show.

For the most part, bargaining over these competing objectives has led to increasingly differentiated and discretionary pay systems. A decade after conflict, the quest for a unified, transparent pay system remained elusive in all five countries. Differentiation and discretion have been used to address competing interests under tight budget constraints. Beyond this commonality, however, pay trajectories in the five case studies presented here differ to a large extent.

To analyze these trajectories, this chapter categorizes several types of pay reform. It then provides a comparative overview of how pay systems evolved
since the end of conflict. It subsequently analyzes specific types of pay reform choices, motivations, and consequences to draw lessons about their design. The chapter concludes by discussing implications for development partners’ pay reform strategies in postconflict settings.

**What Is Pay Reform?**

A variety of pay reforms have been attempted in the five postconflict countries. Pay and grading (P&G) reforms have long been the “gold standard” for the World Bank—despite their poor track record in developing countries. Such reforms seek to systematically alter the relative pay levels and grades of public servants based on job evaluations and definitions. Implementing P&G reforms is technically demanding, because they entail developing job descriptions for a sample of public jobs and then assigning grades and pay points. P&G reforms are also politically demanding because they entail relative pay changes among individuals who may feel threatened by the loss of privilege and status.

Ad hoc pay adjustments merely change pay levels within the existing job-classification system, without assessing or reevaluating specific jobs. Such adjustments may increase pay equally across staff groups and ranks, compress or decompress pay between grades, and selectively change pay levels for specific professional groups or ministries, departments, and agencies (MDAs)—for example, by adopting special pay regimes for health sector employees. The introduction of standardized allowances has similar effects and can be considered an ad hoc adjustment. Thus, pay-level adjustments are essentially “stroke of a pen” exercises and much easier and quicker to implement than P&G reforms. This can also make them more politically attractive to postconflict policy makers.

Asymmetric pay reforms gradually implement a centrally defined, homogeneous pay regime in select eligible MDAs or even selected units within MDAs, rather than across the entire public service. For example, line-MDAs may apply to be part of such a program and then receive funding for a defined number of well-paid positions. Asymmetric pay policies preserve some homogeneity across MDAs, and thus are distinct from agency-specific pay regimes.

Apart from these relatively structured pay changes, the five postconflict countries adopted discretionary and individualized pay arrangements, which often involved significant delegation of pay-setting authority to line-MDAs. Such arrangements can pertain to large numbers of temporary or contractual staff (see chapter 2), often including nurses and teachers that MDAs employ at discretionary or individually negotiated pay levels, both on and off the payroll (e.g., as on-allowance budget lines in Liberia), but outside the parameters of the public service pay scale. Or, discretionary pay can target a relatively small, elite group of public employees paid far above standard public service salaries—for example, in autonomous agencies or those working on consultant contracts.
In several postconflict countries, development partners supported dedicated programs that aimed at injecting skilled staff into senior positions (so-called capacity-injection programs). Such programs typically fund contracts for a relatively small group of senior staff that are recruited into advisory or line-positions (e.g., the senior executive service, SES). They typically offer salaries far above the ordinary government pay scales for a limited number of years to attract competent managerial and/or technical staff. Some of these programs have explicitly sought to motivate qualified nationals living in the diaspora to return to their home countries.

Last, it is worth mentioning staff in parallel donor-funded project structures. Although outside government systems and policies, these well-paid staff are often a major vehicle for injecting capacity into the missing middle, substituting for public servants (see chapter 5).

While these types of pay policies differ in many ways, it is useful to highlight two important dimensions of variation between them. First, the policies differ vastly in the number of public employees they affect, or the extent of differentiation.  

Systematic P&G reforms or ad hoc salary increases can change pay for the entire public workforce (right-hand side of figure 3.1). Other policies, such as capacity-injection schemes, might affect only a few hundred individuals (left-hand side of figure 3.1). In an extreme case, political principals may negotiate

![Figure 3.1 Types of Pay Policies Adopted in Postconflict Countries](image-url)

Note: SES = senior executive service.
individual pay levels with selected public servants. Similarly, in parallel project structures (such as project implementation units), development partners typically finance a small cadre of experts, whose higher salaries are often project specific or individually negotiated.

Pay reforms pursue different objectives depending on the number of staff they affect. For instance, selective pay schemes, such as SES programs, may use scarce resources for filling critical skill gaps in the missing middle or for rewarding political clients. Donors may prefer asymmetric reforms for reasons of political pragmatism, anticipating that larger-scale reforms will be hard to implement. On the other hand, broader changes in the pay system, such as ad hoc increases, provide public servants with a living wage, or can respond to union pressures.

Systematic P&G reforms typically aim to build a cohesive, sustainable pay system. By contrast, selective pay reforms can introduce unfair pay, breed resentment, demotivate staff, and fuel patronage and corruption. Further, they can reduce cooperation and complicate coordination among sectors or regions (Rexed et al. 2007). Selective reforms also risk becoming generalized and spreading to larger staff groups because privileging a small group of employees can be difficult for governments to justify. Therefore, there are also affordability risks to be taken into account in implementing such reforms.

Pay reform objectives also differ depending on the extent to which they are initiated or influenced by development partners. SES-type capacity-injection programs, asymmetric reforms, and P&G reforms have typically been donor financed and influenced (see top of figure 3.1). By contrast, ad hoc pay increases, or discretionary allowances for temporary staff (or for small pay elites), have typically been initiated by governments and, occasionally, frowned upon by donors (see bottom of figure 3.1).

**Legacies, Paths, and Results**

**Starting Points: Legacies, Conflict, and Early Decisions**

After a conflict, putting basic pay systems in place is often one of the most pressing of state-building challenges. Old pay systems may be eroded by inflation or may have become obsolete. There may also be pressure to inject new capacity into public services. However, these early pay decisions often resemble “shots in the dark” as they are often based on limited information about pay comparators or the size of the workforce. Without adequate knowledge, it can be difficult to predict long-term implications and probable sustainability. Nevertheless, these decisions can set the path for a country’s long-term pay trajectory. Development partners also often strongly influence these early decisions, making them moments of high institutional “malleability.”

**Challenges**

One predominant and recurrent problem across the five countries, although to varying degrees, has been the issue of insufficient pay for public servants. The most extreme case is Liberia, where in 2003, pay was near the poverty line,
ranging between nominal $15 and $55 per month. Inflation had eroded pay levels dramatically so that by 2001, public servants were paid a fraction (about 3–4 percent) of what they earned in the late 1970s, when Liberia had one of the most highly paid public services in Africa. Similarly, in Timor-Leste, the Joint Assessment Mission (JAM) recommended a blanket pay increase of 50 percent for all public servants, given exceptionally low pay levels (World Bank 1999). At the time of the peace agreement, in most countries, public service pay levels were well below annual gross domestic product (GDP) per capita levels, with the exception of the senior ranks.

In South Sudan, there was a vast discrepancy between the Coordinating Council for Southern Sudan (CCSS) pay levels—with base pay averaging around nominal $100 per month (but supplemented with various allowances and in-kind benefits) and the Civil Authority for the New Sudan (CANS) “volunteers” receiving between nominal $9 and $38 per month. In Afghanistan, with total monthly pay ranging between $223 and $257 (constant 2011 U.S. dollars), public servants were earning in the order of magnitude of annual GDP per capita. Sierra Leone is an exception in that its 2002 pay structure was much less compressed than in the other countries, ranging from about $135 (constant 2011 U.S. dollars) for clerical (grade 2) staff to $2,836 for managerial (grade 14) staff.

Different types of conflict have also confronted governments and donors with different pay challenges. Independence wars caused the most disruption to pay systems. In particular, in Timor-Leste, the United Nations Transitional Administration in East Timor (UNTAET) had to lay the foundation for recruitment into an almost entirely new public service. In South Sudan, two inherited pay systems with large discrepancies had to be forged into one—the 17-grade CCSS pay scale inherited from Khartoum with the ad hoc stipends and allowances paid to the CANS by the Sudan People’s Liberation Army (SPLA). By contrast, in Afghanistan, Liberia, and Sierra Leone, the old systems had been running to varying degrees during conflict, thereby enabling pay increases within existing systems.

Inherited pay systems among the case study countries varied largely in the extent of pay compression6 (see figure 3.2) and discretion, shaping the baseline and normative reference frame for efforts to decompress pay. At one extreme, Afghanistan inherited a highly egalitarian and compressed pay structure in which a director general would (de jure) earn only about 1.1 times as much as a clerical worker (grade 10). The compressed pay structure resulted from food and other allowances, which had been nearly uniformly applied across grades and dwarfed the base pay. In Liberia, the pay ratio between the highest political appointees and public servants in clerical grades was similarly compressed, with a ratio of 1:3.7. At the other extreme, in Sierra Leone, the same ratio was near 1:15, and in South Sudan, it was about 1:6—but salaries were also generously supplemented.

**Early Decisions**

In the aftermath of peace agreements, governments and development partners have had varying responses to these dysfunctional, inherited pay systems, ranging
from the adoption of a completely new system (Timor-Leste) to doing nothing at all (Liberia and Sierra Leone). These responses have depended on the nature of political settlements and donor bargaining power within the respective interim administration (IA), as well as on governments’ available fiscal space, as afforded by aid inflows and natural resource revenues.

Depending on the respective country’s perceived needs, the international community has exerted its influence on pay systems in varying ways, sometimes in favor of renewal, and in some cases with measures that led to stagnation. At one extreme, UNTAET had unequaled influence over these early decisions in Timor-Leste. It had the decision-making power and financing to build a new administration from scratch. Indeed, in June 2002, eight months after the UN Transitional Administration had been established, it introduced a completely new, position-based pay system. Its new seven-grade pay scale increased average pay to about three times GDP per capita. The position-based system was designed to attract and recruit new staff into the public service.

During Afghanistan’s Interim and Transitional Administration (2001–04), the international community also played an influential role. Shortly after the Bonn Agreement of December 2001, development partners decided to finance salaries through the recurrent window of the Afghanistan Reconstruction Trust Fund.

Figure 3.2 Compression Ratios between Managerial and Clerical Base Pay and Allowances, End of Conflict and Most Recent Year Available

Sources: See appendix figures A.5, B.10, C.8, D.9, and E.10 for detailed source information.
Note: This figure refers to regular public service salaries and allowances. It does not take into account high salaries paid to pay elites, which would suggest much higher ratios. For Afghanistan, the 2001 compression ratio compares base pay and allowances for grade 1 and grade 10; for 2014, it compares grade 1 (unskilled clerical) and grade 8 (director general) of the pay and grading (P&G) scale. For Liberia, the 2003 compression ratio compares average base pay between category A and category E employees; for 2014, it compares average base pay and minimal and maximal allowances for drivers and directors. For Sierra Leone, the compression ratio compares average base pay and average allowances between grade 1 and grade 14. For South Sudan, the 2004 and 2012 compression ratios compare unskilled base pay and allowances for clerical (grade 17) and supergrade (grade 1). For Timor-Leste, the 2000 compression ratio compares general services (level 1) with managers (level 7); the 2009 ratio compares assistants (grade G) with senior managers.
(ARTF), as the government’s own revenues were insufficient. About two years after the Bonn Agreement, public servants’ base pay had nearly doubled and was decompressed, with the help of this financing. At about the same time, in 2003, the World Bank initiated the Priority Reform and Restructuring (PRR) program. It included an asymmetric pay reform that offered selected public servants allowances that exceeded base pay by about seven times. Similar to Timor-Leste, the PRR program was the first step toward introducing a position-based public service system in Afghanistan.

At the other extreme, as discussed in chapter 2, in Sierra Leone the International Monetary Fund (IMF) set a wage bill ceiling shortly after the end of the civil war, limiting fiscal space for any pay increases. Consequently, in Sierra Leone pay levels remained largely unchanged for several years after the conflict.

In Liberia and South Sudan, development partners had much less influence over early pay decisions. In Liberia, despite dismally low pay levels, pay remained unchanged for two years until President Ellen Johnson Sirleaf was elected in 2005. For the politically fragmented IA, agreeing on any cross-cutting pay change was impossible. The country was highly indebted and donors were not ready to trust the IA with budget aid, so there was no fiscal space for adjusting pay. In South Sudan, the Sudan People’s Liberation Movement (SPLM) ultimately decided not to follow the JAM’s advice on pay setting. It adopted a generous pay scale in June 2006 that was more than twice higher than the initial JAM proposals. The Government of South Sudan was able to finance higher wages because it had access to oil revenues.

Donors have also financed small-scale capacity-injection programs for diaspora returnees, as in Afghanistan and Liberia. These programs served to inject skilled staff into senior positions in the administration by offering salaries far above public service pay levels. In Liberia, shortly after President Sirleaf’s election in 2005, donors funded about 100 positions in the so-called SES, primarily targeting the Liberian diaspora. The Afghan Expatriate Program (AEP) and the Lateral Entry Program (LEP), adopted in 2004, served similar purposes in Afghanistan.

**Paths and Patterns**

How have pay systems evolved since the end of conflict? Figure 3.3 provides an overview, indicating when different types of reforms were attempted or adopted, as well as the effects on pay-level changes for professional staff within the core civil service.

During the decade following conflict, all five countries significantly increased public service pay, typically multiplying real wages by several times. There are strong patterns in the type of pay changes implemented in the five countries.

Perhaps the most striking pattern is that systematic P&G reforms have, with one exception, failed to be implemented—despite their promotion by development partners in all five countries. Timor-Leste’s first cabinet (2002–07) rejected P&G reform suggestions. In Sierra Leone (2004, 2007, and 2011) and Liberia
Figure 3.3 Type and Timing of Pay Reforms

a. Afghanistan

- Ad hoc increase (2003)
- Asymmetric reform (PRR Interim Allowance, 2003)
- P&G reform (2008)
- Asymmetric reform (CBR, 2011)

b. Liberia

- Ad hoc increase (2006)
- Mainstreaming of allowances (2007/08)
- Failed P&G reform (MTPS 2009)

- Failed P&G reform (2007)
- Ad hoc increase (2010)
- Failed P&G reform (2011)
- Ad hoc increase (2014)

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All governments have adopted unsystematic ad hoc pay adjustments. These increases sometimes involved decompression, as well as uniform raises across all grades. In most countries, these ad hoc adjustments were large and accounted for the majority of pay and wage bill growth following conflict. (2009), cabinets allegedly approved major P&G reform proposals, but implementation never followed. Afghanistan’s P&G reform, launched in 2008, is the sole one that was implemented.10

Figure 3.3 Type and Timing of Pay Reforms (continued)

Sources: See appendix figures A.5, B.10, C.8, D.9, and E.10 for detailed source information.

Note: The figures show trend lines for professional civil servants, such as an accountant. Base salary is shown in blue or violet, allowances in orange, and salaries or allowances associated with asymmetric reforms in green. Allowances and asymmetric reforms may only apply to a small group of employees, and allowances may vary largely between individuals. For Liberia, pay data were insufficient for reliable salary comparisons over time. The magnitudes of pay changes can hence be misleading and should be read as rough approximations. For South Sudan, estimates for 2006 and 2007 are unreliable. All salaries are reported in constant 2011 international dollars. CBR = Capacity Building for Results program; GDP = gross domestic product; MTPS = Medium-Term Pay Strategy; P&G = pay and grading; PRR = Priority Reform and Restructuring program; UNTAET = United Nations Transitional Administration in East Timor.
A number of these adjustments served to increase public service pay immediately following conflict, such as the increases in Afghanistan in 2003, in Liberia in 2006, and in South Sudan in 2007. Other ad hoc increases occurred later on, in response to pressures that accumulated over time—for example, in Sierra Leone in 2010, in South Sudan in 2008 and 2010 (in the form of newly introduced housing allowances in 2010), and in Timor-Leste in 2009.

In several cases, these ad hoc increases were adopted for specific professional groups or MDAs, such as health workers, thereby vertically fragmenting the pay structure. For example, in 2010 Sierra Leone increased pay solely for doctors and nurses in the context of its Free Healthcare Initiative. Such selective increases have in several cases created a “snowball effect,” prompting competing claims for similar increases from other staff groups. This dynamic was seen in Timor-Leste in 2009, and to a lesser extent in South Sudan and in Liberia.

Afghanistan is an exception in that it has seen two major waves of asymmetric pay reforms, each with different intentions. The first asymmetric reform, PRR, was launched soon after the Bonn Agreement, in 2003 (see figure 3.3). It aimed at selectively injecting higher skill levels into the administration after the conflict. The Capacity Building for Results (CBR) program, by contrast, was launched in 2011, nearly a decade later. Its goal was to absorb highly paid project staff into the core administration in the context of the withdrawal of U.S. troops.

All countries found ways of paying a relatively small elite group of public employees well above standard public service salaries—often exceeding standard salaries by more than tenfold (not shown in figure 3.3). While small in number, due to their extremely high salaries, these elites have often been costly, and paying them off typically served ambiguous purposes.

As discussed in chapter 2, the governments of Liberia and Timor-Leste have given MDAs freedom to recruit large numbers of contractual staff outside the standard pay scale. In both cases, line-MDAs received discretionary funding for hiring contractual staff or supplementing public servants’ base salaries outside the payroll. In both cases, these funds represent a large share of the overall wage bill (36 percent in Timor-Leste in 2015, and over 30 percent in Liberia in 2012/13, including grants). These funds have typically served to pay for a growing number of frontline staff, such as teachers, health workers, and the police. For example, in Liberia 5,000 health workers were paid from these funds in 2013, after the Ministry of Health and Public Welfare took them over from NGOs that had been phased out. Beyond such contractual or temporary staff, in several countries “volunteer” teachers or nurses, often in the thousands, have worked for no formal pay at all, often paid from informal user fees.

**Results**

**Affordability**

As a result of these evolutions, what did pay systems look like over a decade postconflict? Pay increases have been a key driver of skyrocketing general
government wage bills, albeit to varying degrees (see figure 2.10 in chapter 2). At one end of the spectrum, in South Sudan and Timor-Leste, pay increases explain only a relatively minor share of overall wage bill growth (about 11 and 13 percent, respectively). In South Sudan, absorbing ex-combatants into the public service resulted in a massive growth of the public workforce, which in turn drove up the wage bill. As shown in chapter 2, Timor-Leste saw the most rapid public service growth among the five countries, dwarfing the role of the—still significant—pay increases after 2009. At the other end of the spectrum, in Liberia pay increases were the sole driver of wage bill growth since the end of conflict. The cases of Afghanistan and Sierra Leone fall somewhere in the middle. Consequently, three of the five countries—Afghanistan, Liberia, and Sierra Leone—spent at least half their revenues (excluding grants) on the general government wage bill (see figure 2.11 in chapter 2). The exceptions were South Sudan (41 percent of revenues in 2013/14) and Timor-Leste (18 percent of revenues in 2015), with Timor-Leste being an outlier due to its high oil revenues.

In some of the countries, pay has not only been a major driver of wage bill growth, it has also reached very high absolute levels as compared with international averages. Figure 3.4 shows that in the five postconflict countries, average general government pay was between 2.5 times (in Timor-Leste) and 7.3 times (in Liberia) per capita GDP—for the sake of comparison, this is under 2.0 in most countries worldwide.

**Pay Competitiveness**

The pay structure in all five countries significantly decompressed postconflict (see figure 3.2 earlier in this chapter). The trend is most striking in Sierra Leone, where, as of 2014, the ratio of managerial-level to clerical-level pay was extremely high. At the time of research, Afghanistan, South Sudan, and Timor-Leste all had compression ratios that were broadly in line with international standards. For Liberia, compression ratios are hard to estimate, as the allowance system has practically individualized pay.

Nevertheless, public service pay has tended to remain insufficient to attract professionals to the missing middle, especially from the diaspora. At the same time, it has often become attractive, if not inflated, for low-skilled clerical and technical jobs. Although studies assessing the competitiveness of public sector pay are sparse for the case study countries and of varying quality, all that exist convey a similar picture.

For example, South Sudan’s ad hoc pay increase in 2007 was described at the time as a “bonanza for employees with low skills but still insufficient to attract qualified Sudanese even from the diaspora in the ‘near abroad’ of East Africa” (Srivastava 2007, 5). For Timor-Leste, a preliminary pay comparator analysis conducted by the World Bank in Dili in 2010 found that “the civil service might actually be a ‘wage-leader’” to the private sector, given that “about one-third of all formal sector employment is in the public sector and because the labor market in Timor-Leste is still nascent” (World Bank 2011b, 25). Yet, the report
notes that “the Government continues ... to experience major difficulties in recruiting professional staff.”

In Sierra Leone, the extreme decompression mostly benefitted a few managerial positions; most professionals remained underpaid. A pay survey conducted in 2012 found that “the situation worsens down the hierarchy of the civil service, with the salaries of associate professionals (in grade 6) amounting to about one-sixth those of their private sector counterparts” (Saadia Consulting 2012,41). For Liberia, a 2014 pay survey noted that while pay for public sector professionals was generally not competitive, “localized decisions about allowances may have incorporated competitiveness factors, particularly for finance-related positions” (Civil Service Agency, Republic of Liberia 2014).

In all five countries, public sector pay could not compete with that offered by development partners in parallel structures. These pay gaps have created powerful incentives for staff groups to move from the “first” into the “second” civil service, thereby making it more difficult for governments to attract and retain professional staff, and contributing to the missing-middle problem (see chapter 2). The most extreme case is Afghanistan, where the aid-funded
“parallel administration” (see chapter 5) is uniquely large. This makes it difficult for the administration to retain even newly recruited university graduates, who leave for project positions once they have gained one or two years of experience in government.

Choices and Consequences

Early Decisions

Setting Pay

Development partners have often exerted great influence over early pay decisions following a conflict, but these decisions have also resembled “shots in the dark,” made quickly and under uncertainty, especially in terms of future public employment growth. JAMs have often underestimated public service growth (see chapter 2). Affordability calculations have often been overoptimistic and have shaped the basis for pay setting in three cases—Afghanistan, South Sudan, and Timor-Leste. In Afghanistan, for example, the JAM suggested setting average public pay at above regional averages, or five times per capita GDP. The underlying assumption was that the public service would not grow beyond 1 percent of the population. In 2015, public servants represented 1.8 percent of the population.

In Afghanistan and South Sudan, these miscalculations ultimately turned out to be inconsequential, because aid and oil revenues enabled governments to further increase pay. In both countries pay levels grew far beyond initially set levels in the decade after conflict (see figure 3.3 earlier in this chapter). In Afghanistan, aid enabled pay levels to grow so high that the general government wage bill exceeded the country’s total own revenues in 2015 (see figure 2.11 in chapter 2). Timor-Leste’s pay evolution, however, highlights how difficult it can be to adjust pay levels downward once they are set too high. It turned out that the seven-grade UNTAET pay scale adopted in 1999 had several flaws. Its relatively compressed pay structure, with no within-grade advancement opportunities, proved to be demotivating for staff. Pay levels were set too high, to the extent that they undermined the country’s international competitiveness. Nevertheless, the pay scale remained unchanged for nearly a decade until Prime Minister Xanana Gusmão’s administration finally replaced it in 2009 (see figure 3.3 earlier in this chapter).

Once the pay scale was set, adjusting it downward proved difficult for the Timorese government. After the first parliament was elected (in August 2001), pushing through pay changes involved much higher political costs than under UNTAET. In addition, once public servants had vested interests in the high pay levels, downward adjustments became less palatable. Before oil revenues started flowing in 2006/07, the rapidly growing public service left inadequate fiscal space to decompress the pay structure. Consequently, the government was forced to rely on inflation to gradually erode pay levels, as envisaged in the National Development Plan for 2002 (Planning Commission, Democratic Republic of Timor-Leste 2002).
South Sudan—which cut its housing allowance in half during austerity in 2012—is the only one of the five countries to have ever cut nominal pay levels, a fact that illustrates just how “sticky” pay decisions are and how difficult it is to reverse them.

These findings have two important policy implications for development partners:

- **Err on the side of setting pay too low rather than too high in the immediate postconflict phase**, basing affordability estimates on realistic employment projections, not on aspirations of creating a “lean and efficient” public service (see chapter 2).

- **Design pay systems with an eye to their long-term implications**, as they risk being locked in.

**Introducing Position-Based Systems**

Introducing position-based systems (see box 3.1) after a conflict can be a way of opening inherited career-based public service systems to lateral entry and injecting fresh skills across the ranks—in particular, into managerial and professional positions. However, as the cases of Afghanistan and Timor-Leste highlight, these decisions can have unintended long-term consequences.

The reasons for adopting a position-based system (or elements of it) differed between the two countries. In Timor-Leste, UNTAET adopted a hybrid between a position- and career-based system because it had to rebuild the public service nearly from scratch. It needed to recruit public servants across the ranks and to fill most positions with lateral entrants. In Afghanistan, opening PRR positions to lateral entry served to inject capable new recruits from outside the public

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**Box 3.1 Career- versus Position-Based Systems in OECD Countries**

Central government recruitment systems in the Organisation for Economic Co-operation and Development (OECD) countries range between career- and position-based systems.

A **career-based system** is “characterized by competitive selection early in public servants’ careers with higher-level posts open to public servants only. . . . External entry to the system is restricted and may be limited to the bottom echelons only, so that access to higher levels is reserved to insiders. . . . Career-based systems may cultivate a dedicated, experienced group of civil servants.”

In contrast, in a **position-based system**, “candidates apply directly to a specific post, and most posts are open to both internal and external applicants. In general, recruitment systems that are open to external candidates at any point in their careers provide managers with the possibility to adjust their workforce more quickly in response to a changed environment. However, while these systems offer managers flexibility, they make it difficult to maintain cross-government values.”

**Sources**: Drawing on OECD 2008, 2013.
service, without having to wait for entry-level recruits to make their way up through the ranks.

Although adopting position-based systems has helped open career-based systems to lateral entry, it has also led to problems. Particularly in Afghanistan, the newly introduced position-based system conflicted with inherited public service norms and found little acceptance by public servants. Consequently, as of 2014 the new de jure rules coexisted with a public service that de facto largely continued to function as a career system. Perhaps the biggest downside of position systems is that they are more vulnerable to patronage than career systems, as experiences in Afghanistan have made clear (see chapter 4). Another problem Afghanistan has faced is that older public servants have been slow to accept new recruits, particularly since the inherited rank-in-person system closely tied career progression to seniority. Further, it has been difficult to hold new entrants accountable because of the high barriers to firing. For these reasons of institutional “drift” (see chapter 1), Afghanistan’s public service has continued to function largely as a career-based system, with the option of lateral entry.

Whereas Timor-Leste’s position-based system initially frustrated public servants due to the lack of within-grade advancement prospects, it has found acceptance in better-performing line-MDAs, such as the Ministry of Finance, which preferred the discretion that comes with the system. But as in Afghanistan it has also led to increased patronage in parts of the administration.

Interestingly, a decade after conflict, both countries have shown signs of reverting to career-based systems. Timor-Leste’s second elected government strengthened the career elements in its system in 2009, in part to motivate public servants by offering them career-advancement prospects. In Afghanistan, such a reversion has not occurred on paper, but the second Karzai administration looked to the Indian civil service for inspiration, a tradition that is strictly career based. It considered the reintroduction of career systems for key professional cadres, such as engineers, who would be recruited through entrance examinations and then advance through the ranks. In this model, the option of lateral entry would have been preserved only for managerial positions. In sum, in both cases, position-based systems were exogenously introduced by donors and endogenously removed or at least challenged, suggesting that they had gained only limited acceptance (layering and reversion; see chapter 1).

The experiences in these two countries call for caution in adopting position-based systems in postconflict countries. They suggest that development partners ought to:

- Consider lateral entry into the public service as a transitory measure rather than as a transition toward a permanent position-based system. For example, lateral entry could be permitted for a limited period of time, and then reduced or closed once first generations of new entrants grow through the ranks.
• **Minimize conflict with existing norms and values.** For example, the option of lateral entry need not preclude preserving career-based elements, such as entrance examinations for new staff and gradual career progression, based in part on seniority. Building on elements of the old system may avoid unnecessary proliferation of contradictory rule systems and can be a source of legitimacy.

• **Anticipate unintended consequences.** Position-based systems offer weaker protection against patronage than career-based systems. At least in Afghanistan, firing public servants has proven to be difficult both administratively and politically, so that introducing position-based systems has only had limited impact on flexibility in managing staff and staff performance.

**Designing Capacity-Injection Programs**

Afghanistan’s and Liberia’s capacity-injection programs have succeeded in injecting skilled staff into the administration, and in retaining them. But these programs have not been without their challenges. Evaluations have criticized them for being insufficiently targeted, sprinkling skilled staff too thinly across MDAs, in a scattershot approach. For example, the AEP filled 98 advisory positions, spread across 19 MDAs. Similarly, the 100 diaspora Liberians recruited under Liberia’s SES program were spread over 28 central MDAs, with 15 professionals deployed as county development officers to local administrations. The AEP, in particular, was criticized because the recruited advisers were “spread almost at random among dysfunctional entities,” with a significant number ending up in “awkward advisory positions” (Michailof 2006, 4) in which it was difficult for them to influence policy making.

Subsequent capacity-injection programs in Afghanistan sought to improve targeting. In particular, the CBR program, adopted in 2011, sought to target priority sectors (such as agriculture, education, finance, and health) and reform-oriented ministries by grouping MDAs in three “tiers” of eligibility with tier 1 MDAs receiving more funding than MDAs in the other two tiers. The CBR also focused on injecting skills into units that would otherwise not benefit from donor support through parallel structures, such as financial and human resource management, procurement, and policy formulation. Last, the CBR sought to fund not only managerial but also professional positions in senior grades, recognizing the need to concentrate a critical mass of skills within the respective units to improve performance.

In addition, political interference in selection decisions has been a challenge across all capacity-injection programs in Afghanistan. For each of the programs, the World Bank sought to set up competitive recruitment procedures and central recruitment units to shield them from political interference, while also ensuring some government ownership over the process. Attempts at political interference, including from the president’s office, nevertheless remained frequent. With the AEP, LEP, and its successors, the World Bank got “involved in micro managing . . . through a systematic no objections process” (Michailof 2006, 7). Given the
relatively small number of positions filled under each program, such micromanagement was feasible, if undesirable. According to one evaluation (Michailof 2006), the AEP mostly recruited capable candidates as a result.

Afghanistan’s early capacity-injection programs have also been criticized for a lack of monitoring and evaluation (M&E), necessary to demonstrate that injected staff have a positive impact on results. In response to these criticisms, the CBR program required MDAs to elaborate and submit reform plans as an eligibility condition for support. These could then serve as the basis for tracking progress. However, this has burdened the program with significant red tape, and in 2014 tangible results remained elusive.

In addition, there are sustainability concerns once donor financing ends. A decade after conflict, all capacity-injection programs in the five countries continued to be donor financed, despite attempts to absorb the staff they finance onto the government payroll. The Government of Liberia was able to absorb only a few SES. In Afghanistan, although a number of experts recruited under the Management Capacity Program (MCP) reportedly found high-level positions throughout government, for many, dependency on the program continued. The succession of capacity-injection programs has, in part, served to continue funding positions established under previous programs, to retain the staff in these positions. For example, at least 70 to 80 jobs originally funded under the MCP were intentionally migrated and “bridge financed” under the CBR program. The fact that the AEP, LEP, and MCP were filled with staff at high, individualized salaries posed an additional challenge to their mainstreaming.22

Overall, these findings suggest that capacity-injection programs can succeed in attracting competent professionals into postconflict administrations. However, the costs are high: only a few of those selected are likely to make it to influential leadership positions, with many having little impact. Yet high salaries need to be sustained over time. It is therefore important for development partners to:

- Be prepared to sustain capacity-injection program financing beyond a decade. Using well-defined and modestly high pay levels for these programs may facilitate the later mainstreaming of program participants into government employment.

- Target capacity-injection programs strategically, ensuring a critical mass of professionals in selected priority agencies and units.

- Set up recruitment mechanisms designed to protect merit, but be prepared to micromanage the selection process.

- Keep M&E light. In particular, the CBR experience suggests that it is hard to measure results of capacity-injection programs and that attempts to do so may result in unnecessary red tape. Development partners ought to avoid imposing burdensome M&E frameworks for such programs to meet their own reporting requirements. Surveying the public servants working with capacity-injection staff may help.
Pay System Evolution

Pay and Grading Reforms

Once a basic pay system is up and running after a conflict, governmentwide P&G reforms may appear as the first-best instrument for building more sustainable, rational pay systems. Past patronage and conflict have often left behind pay systems that appeared chaotic or discretionary, at least from the outside. Grade creep—that is, the appointment of public servants above their appropriate grade—was one of the symptoms, for example in Sierra Leone and South Sudan. In addition, the inherited pay structure had typically been governed by principles other than merit or “equal pay for equal work,” such as seniority (see chapter 1). Job descriptions, seen as the basis for an efficient pay structure, were typically lacking. In Afghanistan, for instance, “there were just jobs based on individuals, but not actually on job responsibilities and duties.”

To address these challenges, the reformers who proposed P&G reforms set out to build a systematic pay structure that would ensure a functional link between jobs, qualification, and pay. For example, Liberia’s Medium-Term Pay Strategy (MTPS) aimed to “enable the Government to manage compensation in a sustainable, structured and consistent manner” (Cooper-Enchia 2009, 1).

Why have P&G reform attempts so consistently failed to be adopted or implemented, except in the case of Afghanistan? The five country case studies suggest that, unsurprisingly, the major reason has been lack of political support. As Lindauer and Nunberg (1994) noted, the experience with P&G reforms in developing countries more generally has been disappointing, primarily because these lacked the political support of elites and were resisted by key stakeholders like employee unions. In fragile postconflict settings the odds are further stacked against P&G reforms, as argued earlier.

P&G reforms have typically been backed only by small, inherently weak coalitions of central agency technocrats acting as “reform champions,” along with development partners. These weak coalitions, however, have failed to mobilize broad support within the cabinet from the line-ministers. Many P&G proposals were initiated and driven by development partners, with little or no government ownership. For example, it took Afghanistan’s cabinet nearly four years to pass P&G reform (in June 2008), because, as one observer remembers, “at the most senior level, essentially the cabinet and the president, all regarded reform as a waste of time. They paid lip service to the idea, but essentially were never seriously interested in it.”

There is at least one noteworthy exception, however: Sierra Leone’s 2011 Multi-Year Public Sector Pay Reform Strategy was developed at the instigation of the financial secretary, without major external influence. One reason was that the managerial and professional ranks of the Ministry of Finance and Economic Development (MoFED) were staffed mostly with national technical assistants (TAs). Thus, the ministry’s leading staff themselves had a major stake in adopting a decompressed pay structure that would allow for the “orderly mainstreaming of this relatively small but very critical ‘missing middle’ of skilled professionals into the rest of the civil and public services” (Government of Sierra...
Beyond the MoFED, the pay strategy benefitted from broader buy-in. It was overseen by a task force headed by the secretary to the cabinet and head of the civil service. The cabinet approved it in February 2011.

Yet even this internally backed P&G reform has not been implemented. Sierra Leone’s P&G proposal failed to win IMF support, as it was deemed too costly. In addition, the government in parallel adopted ad hoc pay increases for health workers, teachers, and civil servants, which consumed the limited fiscal space for the reform.

With this exception, most P&G proposals were developed by international consulting firms, contracted under donor projects. Consulting firms have typically delivered technically motivated proposals, recommending first-best pay structures aimed at increasing pay competitiveness for critical groups and promoting greater fairness. But these proposals have often been politically and fiscally unrealistic.

Liberia’s 2009 MTPS, developed by a regional consulting firm, illustrates this lack of realism. It recommended consolidating special and general allowances into base pay and making them subject to prior central approval. This would have reversed the proliferation of discretionary allowances that President Sirleaf’s administration had institutionalized about a year before. The proposal ran squarely against line-MDAs’ vested interests in retaining discretion over allowances. In addition, abolishing the allowance system would have meant forgoing a pragmatic solution for attracting diaspora returnees despite scarce revenues.

It is possible that in considering this pay strategy, President Sirleaf’s government was revising the course it had set only a year before. But these contradictory decisions—to institutionalize allowances and to abolish them through the MTPS—more likely represent a balancing act between competing domestic and international pressures. The government probably accepted the MTPS to look good in donors’ eyes, illustrating the strength of isomorphic influences (DiMaggio and Powell 1983; Andrews 2013). At the same time, it failed to implement the strategy in order to maintain the allowance system.

Sierra Leone’s series of P&G reform proposals similarly lacked political and fiscal realism, including its 2011 Multi-Year Public Sector Pay Reform Strategy. Although developed at the initiative of the MoFED by a local consultant and former civil servants, the proposal suggested unrealistic cost-saving measures, including payroll cleanups and rightsizing, to create fiscal space for financing selected pay increases. Politically costly, these savings measures were never implemented.

P&G reforms have also lacked operational realism. They have been over-ambitious or too big to succeed, as Afghanistan’s 2008 P&G reform illustrates. For line-MDAs it was, in principle, attractive to participate in the P&G reform, as it offered significant donor-financed pay increases—and it was backed by a new public service law. It was noncompulsory, giving MDAs the choice to participate, at least in the beginning. Nevertheless, line-MDAs were initially
reluctant to implement the reforms out of fear that those public servants who were not selected for P&G positions would lose their positions.\textsuperscript{31} In practice, however, line-MDAs had significant control over the process of preparing job descriptions and reclassifying staff,\textsuperscript{32} helping to mitigate these fears. Conversely, for the central reform team, the sheer magnitude of the process—with tens of thousands of job descriptions to be prepared—implied that “those at the center of the process lost control of what on earth was going on.”\textsuperscript{33} According to the management consultant responsible for managing P&G, “this was a direct consequence of the size of the process . . . The moment [it] was extended to comprise the entire civil service, the performance criteria essentially went out of the window.”\textsuperscript{34}

Consequently, one likely cost of the “successful” implementation of P&G reform was the inability to separate performers from nonperformers or the “wheat from the chaff.”\textsuperscript{35} Most public servants today receive P&G salaries, and practically nobody was laid off. Although views differ, several stakeholders question whether the limited benefits of P&G reform justified its enormous transaction and financial costs. For example, in an informal conversation, a deputy minister of finance called into question the performance effects of the pay increase: “All we are doing is paying these people more, but they are doing the same bad job.”\textsuperscript{36} In other words, although Afghanistan’s P&G reform did get implemented, line-MDAs used their influence over the process to “reinterpret” it to such an extent (see chapter 1) that its original objectives were hardly achieved.

Experiences also suggest that reformers should carefully consider the motivational effects of pay-scale design. In Afghanistan, P&G introduced a simplified eight-grade scale. This made it easier for local job evaluators to assign real jobs to the appropriate pay categories. Simplification, however, left little room for grade differentiation. Suddenly a wide range of functions and qualifications, from chief medical officers to doctors and nurses, had to be fit into only three grades. This reportedly demotivated professional staff, particularly in the health sector, because it conflicted with established perceptions of rank differences. As has been noted, the UNTAET’s pay scale in Timor-Leste frustrated employees for similar reasons.

More generally, P&G reforms have been designed with little regard for their actual fit with public servants’ values. They have typically been based on the premise that pay should solely reflect responsibility, job complexity, intellectual demand, knowledge, skill, and so on. Such merit-based systems found little local support because they clashed with various traditional norms, such as seniority, as in Afghanistan (see chapter 4).

These findings suggest that policy makers ought to avoid P&G reforms unless there is a strong and unambiguous buy-in and ownership from a broad-based reform coalition. P&G reforms have not achieved the desired outcomes. If attempted, mobilizing a broad reform coalition should be the primary preoccupation of reformers. Support from a few central “champions” is not enough, and
buy-in from the leadership of major line-MDAs appears crucial. If development partners attempt P&G reforms against the odds, reformers ought to heed the following lessons:

- **Keep the scope of P&G reforms focused and feasible.** The more far-reaching the reforms, the less control the center will have over the process. Piloting reforms for a few critical staff groups as identified by government may be feasible although one should anticipate the risk of snowball effects on other staff groups.

- **Do not try to save first and spend later.** It is appealing to argue that inefficiencies—such as ghost workers, double-dippers, and so on—should be reduced before salaries are increased, to free up fiscal space. However, this approach has systematically failed, as seen in Liberia and Sierra Leone (see chapter 2).

- **Avoid relying primarily on international consulting firms for developing P&G proposals.** Relying on a team of experienced civil servants for developing the proposal, with the technical support of consultants, may be an alternative (but this remains untested).

- **Reflect prevailing public service values and norms in remuneration levels.** Reflecting seniority norms, ex-combatant status, or other prevailing values in pay levels—beyond qualification and job content—may increase the acceptance of new P&G systems.

- **Minimize resistance to reform by offering exit options to those public servants who lose from it and by avoiding pay cuts.** A key flaw in Afghanistan’s P&G reform was that it offered no acceptable alternative to those ineligible for P&G.

- **Beware of keeping pay scales simple.** Although simple pay sales may facilitate job classifications, this can demotivate public servants.

**Ad Hoc Pay Increases**
With the exception of Afghanistan, ad hoc pay increases have been the dominant form of pay change in the case study countries. Why? In the early days after the peace agreements, ad hoc increases helped get the pay system up and running again. At later stages, the cases suggest that ad hoc increases coincided with government changes following elections, along with growth in the fiscal space.

The fact that one-off pay increases coincide with changes in government suggests that political decision makers may use them to “buy” votes before or after elections. In Liberia, this link is clearest. In her inauguration speech of January 2006, President Sirleaf said she would “ensure that when our children say ‘papa na come,’ papa will come home joyfully with something, no matter how meager, to sustain his family.”

In Sierra Leone, the story is more nuanced. A cycle of competing pay increases was triggered by President Ernest Bai Koroma’s and former British prime
minister Tony Blair’s push for the Free Healthcare Initiative in April 2010, during the run-up to 2012’s presidential and parliamentary elections. The prospect of a surge in patients following the elimination of user fees led health workers’ unions to protest for pay increases. In response, the government drastically raised pay for nurses and doctors (by between 220 and 490 percent). It did so with financial support from development partners, in particular the U.K. Department for International Development (DFID). This raise in turn triggered claims from teachers’ and civil servants’ unions, which were hard to reject in view of the upcoming elections.

In Timor-Leste, Prime Minister Gusmão’s administration adopted a new pay scale, the Career Regime, in 2009, following the 2006 crisis and the election of May 2007. The Career Regime instituted a substantial pay increase, meant to stabilize the country after frustrations over pay and a lack of career progression had boiled over. It was also meant to render the pay system more competitive.

Ad hoc pay increases have typically been enabled by growth in the fiscal space resulting from the influx of natural resource or aid revenues. Sierra Leone’s drastic increase of health workers’ salaries would not have been possible without DFID and other donors’ dedicated budget aid. President Sirleaf’s government could finance the threefold salary increase in 2006 because of a combination of greater discipline in revenue collection and an aid influx. In Timor-Leste, the growth of oil revenues after 2006 helped finance the Career Regime and enabled the break with previous austerity policies.

The case of South Sudan perhaps most strikingly illustrates the influence of natural resource revenues on pay. After the government introduced a generous housing allowance in 2009, nearly doubling pay for most public servants, it was forced to cut these allowances in half in the 2012/13 budget because of Khartoum’s oil shutdown.

Apart from driving wage bill growth, some of these ad hoc increases have significantly altered pay compression. For example, as part of its January 2009 reform, the Timorese government not only increased wages across the board, but it explicitly sought to decompress the new Career Regime pay structure to motivate staff for career advancement and to attract professional staff. It also reintroduced within-grade career advancement. By contrast, Sierra Leone compressed the pay structure by introducing a minimum wage in 2014. Increases in Liberia (2006), Sierra Leone (2009), and South Sudan (2007, 2008, and 2010) left pay relativities largely unchanged.

In several cases, ad hoc increases for selected staff professional groups or MDAs have fragmented the pay structure and led to snowball effects of competing demands from different staff groups to increase their pay accordingly. In addition to Sierra Leone, such effects were particularly evident in Timor-Leste, illustrating the risks of opening the door to special career regimes.

In Timor-Leste, after the new Career Regime was introduced in January 2009, line-MDAs exploited a loophole in the new legislation, which led to the proliferation of “special regimes”—groups of public servants inside
line-ministries on different pay structures. These special regimes eroded the public service’s esprit de corps, increased horizontal inequity across MDAs, drove up salaries, damaged the authority of the Civil Service Commission, and increased line-ministries’ discretionary power. The special regimes proliferated as the lack of a regular centralized pay setting mechanism made it difficult to impose discipline. Their presence resulted in severe inequities among public servants doing similar jobs. By 2013, half the public servants were working under specific regimes with ad hoc salary scales and allowances. These pay discrepancies led to demands for increases across the board, driving up an already high wage bill. Similar dynamics have been observed in South Sudan, although to a lesser extent, between military and civilian pay, as well as between the central and state governments.

These findings suggest the following recommendations for development partners:

- **Accept that ad hoc pay increases are, in most countries, the dominant game in town.** They are politically attractive, often happen on short notice, and can be done with little strategic planning.

- **Keep up the policy dialogue with key decision makers on problem-focused pay adjustments.** By advocating for unrealistic P&G reform proposals, development partners risk losing credibility with government counterparts and may miss opportunities to influence ad hoc adjustments. Staying engaged with politically and fiscally pragmatic proposals may give development partners a stronger voice when ad hoc increases are on the table.

- **Seek to anticipate and influence ad hoc increases.** Election periods, public strikes and protests, and increases of natural resource revenues can all be useful predictors of ad hoc pay increases.

- **Anticipate the potential unintended consequences of financing salaries for specific staff groups.** Selective financing of salaries can easily snowball into pay increases for other staff groups, threatening fiscal sustainability, especially when strong unions are present.

**Asymmetric Pay Reforms: The Afghanistan Exception**

In light of the problems with systematic P&G reforms, and given development partners’ limited influence over ad hoc pay increases, what options are left? Asymmetric reforms that target selected agencies may appear as a promising solution. A number of precedents for such reforms exist, albeit with mixed results, including in Cambodia (Nunberg and Taliercio 2012), Tanzania, and Indonesia (World Bank 2014). As the only country studied in which several waves of asymmetric pay reforms were attempted and implemented, Afghanistan offers lessons for implementing these reforms in other countries. 

Afghanistan likely is an outlier for several reasons. The team of reformers that designed the first asymmetric reform in 2003, the PRR, considered an
asymmetric approach to be the only feasible option. It argued that in a context of limited resources, and in a situation where the center of government lacked the authority over ministries to push through any more-systematic reform, a “heroic” (Hakimi et al. 2004) departure from standard approaches was needed. The idea was to focus on restructuring and improving pay in selected priority units that demonstrated willingness to reform. World Bank influence and PRR financing through the ARTF helped the reformers put their ideas into action. In addition, a rapid influx of aid fueled donor competition for scarce skills and drove up outside salaries. This put pressure on public service salaries to keep pace if the government wanted to retain and attract skilled professionals. The PRR then set a precedent for the subsequent waves of asymmetric reform, in particular the CBR in 2011.

The two major waves of asymmetric reform sought to solve different problems at different times. The PRR was an interim measure in the early reconstruction phase aimed at enabling a few essential government units to reform and to pay their staff reasonably competitive salaries. The CBR, launched in 2011, targeted a relatively small group of managerial and professional staff in the higher echelons. It sought to attract qualified staff who were currently working in parallel structures into government employment in the context of the withdrawal of U.S. troops. It initially targeted a relatively small group of about 2,500 managerial and professional staff in the higher echelons.

Overall, PRR and CBR results suggest that asymmetric reforms were far from a panacea. Certainly, the significant financial incentives at play helped implementation, but both reforms struggled with similar obstacles. MDAs have shown limited reform buy-in. Capacity constraints of both central agents and line-MDAs slowed reform implementation, and the selection of public servants for higher pay provoked intense contestation.

Consequently, PRR yielded heterogeneous results, with wide variation across agencies. In a few reformist agencies, it helped inject fresh blood into the administration, although it also created tensions between old seniority and the new merit-based norms. In other cases, the same public servants may simply have been retained, producing little change. As one interviewee notes about the PRR, “People were saying [that] it stands for the ‘Process of Re-Recruitment.’ So the same people were recruited again for the same job.”

CBR suffered from major implementation delays for three years (2012–15) and was subsequently downscaled and restructured in April 2016. This helped significantly accelerate implementation, and by August 2017, over one-third of envisaged CBR positions had been filled. CBR recruits were paid on a harmonized pay scale that equally applied to World Bank–financed national TA, a key step toward integrating TA into the public service.

The experiences with the PRR and CBR suggest that addressing two separate selection problems is central to asymmetric reform: selecting which agencies will participate, and selecting which public servants will receive higher pay.

Both the PRR and CBR required agencies to apply for the funding of positions. Agencies would then be selected based on a standardized process and
eligibility criteria. However, both reform initiatives struggled with vesting the selection process with political authority. Under the PRR, a so-called Ministerial Advisory Committee on Administrative Reform (MAC) was created. The MAC served to “provide an important degree of political legitimacy for the difficult [selection] choices that must inevitably be made” (Hakimi et al. 2004, 9). It comprised reform-oriented ministers, who were to oversee the selection process managed by the Independent Administrative Reform and Civil Service Commission (IARCSC). This worked reasonably well until the 2005 election, after which several MAC ministers were dismissed and the MAC was dissolved. This substantially weakened the IARCSC’s authority to implement the PRR. The CBR was launched in a challenging political context and was overseen by a politically weaker Steering Committee.49 This situation changed after the election of President Ashraf Ghani in 2014, who provided CBR with his personal backing and decided to run it directly from the Office of the President.

Choosing the eligibility criteria for agencies50 became one of the most difficult challenges for both the PRR and the CBR. The goal was to prioritize the most important and reform-oriented agencies without alienating those not selected. For CBR, MDAs were initially required to submit results frameworks with their applications, laying out what they would achieve with the new staff.51 This served in part to satisfy World Bank internal pressures to demonstrate results.

The challenges involved in applying these criteria make it clear that relying on a sophisticated set of criteria does not necessarily lead to better, fairer choices. Rather, it can lead to excessive red tape and provoke contestation, thereby slowing selection decisions. For instance, in the case of the PRR, MDA applications did not necessarily represent credible signals of reform intent because TAs and the IARCSC often helped prepare these applications. In the case of CBR, hard-to-measure criteria and an inevitably political decision-making process resulted in debates and delays in the MDA selection decisions. In addition, measuring results against predetermined objectives has been difficult, and it may simply be unrealistic to expect tangible results in the short run. Consequently, following the election of President Ghani, it was decided to simplify the CBR selection process through an up-front high-level decision that identified 13 priority MDAs eligible for support. This was critical to accelerating implementation.

Individual selection decisions for PRR- and CBR-funded positions have been heavily contested and subject to political interference, due to attractive pay packages. The PRR experience suggests that whether or not the most qualified candidates were selected for PRR positions largely depended on the commitment of the respective MDAs’ leadership. Separating performers from nonperformers worked in only a few select MDAs: “If there was a leadership with strong commitment and clear vision in place they have used reform as a strong tool to achieve their target.”52 In the case of the CBR, as has been noted, the World Bank team had to micromanage selections to ensure that candidates met minimal qualification standards.
The PRR eligibility criteria also generated tensions between the old generation of public servants and the new recruits. Older public servants had difficulty in meeting the prerequisites for recruitment to PRR positions, because, for example, they lacked sufficient computer and English skills. Some observers suggest that a bias toward young public servants actually harmed performance: “Many of the experienced civil servants lost their job because they didn’t know English and they didn’t know the computer. And then school graduates came and got those positions. So somehow we did not only fail to improve the quality [of staff], we even made it worse.”

The PRR experience also highlights the difficulty of setting attractive pay levels in a dynamic environment characterized by a high influx of aid. One official in Afghanistan’s Ministry of Public Health described this dynamic in vivid terms: “The first time PRR was introduced it was a hope, it was really great hope.” Intending to recruit new and capable staff, he suggested a cut in the number of employees in his unit, from 33 to 15, as part of the ministry’s PRR proposal. “What happened? It took [such a] long time and then in terms of inflation and in terms of the market, the salary offered to the staff was not attractive anymore. . . . So . . . I had to [re]recruit the same people.”

Asymmetric reforms, like ad hoc increases, run the risk of being generalized to other staff groups. Originally designed to target individual units within ministries, the PRR created intraministerial inequities and pressures to give all units access. Consequently, only about a year after its adoption, the PRR was changed to a “whole-of-ministry” program. The PRR set the path for the later P&G reform, which generalized pay increases across the administration to a level only slightly below PRR levels.

Overall, Afghanistan’s experience suggests that asymmetric reforms can succeed in injecting skills in a few “islands of performance” in the presence of committed leadership, but they risk merely increasing pay for the same old staff in many other agencies. When it comes to selecting agencies and individual public servants for inclusion, the devil is in the details. With due caution in generalizing from a single and unique context, the Afghan experience suggests that in designing asymmetric reforms, development partners ought to:

- Consider selecting target agencies top-down, if possible. If it is possible to reach a political decision on the selected target agencies, this can help avoid the red tape involved in an application-based selection process.

- Avoid burdening the agency-selection process with elaborate results frameworks and commitments. Capacity gains from asymmetric pay reforms are inherently hard to measure, and overambitious results frameworks may do more harm than good, by imposing red tape.

- Consider using a tit-for-tat process for screening agencies, rather than a one-off selection. A tit-for-tat process could tie the number of funded PRR positions to achieving reform milestones and hence reward MDAs for implementation.
Such a strategy may be better suited to reveal reform-oriented MDAs over time, rather than an up-front, one-off, and transaction-intense screening process that relies on mere reform plans.

- Make line-MDAs the primary implementing agents of asymmetric reforms, with central agencies playing only a facilitative role. Project implementation arrangements for asymmetric reforms should be designed with a focus on supporting line-MDAs.

- Accept that selecting only well-performing and well-qualified public servants into asymmetric pay regimes will work in only a few select MDAs with committed leadership.

- Handle the “generational divide” between older and younger public servants fairly. Eligibility criteria should seek to balance the need to inject fresh blood with long-standing seniority norms. Training opportunities should be provided that enable motivated older public servants to acquire the skills they need for benefitting from asymmetric pay regimes.

- Consider allowing space for patronage in asymmetric reform schemes. Speculatively, asymmetric reforms could finance both merit-based positions and such that are explicitly open for political appointments. The latter set of positions could help divert political interference from the former positions and soften the conflict between merit and patronage in each single appointment.

- Assess generalization risks. Selectively targeted pay reforms can easily spin out of control, due to generalization pressures, as PRR’s rapid change to a “whole-of-ministry” program highlights.

- Realistically anticipate the skill supply in the market and salary evolutions in the context of a rapid influx of aid.

**Emergence of Pay Elites**

All five case study countries developed small groups of pay elites. Islands of high pay served both to attract skilled staff at competitive salary levels and to accommodate political clients. The countries differed in how these islands interfaced with the core civil service, however. In Sierra Leone, they remained relatively separate, located mostly in semiautonomous agencies with distinct pay scales, such as the roads or revenue authority. A relatively small number of political appointees were positioned in a few civil service MDAs, in particular in the presidency.

In other countries pay elites were more horizontally distributed across MDAs. In Timor-Leste, international and national consultants hired on professional service budget lines work alongside public servants across different ministries, although they have a distinct employment status as contractual staff. In Liberia, allowances have blurred the line between public servants and contractual staff, with many public servants receiving major supplements to their pay. Similarly, in South Sudan, informal payments are common within the public service.
What explains the different distributions? Varying administrative legacies have likely played a role. In Sierra Leone, the British civil service tradition made it harder for political leaders to interfere in the core civil service. This may have been one reason why the government established numerous semiautonomous agencies after the conflict. In Liberia, by contrast, which is modeled on the American system of government, it was easy to appoint outsiders deep within the administration. In Timor-Leste, the major role that international and national TAs played in UNTAET set the precedent for the later reliance on consultants across MDAs.

The distribution of power within the governing coalition may also have influenced the distribution of pay elites. In Sierra Leone, a strong president with a relatively homogenous governing coalition may have made it politically feasible to concentrate lucrative posts for rewarding loyalists in a few agencies, rather than distributing them across different MDAs dominated by different factions. By contrast, in Liberia, the president had weaker control over a more fragmented cabinet, possibly having to delegate discretion over high-pay appointments to each minister as part of the political bargain. In South Sudan, weak expenditure controls made it easy to issue informal extra payments, possibly explaining why no distinct schemes emerged.57

The experiences from the case study countries suggest that pay elites are hard or impossible to rein in, once the “genie is out of the bottle.” Vested interests form and precedents are established. The expenditure shares used to finance elite pay schemes have, if anything, grown over time. In Sierra Leone, for example, the share of salary grants in total wage expenditures for general government grew more than sevenfold between 2008 and 2014 (see chapter 2). But their negative side effects on the core civil service have varied, depending on how woven into the civil service they are. In Sierra Leone, vertical separation permitted the retaining of a relatively rule-bound system for the core civil service. In Liberia, by contrast, the proliferation of allowances has practically destroyed any centrally governed system, with total individualization of pay. Reestablishing a cohesive system appears much harder in this case.

Donors have mostly been onlookers in the creation of these pay elites, or have only indirectly influenced them. In Sierra Leone, donors supported the creation of some semiautonomous agencies, such as the Revenue Authority. In Liberia, donor financing of salary supplements for health workers in U.S. dollars created the precedent for the allowance system. These allowances, in part, enabled the Ministry of Health to employ nurses and doctors who had previously worked for NGOs. Once introduced, however, allowances spiraled out of control and were used with vast discretion. In Timor-Leste, a widespread reliance on TAs in the administration set a precedent for contractual staff. Although it seems unlikely that donors can do much about these pay elites, they could try to contain negative spillovers on the overall pay system by advising governments to establish a distinct cadre of highly paid political appointees, above and outside the public service system. Although there is no precedent for this, such a strategy could potentially prevent elite pay systems from spilling over into the mainstream public service, as in Liberia.
Conclusion: Pay Strategies

Formulating first-best pay policies for postconflict countries could be straightforward: focus scarce resources on the missing middle, and make sure not to pay large numbers of public employees more than the government can afford. If postconflict political leaders were benevolent dictators, had long time horizons, and faced no threat of resurging violence, they might adopt such pay policies. But postconflict leaders do not have these luxuries. As this chapter has highlighted, they have most often raised pay to reward constituents and loyalists—whether teachers’ unions, ex-combatants, or campaign supporters—and often to buy assurance against a resurgence of unrest (at least in the public service). Long-term affordability or performance considerations have played a subordinate role at best. Handling pay in this way is rational for political leaders who are trying to stay in power and prevent violence. So how can development partners navigate such adverse contexts in view of rebuilding public service capability and keeping the wage bill at an affordable level?

Three themes emerge from this chapter’s findings. First, development partners ought to be pragmatic. They ought to accept the limits of their influence over pay systems. Their primary responsibility is to get initial pay-setting decisions—their “early shots in the dark”—as right as possible. Unless development partners directly finance salaries, as in Afghanistan and Sierra Leone, their influence over subsequent changes is limited. They can probably maximize their impact by seeking to influence politically motivated ad hoc pay increases at the margin, rather than pursuing unrealistic P&G reforms.

Second, anticipating path dependencies is essential in setting pay. Early mistakes, such as Timor-Leste’s UNTAET pay scale, can lock countries into suboptimal and fiscally unsustainable pay systems over many years. Similarly, increases for selected staff groups, such as nurses and doctors in Sierra Leone, can trigger competing pay claims from others. Once the door is open to discretion, it may be hard to close it again, as in Liberia, where the allowance system spiraled out of control. Not least, short-term fixes can leave behind costly long-term legacies. Overly simplistic pay scales have demotivated public servants, and position-based systems have facilitated patronage. Since pay tends to only go up, not down, anticipating these path dependencies is particularly important for keeping the wage bill in check.

Third, public servants may more easily accept new pay systems if they reflect inherited norms and values. Pay can express valuation for many aspects of public servants’ identity, capability, and past and present work. Job evaluations, however, typically focus only on a subset of these (qualification, performance, and so on), reflecting merit norms. These imported values have not only clashed with the political need for patronage, but they have also conflicted with prevailing norms such as seniority, personal loyalty, or the recognition of former fighters.

As a result, merit processes may merely be respected as a thin, pro forma veil. Underneath the surface, however, inherited norms often continue to dominate (“layering”; see chapter 1). Seeking to respect and connect with prevailing norms
in designing pay systems may earn them greater acceptance. Specifically, respecting seniority norms and carefully managing the divide between an older generation of public servants and new entrants can help both groups feel respected for their contribution and work.

**Pay in the Immediate Postconflict Period**

Immediately after a conflict, development partners typically confront a range of pay-related questions. They may be called upon to advise on salary levels and pay scales, finance salaries, design capacity-injection programs, and/or set pay levels in parallel project structures. This chapter has shown that pay options and strategies in the early days depend strongly on context, but a few principles for development partners emerge:

- **Seize the limited window of opportunity for influencing pay decisions under transitional administrations, but with a long-term perspective.** Despite short-term agendas, attention to long-term implications is essential in making these decisions.

- **Err on the side of setting pay too low rather than too high when making initial decisions.** This will help governments avoid embarking on an unsustainable fiscal path. If, as in Afghanistan, development partners decide to finance salaries, they ought to be prepared for long-term dependencies.

- **Consider capacity-injection programs as a potential way of creating a generation of competent leaders, but expect to pay salaries in the long run.** Capacity-injection programs can be the point of entry for competent future leaders, but they are costly and entail long-term dependency.

**Injecting Skilled Professionals into the Missing Middle**

Once a basic pay system is in place, finding ways of injecting skill into the missing middle of the public service becomes a central concern. To this end, some governments have decompressed pay structures, adopted selective ad hoc pay increases, or created small groups of pay elites. Development partners have specifically targeted the missing middle with three instruments: (1) asymmetric reforms, (2) SES-type capacity-injection schemes, and (3) parallel project structures (see chapter 5).

This raises the question of how to choose the right mix of instruments. All three can be part of a donor-supported strategy for filling the missing middle. They are complements, not substitutes, because they target different staff groups and numbers. All three involve sustainability risks, and all rely on donor financing of salaries. With few exceptions, the utilization of these instruments has resulted in ongoing dependency to the present day.

All three instruments also confront a central trade-off between selecting qualified performers and ensuring their acceptance and integration into the administration. Candidates have to be both qualified and accepted to perform sustainably—but achieving both can be hard. If the choice is theirs, ministers and
agency heads may offer elite positions to their loyalists instead of to qualified candidates. If they do not get to choose, they may sideline qualified recruits and give them no real power or authority. The issue of who selects applicants, and how, is therefore central to all capacity-injection programs, and contestation over this control poses a major challenge.

Figure 3.5 illustrates how the three types of capacity-injection schemes handle the trade-off between qualifications and integration. TAs working in parallel structures are often selected under close donor oversight and are thus well qualified, but they often remain poorly integrated into the main administration. Asymmetric reforms, by contrast, may fail to select qualified staff—as the “re-recruitment” problem seen in Afghanistan’s PRR suggests—but they can ensure a high degree of integration.

What is the best way to handle this trade-off, in view of maximizing the impact of these schemes? Although there is no easy or single answer, for asymmetric reforms and SES-type programs the case study findings suggest that the trade-off can be managed by opportunistically targeting MDAs with reform-oriented leaders. Such leaders are more likely to select and accept qualified candidates than MDAs whose leaders use their power to reward clients. In addition, conflicts around appointments might be less pronounced if capacity-injection schemes target a well-delineated set of (mid-level) positions, and leave space for political appointments.

Given this inherent trade-off, carefully designing agency-selection mechanisms is essential. Several programs reviewed in this study have financed

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**Figure 3.5 The Acceptance versus Qualification Trade-Off in Capacity-Injection Schemes**

- **Asymmetric reforms**
- **SES-type capacity-injection schemes**
- **Parallel structures**

Note: SES = senior executive service.
positions scattered across too many agencies, have used cumbersome selection processes, or have mostly failed to separate the performers from the nonperformers. Agency-selection processes can be simplified by relying on top-down political choices of benefactor agencies when possible. Where agency-screening mechanisms are inevitable, development partners ought to keep them simple and avoid unnecessary red tape. Rewarding agencies with positions in return for tangible implementation progress can serve as a tit-for-tat strategy for concentrating support on reform-minded agencies.

The selection of individuals can be improved in a number of ways. First, limiting the number of positions can make it easier to oversee individual selection processes. Enforcing “minimal qualification standards” (e.g., “a doctor needs a medical degree”) may be more effective than attempting to select the best candidates. Perhaps the biggest question is whether development partners should seek to rely on central agencies for selections. As Afghanistan’s experience highlights, central agencies might simply average out patronage across line-MDAs. They may be unable to hinder patronage-mongering MDAs from picking poor performers, and reform-oriented MDAs might pick better candidates themselves.

**Consolidating Sustainable Pay Systems**

How can development partners help build affordable pay systems suited to attract and retain qualified staff? Overall, the findings suggest a surprising answer. Development partners ought to focus on influencing ad hoc government pay decisions and on setting pay for TAs in parallel structures, rather than on system building.

Development partners may have to relinquish the goal of coherent, orderly pay systems. Systematic P&G reforms have mostly failed in the five countries. Rather, pay systems have become more fragmented and differentiated postconflict. Diverse forms of pay elites and contractual staff have emerged. The near total individualization of pay in Liberia epitomizes this trend. Such fragmentation can be considered a glass half full, not half empty. Selectively paying a few employees more can be a way of buying off political spoilers, with expected benefits for stability. And it can help create islands of performance in the administration.

Development partners should beware, however, of declaring asymmetric reforms as a panacea. The different waves of asymmetric reform in Afghanistan were aid-financed and would probably not have been implemented without it. When targeting a manageable number of individuals (as in the case of the PRR and CBR), these reforms at least partly paid off, creating a few islands of success. However, when addressing large numbers of workers, the center runs the risk of losing control of reforms, as was made clear by Afghanistan’s 2008 P&G. When considering asymmetric approaches, policy makers ought to carefully study Afghanistan’s experience.

Donors can attempt to influence governmental ad hoc pay decisions, recognizing that these decisions shape the bulk of pay changes. Although there are few
precedents for this (the Career Regime in Timor-Leste may be one), donors may be able to influence ad hoc pay decisions if they can win the ear and trust of decision makers.

Undoubtedly, parallel structures have strongly influenced government pay systems by undermining the competitiveness of government pay. Even if donors do not manage to collectively agree to pay TAs less, leading donor agencies could seek to set an example and internally enforce some discipline to keep pay modest and consistent, setting pay levels in a way that facilitates later mainstreaming of TAs into the administration.

Notes
1. Authors’ interview with a former civil servant, Liberia, 2013.
2. First, politicians need to account for the uncertainty that better pay may or may not translate into better services. Second, as these benefits are indirect and long term, they may simply come too late to be attractive. The shorter a politician’s time horizon, the less attractive these incentives.
3. Pay differentiation refers to the introduction of pay differences within and across government MDAs for civil servants doing the same job (based on World Bank 2014, v). In the Organisation for Economic Co-operation and Development (OECD) countries, the main argument for differentiation is to enable agencies to compete within differentiated labor markets. This rationale does not apply to postconflict countries with a typically weak formal private sector. Besides the objectives set out in this chapter, differentiation in the form of “hardship allowances” serve to attract qualified staff to locations entailing particular hardship, such as doctors and nurses to rural areas.
4. Uniform salary schedules were introduced in Western bureaucracies in the 19th and early 20th centuries precisely to combat problems of patronage and corruption (Odden and Kelley 2002).
5. Because salaries were frequently documented and partially paid in U.S. dollars in Liberia, nominal values are reported here.
6. Pay compression measures the ratio between the remuneration packages of the highest- and lowest-paid employees in an administration, say, between senior managers and clerical workers. If this ratio is small (or pay is “compressed”), for example, if managers earn only two or three times more than clerical workers, this can indicate that the pay system is inefficient. Managers and professionals may be paid too little to attract skilled staff, whereas clerical workers may be overpaid compared with the private sector. However, compression ratios are fraught with definitional problems (which staff groups and remuneration elements are being compared?). They should be considered as a summary statistic that cannot substitute for a differentiated benchmarking of public and private sector salaries across different professional groups (see McCourt 2014).
7. Position-based systems are defined in opposition to traditional career-based systems. Following the OECD’s definition of both terms, a “career-based system is characterized by competitive selection early in public servants’ careers with higher-level posts open to public servants only.” In contrast, in a position-based system, “candidates apply directly to a specific post and most posts are open to both internal and external
applicants” (http://www.oecd.org/gov/pem/acquiringcapacity.htm). See box 3.1 for a more detailed definition.

8. Such programs were adopted only where political leaders had a positive attitude toward diaspora returnees. Whereas, for example, in Liberia President Sirleaf’s first cabinet itself comprised several diaspora returnees, in South Sudan President John Garang’s cabinet comprised mostly former fighters, who had little respect for those who had fled to the diaspora rather than remaining to fight. Accordingly, diaspora returnees played an important role in the Liberian, but not in the South Sudanese, administration.

9. For clarity of presentation, figure 3.3 focuses on professional staff only.

10. Remarkably, in particular in Liberia (2009) and Sierra Leone (2011), failed P&G reform attempts coincided with the implementation of other types of pay changes that consumed fiscal space and undermined P&G reform prospects. As figure 3.3 shows, in Liberia, discretionary allowances proliferated at the same time as the cabinet adopted the Medium-Term Pay Strategy (MTPS). Similarly, in Sierra Leone, a series of ad hoc pay increases occurred around the same time as the 2011 P&G reforms were adopted.

11. In Liberia and Sierra Leone and, to a lesser extent, in Timor-Leste, these one-off pay adjustments have been so large that they multiplied monetary compensation packages (see figure 3.3).

12. A “snowball effect” refers to “a situation in which something increases in size or importance at a faster and faster rate” (http://dictionary.cambridge.org/us/dictionary/british/a-snowball-effect).

13. For example, in Timor-Leste in 2015 the expenditures for consultants hired on the “professional services” budget lines amounted to 36 percent of total salary expenditures. In Sierra Leone in 2014, the budget allocation for semiautonomous agencies equaled 71 percent of the core civil service wage bill. In Liberia, the budget allocated to allowance budget lines equaled 30 percent of the public service payroll, part of which was used for highly paid individuals. In South Sudan, observers note that large informal sums are paid to public servants at the respective ministers’ discretion from nonsalary budget lines. Afghanistan is to some extent an exception in that its pay system has remained relatively homogenous.

14. These elites have taken different forms in different countries, ranging from the recruitment of consultants from “professional services” budget lines in Timor-Leste to the creation of semiautonomous agencies as “high-pay islands” outside the core civil service in Sierra Leone. In Liberia, as in no other country, discretionary allowances have proliferated and line-MDAs can use them at their discretion.

15. Decompression here refers only to regular public service base pay and allowances (i.e., not pay elites).

16. In comparing public and private pay, pay competitiveness is not the only barrier to the movement of professional staff between the core civil service and formal private firms. Interviewees cite differences in work culture and performance ethics as major barriers, limiting staff movement and possibly resulting in largely parallel labor markets.

17. The study finds that “civil service wages are generally competitive with private sector wages, particularly for junior professional and administrative staff.”

18. The so-called “second civil service” refers to technical assistants working in parallel structures on project-financed salaries, supporting core civil servants.
19. Other early decisions that influenced pay are not discussed here. These include, in particular, wage bill ceilings (in Sierra Leone and Timor-Leste) and salary financing (in Afghanistan and Timor-Leste). The repercussions of these decisions are discussed in chapter 2.

20. Regarding the AEP, for example, selections were to be overseen by the Ministerial Advisory Committee on Administrative Reform (MAC), a high-level interministerial steering body comprising reform-oriented ministers. It was later replaced by an executive committee comprising six AEP candidates. Only the CBR relied on the Independent Administrative Reform and Civil Service Commission’s (IARCSC’s) Appointments Board for recruitment, the unit within IARCSC formally responsible for civil service recruitments, whereas all predecessor programs sidestepped it.

21. At least in the case of the AEP, such interference reached such an extent that it was seen to risk “tarnishing the global credibility of the program” (Michailof 2006, 5).

22. The CBR is the only program that used a well-defined pay scale to facilitate later absorption.


24. This is, to varying degrees, true for Sierra Leone’s first P&G reforms in 2004 and 2007, for P&G suggestions made to the first elected Timorese government between 2004 and 2006, for Liberia’s 2009 MTPS, and for Afghanistan’s 2008 P&G reforms (see figure 3.3).


26. The financial secretary is the highest-ranked civil servant in the Ministry of Finance and Economic Development (MoFED).


28. It is not clear whether the MTPS has ever been formally adopted by Liberia’s cabinet.

29. It assumed “payroll cleanup,” “rightsizing the civil service through retirement of employees who are due for retirement,” and “a temporary freeze on pay increases [. . . in] (quasi-autonomous) institutions” as “enabling conditions” for pay reform (Government of Sierra Leone 2011, 19).

30. P&G implementation was supported with significant budget aid through the recurrent ARTF window.

31. P&G involved a functional review of line-MDAs, which provided the basis for defining P&G positions. Public servants working in the respective units at the time did not risk losing their jobs altogether, but could have been reassigned to other MDAs.

32. Line-MDA Reform Implementation Management Units (RIMUs) were supposed to work with P&G teams from the IARCSC.

33. Authors’ interview with an international TA involved in implementing P&G reform in Afghanistan, 2015.

34. Authors’ interview with an international TA involved in implementing P&G reform in Afghanistan, 2015.
35. The idiom “to separate the wheat from the chaff” means to sort the valuable from the worthless. It alludes to the ancient practice of winnowing grain (American Heritage Dictionary of Idioms).


37. The main challenge to this argument is that public servants represent only a small fraction of the population (between 1 and 3 percent) in the case study countries, limiting their weight as voters. However, public servants tend to have more political weight as a constituency than their number suggests, for several reasons. First, they are often the largest group of employees with formal jobs in the economy, such that other family members likely depend on their incomes. Second, placating public servants can be essential to prevent strikes and disruption of service delivery, which might disgruntle larger parts of the electorate. Outside the context of elections, and even if service delivery is not a political priority, politicians depend on public servants for rent extraction and thus need to ensure their loyalty.


39. It is unclear whether the introduction of the Career Regime in Timor-Leste should be classified as an ad hoc increase or as a systematic P&G reform. Clearly, the Career Regime did more than increase and decompress pay levels. It introduced within-grade advancement and strengthened the career-based system elements. Nevertheless, the Career Regime is here discussed as an ad hoc increase, as it lacked the hallmark of P&G reforms, which involve a systematic reevaluation of pay relativities between different jobs, based on job classifications and evaluations.

40. Although Liberia did not receive budget support immediately, international readiness to support the Sirleaf government multiplied official development assistance (ODA)/aid flows more than sevenfold after 2006, possibly facilitating salary increases.

41. Afghanistan is the only country of the five case studies to not see major ad hoc increases for the core civil service after 2004 (there were ad hoc increases for the military and police). This is likely due to the strong influence that the World Bank and other donors exerted over pay issues. Afghanistan’s pay trajectory after 2003 was dominated by a series of asymmetric reforms.

42. To this end, the government decompressed the inherited UNTAET pay scale from 4.24 to 7.4, moving it closer to international benchmarks.

43. As a World Bank report of 2011 highlighted, “the special regimes [were] not used in the way they were intended: to remunerate professional skill classes such as economists or engineers. Instead, they [were] being used to secure across the board wage increases for civil servants. . . . These special regimes threaten to fracture the Timor-Leste civil service into a series of discrete services with harmful consequences” (World Bank 2011b, v).

44. Civil servants in some line-ministries received median monthly salaries that were 60 to 70 percent higher than in other MDAs.

45. The team comprised a few senior government officials, World Bank staff, and consultants.

46. Although P&G was nonmandatory and rolled out sequentially to different MDAs, it was ultimately intended to cover the entire public service, in contrast to the PRR and CBR.
Launched about six years after the 2001 Bonn Agreement, the 2008 P&G reform was designed as a larger-scale effort to gradually renew the entire Afghan public service by improving pay and organizational structures.


The Steering Committee included the minister of finance and the IARCSC chair.

Eligibility criteria have comprised measures of: (1) strategic relevance, (2) postperformance and capability, (3) clarity of vision and technical proposals for reform, and (4) results commitments.

The original CBR application form required MDAs to set out baseline values and five-year targets for “financial management” (including budget execution rates), “human resources management,” and “service delivery results” (World Bank 2011a). MDAs had to commit to achieve these with the help of the CBR.

Authors’ interview with a senior official, IARCSC, Government of Afghanistan, 2013.


In this vein, a World Bank staff member involved in designing the reforms notes in hindsight that: “Donors that support civil service management could design their projects so that IARCSC’s role is more of a facilitator than project implementer. This will not only reduce strain on an already overloaded IARCSC, it will allow line ministries to take control of their own human and financial management functions” (World Bank 2008, xvi).

The weight of each of the two objectives varies by country and even by agency. For example, President Sirleaf’s government institutionalized the allowances in part to encourage qualified Liberians from the regional and international diaspora to return. However, they were also used for patronage purposes. Sierra Leone’s semiautonomous agencies were established to improve government performance in priority functions, such as the Central Bank and the Revenue Authority. However, they too have had to accommodate political clients. Timor-Leste’s government had to compete for professionals in a high-paying donor environment. Following the 2006 crisis, the growth of professional services budgets was further fueled by oil revenues and service delivery pressures.

Afghanistan is possibly the most surprising case. Despite a highly fragmented coalition, in which some ministers considered their MDAs as personal “chiefdoms,” it is hard to point to an equivalent form of government-created pay elites, with the exception of a number of political appointees made by ministerial delegation. This may be due to a combination of strong central establishment control, high aid dependency (donor financing of the wage bill), and high informal rents.

As this chapter has shown, SES-type schemes have typically targeted a small number (~100) of senior positions, sometimes explicitly those that would otherwise not benefit from project support. Asymmetric reforms, like PRR, can target much larger numbers of staff (several thousand). Parallel structures support very specific government functions with TAs.
59. One exception is the absorption of national TAs in Sierra Leone (see appendix C).

60. Figure 3.5 provides a stylized comparison of how professionals injected to the missing middle might perform under each of the three instruments, informed by the findings from this chapter. Specific interventions can of course deviate from this schematic. For example, parallel structure TAs can be well integrated, or well-qualified staff can be recruited through asymmetric reforms.

61. Parallel project structures largely avoid this selection problem at the beginning, but it can become a problem for them later on. TAs working on projects are typically recruited in a specific MDA for a specific purpose, requiring little justification as to why other MDAs may be excluded. Donor oversight can ensure that they are well qualified. However, reliance on projects only delays the integration/acceptance problem to the point of attempting to mainstream parallel structures. At that point, TAs may lose their jobs, because patronage dynamics kick in. Chapter 5 will discuss further how parallel structures can be designed to enhance their chances of being mainstreamed into the administration.

62. However, such targeting may come at the price of not supporting strategically important MDAs with poor leadership.

**Bibliography**


CHAPTER 4

Public Service Management Bodies

Introduction

In most postconflict settings, looking to central public service bodies for management solutions may be analogous to the “drunkard’s search” (Kaplan 1964). In this well-known parable, a drunk fellow searches for his car keys underneath a streetlamp, not because he lost them there but because that is where the light is brightest. Similarly, expecting that central agencies will be able to (1) rein in the number of public employees, (2) ensure that their appointment is based on merit, and (3) drive governmentwide reforms may be a case of seeking solutions where development partners are inclined to search, but not where they can actually be found.

The conditions for central control of public jobs in postconflict settings are less than favorable. Their historical models in the Organisation for Economic Co-operation and Development (OECD) and other countries only emerged with the backing of influential reform coalitions. For example, the United States’ 1883 Pendleton Act—which established merit as the basis for government appointments—was backed by a middle-class coalition that had grown frustrated with widespread patronage, and politicians responded to these electoral pressures. According to Knott and Miller (1987), the coalition backing these reforms comprised, among others, farmers, small and urban merchants, middle-class taxpayers, and urban social reformers—in part because small businesses felt that patronage favored big business and because those in the growing middle class felt “pushed out of politics” (Horn 1995).

By contrast, in the five postconflict case study countries, broader reform coalitions in favor of merit have mostly been absent, perhaps with the exception of Timor-Leste after its 2006 crisis. Political leaders have retained discretion over public jobs as a way of handing out “spoils”—to stabilize a fragile governing coalition of formerly warring factions, to prevent resurging conflict, and to survive in office. Central public service bodies that effectively oversee public service appointments would thus emerge against the odds.

Despite modest expectations regarding the role that central bodies can play, there are three main reasons for including a chapter on their involvement.
First, development partners are likely to continue searching under this particular streetlamp. They have been looking, and will continue to look, to central public service bodies for solutions in an isomorphic (Andrews 2013) logic. For example, donors have transplanted public service commissions (PSCs) to post-conflict settings in the hope that they might “tie politicians’ hands” (see chapter 1) in a similar way as they have in the OECD countries. This chapter documents how and why these attempts have failed. If there is little to be found under the streetlamp, it is useful to be clear about why that is.

Second, a decade after conflict, the reality is not as sobering as one might expect. True, most central public service bodies have gained disappointingly little influence over public service management, falling short of their mandates. Several lack the political authority, personnel, or money to influence who gets public jobs. But there are a few exceptions. For example, Timor-Leste’s Civil Service Commission (CSC) is recognized for protecting merit in public service recruitments. Afghanistan’s powerful Tashkeelat, under the Office of the President, has historically controlled the establishment effectively and continues to do so. Not least, several ministries of finance have become the primary agency in charge for containing the wage bill and ensuring payroll integrity, building on successful verification exercises, as documented in chapter 2.

And third, slightly over a decade after conflict, it is simply too early to tell whether the central bodies will ultimately have an impact. As Grindle (2010, 1) notes, after the passage of the Pendleton Act in the United States “the old patronage system yielded only slowly to the reformers. Indeed, it was not until the 1930s that the CSC could claim extensive incorporation of the federal public service in the ‘new’ system.” If it took half a century for meritocratic reforms to be implemented in the United States, one should not expect big “victories” in Liberia or Sierra Leone after a decade. If, as Grindle argues, slow, incremental, and adaptive progress has historically been the path to public service reform in Latin American and OECD countries—paved with political conflict, missteps, and setbacks—then one should expect progress to be even slower in postconflict settings.

This chapter discusses how the role of central public service bodies has evolved with respect to three key functions: (1) wage bill and payroll control, (2) merit protection, and (3) administrative reform (AR). It provides an initial overview of how these functions are distributed between central public service bodies; line-ministries, departments, and agencies (MDAs); and ministries of finance. It then focuses on wage bill and payroll controls, which contain public service growth through headcount ceilings and/or wage envelopes, and ensure that the right people are paid the right amount. After discussing merit protection in appointing public servants, it briefly discusses their role in driving governmentwide ARs.

While each of the three functions of a central body is discussed separately, it is important to recognize their interdependence. Controlling access to the payroll can empower central bodies not only to enforce staffing ceilings, but also to better guard merit in appointments. Conversely, if line-MDAs hire temporary workers outside the payroll to evade tight establishment ceilings, as in
Timor-Leste (see chapter 2), the central government loses control over not only the number of staff but also how they are recruited and paid.

### Overview: Central Bodies in the Five Case Study Countries

In three of the countries in this study, Liberia, Sierra Leone, and South Sudan, the central public service bodies largely inherited their preconflict mandates, with mostly incremental changes occurring since the conflict. In Afghanistan and Timor-Leste, however, development partners immediately pushed for the post-conflict creation of new public service bodies. Table 4.1 provides an overview of how wage bill, payroll control, merit protection, and AR functions were split across central agencies in the five countries as of 2014.

In Afghanistan, at the time of the Bonn Agreement, most public service functions were concentrated in the powerful Office of Administrative Affairs (OAA) under the Office of the President. It exercised establishment control (the Tashkeelat Office within the OAA), oversaw the recruitment of senior public servants, and set public service policies. However, following the push of development partners, in 2003 the recruitment/merit protection and AR functions were moved to a newly established Independent Administrative Reform and Civil Service Commission (IARCSC). As of 2014, the OAA retained the establishment control function, and the Ministry of Finance (MoF) oversaw payroll controls.

In Liberia, the Civil Service Agency (CSA) is the country’s only central public service body. Established in 1972 as an independent body by a Civil Service Act, it was modeled on the CSC of the United States at the time. The CSA retains a powerful mandate for (1) controlling the establishment, (2) centrally recruiting public servants, and (3) regulating and overseeing the public service. In 2008 a Civil Service Reform Directorate (CSRD) was established within the CSA,

### Table 4.1 Distribution of Public Service Functions among Central Bodies as of 2014

<table>
<thead>
<tr>
<th>Country</th>
<th>Establishment/wage bill control</th>
<th>Payroll control</th>
<th>Merit protection</th>
<th>(Policy setting and) Administrative reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Presidency (OAA, Tashkeelat)</td>
<td>MoF</td>
<td>IARCSC</td>
<td>IARCSC</td>
</tr>
<tr>
<td>Liberia</td>
<td>CSA</td>
<td>CSA/MFDP</td>
<td>CSA</td>
<td>Governance Reform Secretariat and CSA</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>HRMO</td>
<td>MoFED (Accountant General’s Department)</td>
<td>PSC</td>
<td>PSRU (President’s Office)</td>
</tr>
<tr>
<td>South Sudan</td>
<td>MoLPS &amp; HRD</td>
<td>MoFEP</td>
<td>CSC (oversight) and MoLPS &amp; HRD</td>
<td>MoLPS &amp; HRD</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>CSC</td>
<td>MoF</td>
<td>CSC</td>
<td>CSC</td>
</tr>
</tbody>
</table>

Sources: World Bank compilation, based on relevant regulations.

Note: CSA = Civil Service Agency; CSC = Civil Service Commission; HRMO = Human Resource Management Office; IARCSC = Independent Administrative Reform and Civil Service Commission; MFDP = Ministry of Finance and Development Planning; MoF = Ministry of Finance; MoFED = Ministry of Finance and Economic Development; MoFEP = Ministry of Finance and Economic Planning; MoLPS & HRD = Ministry of Labor, Public Service, and Human Resource Development; OAA = Office of Administrative Affairs; PSC = Public Service Commission; PSRU = Public Sector Reform Unit.
tasked with coordinating cross-cutting ARs. The CSA traditionally controlled the nominal roll, and the Ministry of Finance and Development Planning (MFDP) controlled the payroll, until the responsibility for managing the payroll was transferred to the CSA in July 2013.

Of the countries in this study, Sierra Leone has the largest number of central public service bodies. Influenced by the British administrative tradition, the country’s 1991 constitution mandated (1) a secretary to the president to serve as the president’s principal adviser on public service matters; (2) the cabinet secretary as head of the public service, responsible for coordinating and supervising all MDA administrative heads; and (3) the PSC, which serves as an independent merit-protection body. It tasked the Establishment Secretary’s Office (ESO), later renamed the Human Resource Management Office (HRMO), with establishment control. Postconflict, a number of new bodies were added to drive ARs, including a Public Sector Reform Unit (PSRU) under the presidency. The Accountant General’s Department in the Ministry of Finance and Economic Development (MoFED) controls the payroll.

Influenced by Khartoum’s institutions, South Sudan’s Interim Constitution of 2005 established the Ministry of Labor, Public Service, and Human Resource Development (MoLPS & HRD) with authority over most public service management functions for the central administration, including establishment control, merit protection, public service regulation, and AR. The Interim Constitution also provided for a CSC, but its role was limited to public service oversight functions. The payroll is controlled by the Ministry of Finance and Economic Planning (MoFEP).

In Timor-Leste, the United Nations Transitional Administration in East Timor (UNTAET) created two new central public service bodies from the ground up, influenced by the Australian model. It established an independent PSC charged with policy setting and overseeing meritocratic recruitment, and the Civil Service and Public Employment Department (CISPE), charged with conducting recruitments and exercising establishment controls. The first elected government abolished the PSC and integrated the CISPE into the Ministry of State Administration (MSA) in 2002, but the second elected government re-created the PSC—calling it the CSC—with a strong mandate in 2009. In 2014, the CSC was the only remaining central public service body, bundling establishment control, merit protection, and AR functions, while the payroll was controlled by the MoF.

**Wage Bill and Payroll Control**

*The Role of Central Bodies*

While their mandates differ, in all five case study countries the mandate for exercising wage bill and payroll controls is shared between a central public service body—a PSC, personnel office, or Ministry of Public Service (MoPS)—and the (respective) MoF.

Jointly, these two bodies are charged with meeting two main objectives. First, they keep a “lid” on the overall wage bill (“lid function”)—that is, they ensure
that government expenditures on wages do not surpass politically set aggregate ceilings. Enforcing ceilings through central bodies is crucial because line-MDAs compete for shares in wage expenditures in a “tragedy-of-the-commons” situation. Second, these bodies ensure that government positions are filled with qualified staff and that employees are paid the right amount (“fit function”). While in some countries MDAs themselves may be authorized to appoint public servants, in others they are required to submit the personnel records of the selected candidate to the central personnel office (or to the MDA’s human resource [HR] department) to ensure that (s)he is appointed by due process and meets the job’s qualifications.

These two functions are enforced through three interdependent sets of control mechanisms—(1) wage bill (and specifically, establishment) controls, (2) payroll controls, and (3) general expenditure controls.

All five countries de jure rely on a traditional model for controlling the wage bill through “establishment lists” or a headcount ceiling (following the Westminster tradition). As part of the budget preparation process, the central personnel office coordinates with each line-MDA to create a departmental hierarchy of authorized positions, each with a designated grade level. This establishment list then shapes the basis for the budget preparation. During budget execution, line-MDAs are permitted to fill only vacant, authorized positions on their establishment list. If line-MDAs wish to add to this list, they must get prior approval from the central personnel office or the MoF.

Payroll controls ensure that the right employees get paid the right amount from the payroll. In a well-functioning system, any change to the payroll is linked to a prior change in the personnel database (or “nominal roll”) triggered by an HR action—recruitment, promotion, or retirement—which is documented in the employees’ personnel records. Checking HR actions against the approved establishment list ensures that personnel stay beneath approved ceilings (lid function). Connecting changes in the payroll to individual personnel records ensures that these changes are initiated by legitimate HR actions (fit function). Close integration and communication between establishment lists, personnel databases (nominal rolls), and the payroll is thus a key feature of traditional payroll-control systems. Typically, personnel databases are kept by line-MDAs or the central personnel office, whereas the payroll is managed by the MoF, providing checks and balances between the agencies involved.

Sound expenditure controls for nonsalary expenditures are required to ensure that line-MDAs cannot easily divert nonsalary budgets to salary expenditures.

As this chapter will show, in the five postconflict countries, these “first-best” control systems have often failed to perform the lid and fit functions for one main reason: to operate successfully, these control systems have to be connected and communicate with each other—but these connections easily break down.

Connections can break down when personnel records are destroyed, or when line-MDAs or central agencies lack the capacity for processing and communicating information in time. But they can also break down because line-MDAs seek
to evade controls and exploit loopholes for employing staff—in order to increase their share of the wage pie, enhance discretion over appointments, or simply to avoid cumbersome and lengthy procedures.

If, for example, budget allocations are insufficient for paying all authorized positions in the establishment list, the budget, not the establishment, becomes the binding ceiling. If personnel databases are incomplete or outdated (because, e.g., retirees are not systematically removed), it becomes impossible to tell whether or not an MDA has an authorized vacancy to fill. If, as documented in chapter 2, line-MDAs hire large numbers of temporary staff outside the payroll, central agencies lose control of who is hired.

Line-MDAs essentially have three means of evading central establishment and payroll controls. Ministers can negotiate exemptions from central control at the cabinet level, by, for example, obtaining off-payroll salary budget allocations. Another option is to pay personnel from nonsalary budgets or to hire “volunteers” entirely off-budget, from service fees. Yet another option is to bargain with the MoF or the central public service body and “buy” an employee’s way onto the payroll. For example, managers can attempt to bypass the central personnel office and make a direct request to the MoF to enter employees onto the payroll.

Such evasive strategies result in various irregularities outside standard controls. Figure 4.1 categorizes these, grouping public employees by the extent to which they are subject to establishment, payroll, and general expenditure controls. Broadly, as is documented in chapter 2, workers can be grouped as either on-payroll (orange in figure 4.1) or off-payroll (blue in figure 4.1) employees.

![Figure 4.1 Establishment, Payroll, and Expenditure Controls and Employment Irregularities](image-url)
Ideally, on-payroll employees should both have personnel records and exist in the personnel database (on-payroll, on-record employees). These employees can, at least in principle, be subjected both to establishment controls (are they appointed to authorized positions?) and to payroll controls (are payroll changes based on valid personnel records?), enabling central personnel bodies and the MoF to perform the fit function, which is information-intensive.6

Off-payroll employees, such as temporary workers, are hired outside traditional establishment and payroll controls. Yet, as long as their salaries are paid from dedicated salary budget lines (on-salary budget, off-payroll employees, such as the “professional services” lines in Timor-Leste),2 the center can still enforce ceilings on salary expenditures. While the center cannot control the number of employees hired on these budgets, it can enforce wage envelopes, in a running-cost style control regime.

The center has least control where employees are paid from nonsalary budgets or entirely outside the budget. In situations where expenditure controls are weak, MDAs can divert nonsalary budgets to salary payments (off-salary budget, on-budget employees). And in the case of informal “volunteer” employees, employees can be paid completely outside the budget, from formal and informal service fees (off-budget employees), even beyond the respective ministry’s control.

Legacies, Paths, and Results

Starting Points: Legacies

In the aftermath of conflict, all five countries inherited or adopted traditional establishment control models, with the central personnel management body responsible for negotiating establishment lists, and the MoF managing the payroll. But the gap between mandates and reality varied widely.

Afghanistan and Timor-Leste had relatively strong establishment control systems in the early postconflict period. Afghanistan inherited a strong system from prewar times. The powerful OAA in the Office of the President negotiated establishment lists (tashkeels) with line-agencies, which translated into corresponding staff allotments (takhsis), managed by the MoF. In Timor-Leste, after independence the UNTAET created the CISPE, which effectively exerted its authority to approve new posts, before their addition to the payroll.

Following conflict, Liberia and Sierra Leone, on the other hand, both inherited de facto dysfunctional establishment control systems, with the lid function exercised by the MoF through the payroll. Whereas Liberia’s 1972 Civil Service Act provided the CSA with a mandate to “recruit, examine, classify, certify, and place civil servants” (Government of Liberia 1972), in 2002 only the MoF influenced salary budget allocations. Similarly, by 2001, Sierra Leone’s ESO could not exercise its control function, lacking staff and resources. The size of the public service was controlled through the payroll, managed by a dominant and well-capacitated Accountant General’s Department. In South Sudan, the newly created MoLPS & HRD was incapable of controlling the public service.
With the exception of Timor-Leste, payroll controls were generally weak in the five countries, with HR records destroyed and salary payments mostly made in cash, making it hard to control who got paid and how much.

**Paths, Patterns, and Results**

Since the end of the conflict, the evolution of these control systems has been marked by two major patterns. First, in some of the countries, a rapidly growing number of off-payroll employees has undermined establishment and payroll controls. Second, with regard to on-payroll employment, the payroll remained weakly integrated with personnel records in four out of five countries, with the exception of Liberia, where both were recently integrated. However, the integrity of the payroll has been improved in certain countries through cleaning exercises (see chapter 2 for details).

In three countries—Liberia, Sierra Leone, and Timor-Leste—expenditures for staff paid outside the payroll have grown rapidly since the end of conflict, undermining controls (on-salary budget, off-payroll). As noted, in Sierra Leone, salary grants to semiautonomous agencies grew from 2.5 to 19 percent of total salary expenditures for civilian government between 2008 and 2015. In 2013, Liberia spent 30 percent of expenditures on temporary employees on so-called “supplementary payrolls.” In 2015, Timor-Leste dedicated 36 percent of total civilian salary expenditures to paying consultants from professional services budget lines, compared to only 13 percent in 2004/05 (see figure 4.2).

![Figure 4.2 Ratio of On-Payroll to Off-Payroll Salary Expenditures](image)

**Sources:** See appendix figures A.3, B.3, C.3, D.4, and E.4 for detailed source information.

**Note:** The figure reports the ratio of on- and off-payroll expenditures to total expenditures for the public service wage bill. It provides minimal estimates for the extent of off-payroll employment, due to limited data on the true extent of off-payroll employment. For Liberia, off-payroll salary expenditures are estimated based on the number of off-payroll employees paid from supplementary payrolls in 2013. For Sierra Leone, off-payroll employment reflects salary transfers to autonomous agencies. For Timor-Leste, off-payroll employment reflects expenditures on professional services budget lines.
By contrast, in Afghanistan and South Sudan, there is little evidence of off-payroll employment. Figure 4.2 shows the minimal estimated size of these off-payroll salary expenditures relative to on-payroll salary expenditures for the public service. In addition, temporary employees hired completely outside the budget were particularly prevalent in Liberia and Sierra Leone, as documented in chapter 2 (these “off-budget” employees are hard to quantify and are not reflected in figure 4.2).8

South Sudan is the only country in which nonsalary budgets were regularly diverted to paying salaries (off-salary budgets, on-budget employees), according to interviews with observers. This is consistent with South Sudan’s weak commitment controls for nonsalary expenditures, as measured by the Public Expenditure and Financial Accountability (PEFA) assessment scores9 (see table 4.2), compared with the other four countries.

The ability of central HR bodies to exert establishment or payroll controls for on-payroll employees has improved only marginally in most of the five countries in the decade since conflict—and in some cases it has even declined. At the time of research, in most of these countries, the payroll remained the primary instrument for keeping wage expenditures in check, with weak links to establishment lists or personnel records. The MoF often remained the de facto gatekeeper to the public service. Consequently, most countries were not able to ensure that changes to the payroll reflect legitimate HR actions.

During budget preparation, line-MDAs in Liberia, South Sudan, and Timor-Leste often bypassed central HR bodies and negotiated their staffing allotment directly at the cabinet level or with the MoF.10 In Sierra Leone, however, the HRMO, created in 2008, has gained significant influence in negotiating the establishment with line-MDAs.11 Afghanistan continued to be an outlier with quite effective enforcement of the tashkeels. However, even these could not systematically map individual employees to specific positions in the approved establishment list. Even where the establishment was respected, it served to only enforce aggregate head counts, not to check individuals’ qualifications for specific positions.

Table 4.2 PEFA Scores for the Strength of Commitment Controls for Nonsalary Expenditures (Most Recent)

<table>
<thead>
<tr>
<th>Country (year)</th>
<th>PI-20 (i) score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan (2013)</td>
<td>A</td>
</tr>
<tr>
<td>Liberia (2016)</td>
<td>B</td>
</tr>
<tr>
<td>Sierra Leone (2014)a</td>
<td>C</td>
</tr>
<tr>
<td>South Sudan (2012)</td>
<td>C</td>
</tr>
<tr>
<td>Timor-Leste (2014)</td>
<td>A</td>
</tr>
</tbody>
</table>


Note: PEFA (Public Expenditure and Financial Accountability) indicator PI-20 (i) captures the “effectiveness of expenditure commitment controls.”

a. Sierra Leone’s low score does not reflect diversion of nonsalary to salary expenditures. It reflects significant extra-budgetary expenditures, which bypass expenditure controls (Coffey International Development 2014).
During the execution of the budget, as well, the line-MDAs in many of these countries bypass central personnel bodies in seeking changes to the payroll, undermining controls. In all cases, except Liberia, the personnel database and the payroll remain under separate institutional responsibilities of the central HR body and the MoF. Only Liberia has effectively connected the two databases, which is reflected in a high score on the PEFA indicator capturing the “degree of integration and reconciliation between personnel records and payroll data” (PEFA PI-18 [i]; see table 4.3).

### Explaining Patterns

#### Off-Payroll Employment Growth

Preventing off-payroll employment is inherently beyond the control of central bodies. In the early postconflict period in particular, line-MDAs may recruit temporary staff outside central controls as a quick fix to meet urgent needs. But beyond failing to prevent off-payroll employment, the case studies suggest that central controls can actually provoke it. If central controls are tight or costly to comply with, line-MDAs are more likely to adopt evasive strategies for circumventing them.

In Timor-Leste, for instance, a tight establishment ceiling provoked excessive reliance on temporary staff. In Liberia, line-MDAs recruited temporary staff from general allowance “slush” funds in order to avoid the CSA’s cumbersome recruitment processes. As an official from Grand Bassa County noted: “The institutions have to function, and we cannot wait indefinitely for the CSA to exhaust its bureaucracies.” Similarly, in Sierra Leone, rural health clinics paid numerous volunteer nurse aides from informal user fees in order to bypass the PSC’s lengthy recruitment processes. In South Sudan, on the other hand,
central controls were so weak that line-MDAs saw no need to evade them, limiting the number of off-payroll employees.

These examples suggest that governments and development partners should strengthen central controls, but should do so cautiously, anticipating that they will likely provoke evasive responses. Below are some specific recommendations:

- **Beware of “overshooting” when tightening establishment controls.** The tighter the controls are, the harder MDAs may try to evade them. Less restrictive controls will reduce incentives or pressures for evasion.

- **Avoid “letting the genie out of the bottle” when giving line-MDAs discretionary salary funds.** Once the general allowance scheme had been introduced in Liberia, MDAs’ recruitment of temporary workers from these discretionary budgets rapidly got out of hand. Policy makers should thus realize that in establishing discretionary pay systems (see chapter 3) they run the risk of undermining establishment controls.

- **Build central capacity quickly to ensure rapid processing of recruitment and other HR actions.** This may lower the anticipated transaction costs for line-MDAs in interacting with central personnel agencies and reduce their incentives to sidestep due process.

**On-Payroll Employment: Persistent Weakness of Controls**

The five cases in this study present a sobering picture of the central personnel bodies’ control of on-payroll personnel. Except Afghanistan, at the time of research none exercised effective establishment controls. No country was able to systematically map individual public servants to positions in the preapproved establishment lists. None was able to consistently control whether employees had the required qualifications for their jobs (fit function). No central personnel body fully controlled access to the payroll. Rather, ministries of finance typically became the main gatekeeper to the public service, and the payroll the primary instrument of keeping a lid on the wage bill (lid function).

One reason that central control has been so poor is that postconflict administrations lack the capacity to manage the information flows required for traditional establishment control systems. For this reason, systems that work with minimal information have been more successful, such as Afghanistan’s Verified Payroll Program (VPP) (see chapter 2).16

Perhaps a more significant reason is the existence of power struggles and mistrust between ministries of finance and central personnel bodies. The MoF has typically had the upper hand in these struggles, thanks to the “power of the purse.”17 For example, during budget preparation, Sierra Leone’s MoFED has over many years disregarded the establishment lists proposed by the Establishment Secretary and HRMO, funding only a fraction of the proposed positions. During budget execution, ministries of finance control the key asset that line-MDAs care about—access to the payroll. In Liberia, for instance,
line-MDAs have until recently had every incentive to evade the CSA’s controls, which reduce MDAs’ discretion and cause delays. They have on occasions directly requested payroll changes from the MoF.

Recognizing these power struggles raises the question whether, in postconflict settings, wage bill and payroll controls should be shared by several central bodies, or combined in a single one. Separating establishment and payroll controls (with some potential overlap) could have the advantage of creating checks and balances or “redundancy”¹⁸ and of “curb[ing] excessive concentration of authority for civil service management” (Nunberg 1995, 15).¹⁹ For this reason, development partners have often recommended separation as a first-best policy. However, in addition to the findings noted, a theoretical argument suggests that this may not work in settings with high levels of corruption, where spots on the payroll may be bought and sold at a market price, like commodities.

In such settings, providing a single central monopolist with authority for providing access to the payroll might minimize corruption—or reduce the price of including a public servant on the payroll. The argument here is analogous to a standard problem in industrial organization, as Shleifer and Vishny (1993) show in a more general discussion of corruption. If a single monopolist sells two complementary goods (say, screws and wall plugs), it will set prices for one good (screws) with the full understanding that this will in turn affect the demand for the other good (wall plugs). If, on the other hand, two separate monopolists sell each complementary good, they will each set prices higher—without regard to the other’s profits—in effect “hurt[ing] each other, as well as the private buyers of each [good]” (Shleifer and Vishny 1993, 606). Consequently, for efficiency, a joint monopoly of a single seller leads to better outcomes than independent monopolies of multiple sellers of complementary goods.²⁰

Analogously, if the central personnel body and the MoF act as “separate monopolists”—that is, if they independently “sell” the recognition as a public servant in personnel records and entry to the payroll and if authorization from both is required—line-MDAs are likely to pay higher prices or bribes per employee than if a single “monopolist” guards the gate to the payroll.²¹ In other words, in highly corrupt contexts, “separating” approval authorities could lead to worse (more inefficient) outcome.

It is impossible to verify whether and to what extent this argument actually bears out in the countries in this study, as prices charged for nominal roll or payroll entries are hard to observe. Certainly, anecdotal evidence confirms that bribes are charged. The argument is also consistent with the finding that efforts to integrate Human Resources Management Information Systems (HRMIS) and the payroll have systematically failed in all countries, except Liberia. Apart from technical obstacles, ministries of finance would have no incentive to advance such integration, as it would undermine their monopolist status as gatekeepers to the payroll.
Bearing in mind that these findings are based in part on a theoretical argument, they suggest the following policy recommendations for development partners:

- **Focus on keeping a lid on the wage bill through the payroll, not through classic establishment controls.** As shown in chapter 2, a number of countries—such as Afghanistan, Sierra Leone, and South Sudan—effectively exercise these functions through the payroll.

- **Accept that attempts to strengthen control through establishment lists negotiated by central bodies are unlikely to work, at least for the first decade after conflict.** Central public service bodies typically lack the necessary authority and information-processing capacity. This does not mean that strengthening traditional establishment controls has to be futile in the long run. For example, the recent gain in influence of Sierra Leone’s HRMO suggests that central bodies can effectively play a role, especially where they have long-standing historical roots. But it does call for caution in pushing for influence, especially if signals of government buy-in are weak.

- **Consider integrating the central HR management and payroll functions in a single central agency with a control “monopoly.”** This may help strengthen central controls and minimize corruption—especially if rivalry between the central personnel body and the MoF is responsible for weak controls. Afghanistan’s VPP (see chapter 2) is perhaps the most promising precedent for this. The Liberian government’s recent decision to transfer the payroll to the CSA also points in this direction. In other cases, a stronger reliance on the MoF as the gatekeeper to the public service will be called for.

- **Accept that choices about the right staffing mix remain largely delegated to line-MDAs, beyond the control of central bodies.** Centrally ensuring that line-MDAs employ the right skills mix may exceed central bodies’ information-management capacity, and may in fact be unnecessary. Experience suggests that in line-MDAs with committed leadership to recruit the right skills, central controls may be little more than an unwelcome tax. At the same time, if line-MDAs recruit without regard for qualifications and seek to evade central controls, central public service bodies rarely have the power (and often lack the incentive) to check this.

**Merit Protection**

**The Role of Central Bodies**

Historically, independent PSCs have been a key instrument for wresting public jobs from political control and protecting merit. But centralizing appointment decisions—or their oversight—has both upsides and downsides. Centralization can reduce the risks of nepotism and patronage by limiting the discretion of line-MDAs. If, however, PSCs are not independent, it can simply
change who bestows patronage and fail to do away with it (see chapter 3). Centralization can enhance operational efficiency through economies of scale and the specialization effects associated with developing a cadre of personnel management specialists. But it also risks reducing MDAs’ ability to respond quickly to changing, sector-specific needs. Central bodies may lack the information or sector expertise to judge whether a candidate (say, a doctor or engineer) has the skills required for a position. Not least, centralization can create bottlenecks and delays, if central agencies are overburdened with recruitment processes.

Given these trade-offs, the OECD and developing countries have centralized the recruitment function to varying extents. In highly centralized models, PSCs conduct both senior and mid-level recruitment. In less centralized models, they may focus on particularly sensitive senior civil servant appointments. In highly decentralized models, PSCs only oversee recruitment conducted by line-MDAs. Arguably, the “right” degree of decentralization depends on how much discretion the system can tolerate (Schick 1998). A key policy decision in postconflict settings is thus finding the appropriate degree of centralizing authority that fits the context.

In addition, in postconflict settings an even more fundamental question arises: to what extent should merit be institutionalized as the primary criterion for public service appointments? Merit may not only conflict with political prerogatives to hand out jobs; as highlighted in chapter 1, it may also conflict with existing norms and values, such as respect for seniority, or the desire to reward former fighters for their achievements. Perhaps most important, public servants may consider it virtually immoral not to help family members and friends get public jobs. Where social security policies are nonexistent and insurance systems have broken down, the only functional safety net many people have is their “social capital” (Helliwell and Putnam 1995). Helping members of one’s own social network may therefore be a deeply entrenched social and moral obligation. By contrast, asking public servants to uphold the principle of impersonal and fair recruitment may seem absurd in contexts that have not experienced effective “rule-of-law,” and where public servants may see their peers and superiors freely using their public jobs for private ends. Balancing the merit principle with prevailing norms and values can thus be essential for increasing the chances that de jure rules find acceptance among public servants.

**Legacies, Paths, and Results**

**Starting Point: Legacies and Conflict**

At the end of conflict, both Sierra Leone’s PSC and Liberia’s CSA inherited strong highly centralized appointment mandates that had been shaped, respectively, by the British and American administrative traditions and remained largely unaltered. The British versus American influence implied, however, one major difference. Whereas in Sierra Leone, political appointments were strictly limited, in Liberia some senior appointments were explicitly political. Both agencies lived up to their mandates only in an early period of their history:
Sierra Leone’s PSC under the British Protectorate and a few years thereafter, and Liberia’s CSA under Americo-Liberian rule. In both of these countries, after long years of one-party dictatorship and after conflict, the central agencies were reduced to mere rubber-stamp bodies, leaving a wide gap between their original mandates and reality.

In Afghanistan, the preconflict trajectory of public service bodies is more complex, reflecting different influences. During Zahir Shah’s constitutional monarchy (1964–73) and Daoud Khan’s republic (1973–78), a CSC existed. But under Soviet occupation (1978–91), recruitment authority was relocated to the powerful OAA, which was also in charge of controlling the tashkeel. While MDAs could recruit lower ranks largely at their discretion, senior appointments were subject to oversight by the OAA.

South Sudan’s public service institutions were established against the backdrop of a mix of historical influences by different powers in Sudan: the British colonial period (Anglo-Egyptian rule, 1866–1956), Soviet communism during early independence (1956–69), and the Nimeiry era (1969–85). South Sudan’s administrative setup borrowed extensively from Khartoum’s administrative structure, itself modeled on international best practice. Reflecting the influence of the international community, the Interim Constitution of 2005 provided the MoLPS & HRD with most central management functions for the public service. The other central bodies created by the Interim Constitution were a CSC, the Employees Justice Chamber (EJC), and the Public Grievances Chamber (PGC) to fulfill oversight and advisory roles. However, these institutions remained weakly rooted in prevailing administrative practices, in particular as the Soviet legacies from the 1960s and the Arabization of South Sudan in the period following independence were at odds with the concept of a politically neutral public service.

Conflict has influenced whether these inherited mandates and de facto powers have remained largely unchanged or whether they have seen fundamental renewal. In Afghanistan and Timor-Leste, development partners pushed for the creation of new central public service bodies and equipped them with powerful mandates, disrupting administrative legacies. In Afghanistan, a CSC was already envisaged in the 2001 Bonn Agreement. Development partners, particularly the World Bank, had high stakes in establishing such a commission, which was later called the IARCSC.

In Timor-Leste, after secession, the UNTAET needed to set up meritocratic mechanisms in order to rebuild the public service from scratch and recruit thousands of employees. Accordingly, the Joint Assessment Mission (JAM) recommended the creation of a PSC and a CISPE, the latter within the Ministry of Internal Administration. The PSC was an independent body with an oversight and regulatory mandate; the CISPE was tasked with the selection, recruitment, and placement of candidates.

In both Afghanistan and Timor-Leste, a strong international influence shaped these merit-protection bodies, and that explains why they initially found little acceptance among political leaders and public servants. In Afghanistan, the
appointment function was moved from the powerful OAA to a newly created Independent Appointments Board (IAB), which was part of the IARCSC, a commission designed mostly by British consultants and inspired by the British CSC. One of the main reasons for this move was that donors had limited access to and control over the OAA. In line with the British tradition of protecting senior civil servants’ appointments from political interference, the IAB was mandated to “identify and propose senior level civil servants (directors and above) to the president, based on impartiality, merit and competence” (Islamic Republic of Afghanistan 2004). In addition, it was charged with monitoring lower-level appointments made by line-MDAs. As noted earlier (see chapter 1), this IARCSC mandate met with fierce resistance in Hamid Karzai’s cabinet, as it ran fundamentally against the logic of Afghanistan’s patronage system.

Timor-Leste’s PSC and CISPE were modeled on the Australian example and were initially headed by international United Nations (UN) staff members. The PSC was an independent commission charged with oversight of the proper functioning of the East Timor Administration. Alongside its role in setting policies and guidelines for the public service, the PSC was responsible for recommending appointments to the public service based on the decisions of recruitment panels, and for preparing short lists of candidates for the most senior (level 5) positions in the public service. The CISPE was an agency within the Ministry of Internal Administration with a public service management role. Both struggled to gain acceptance from Timorese public servants and political elites: “UNTAET initially struggled to set up the civil service [. . .] The initial administration was founded upon a wide variety of technical inputs, management cultures, approaches and solutions, leaving the Timorese with an imported system of government, which was not fully understood and accepted by the Timorese” (UN 2011, 33).

By contrast, in Liberia, Sierra Leone, and South Sudan, development partners either lacked the influence or the pressure to strengthen central merit protection bodies, leaving their mandates and marginal roles largely unchanged. This was most clear in South Sudan, where oil revenues limited international influence. Appointment authority was spread over more than 230 agencies at the state and national levels, an arrangement that helped mitigate fear of Dinka domination and shaped the political settlement. Even though the MoLPS & HRD was given a strong mandate to appoint professional staff, at least for the central government, for all practical purposes line-MDAs recruited their own staff. Similarly in Liberia (as highlighted in chapter 2), dispersing appointment authority was central to the political settlement under the Transitional Authority, making any attempt at strengthening the CSA’s de facto role illusionary, with only a weak oversight mandate and few staff.

In Sierra Leone the reasons for the absence of early efforts to strengthen the PSC were different. While development partners might have had the influence to strengthen it, they faced little pressure to do so. The number of immediately foreseeable recruitments was small, as the Freetown
administration had suffered limited disruption by conflict. In addition, the International Monetary Fund (IMF) wage bill ceiling largely froze in the existing workforce (see chapter 2).

**Divergent Paths**

How has the influence of central bodies over appointment decisions evolved from these different starting points? Interestingly, a decade after conflict, public service bodies remained most influential in making recruitment decisions in Afghanistan and Timor-Leste—the two countries where they were established under strong external donor influence. Figure 4.3 provides a stylized summary of how the influence of the five central public service bodies has evolved.

While both Afghanistan’s IARCSC and Timor-Leste’s CSC retained significant influence at the time of research, they have taken different paths. The independence and credibility of the IARCSC have declined since its creation, under the Karzai presidency. President Karzai’s Interim Administration cabinet was initially reluctant to equip the IARCSC’s Appointments Board with a strong mandate, in particular for appointing senior civil servants, but it gave in to development partners’ pressures. However, since the first elected cabinet came to power in 2005, this mandate has been undermined by a range of

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**Figure 4.3 Stylized Summary of the Evolution of Public Service Bodies’ Influence on Appointment Decisions**

![Graph showing the evolution of public service bodies' influence on appointments](image_url)

*Note:* The figure is a stylized representation, meant to indicate major differences in how the influence of different central public service bodies evolved over time. It is not based on actual data and does not attempt to accurately reflect the relative influence of different central bodies over time.
attempts at interfering in appointment decisions and evading its influence. Early on, President Karzai appointed a weak IARCSC chairman. Since 2008, deputy ministers, themselves political appointees, have represented line-MDAs on IAB recruitment panels for senior positions. In 2013, the Wolesi Jirga, Afghanistan’s parliament, attempted to abolish the IARCSC altogether. As a result, by 2014, the IARCSC retained its strong mandate, but its reputation and credibility had rapidly declined. Stakeholder interviews consistently suggested that the Appointments Board had become an instrument of patronage, not a guardian against it. At the time of research, it was unclear how the IARCSC’s role would evolve under President Ashraf Ghani, elected in September 2014.

By contrast, Timor-Leste’s PSC was first abolished in 2002—but it was reestablished as the CSC in 2009 with a strong selection mandate in a process of “endogenous absorption” (figure 4.3). After coming to power in May 2002, Timor-Leste’s first elected government immediately abolished the independent PSC created by the UNTAET. In a move to assume political control over public service appointments, the government transferred the PSC’s functions to the MSA, and transformed the CISPE into the so-called National Directorate of the Public Service (NDPS) inside the MSA. This led to inequity and politicization within the public service, according to a subsequent UN report (2011, 37).

But in 2009, Prime Minister Xanana Gusmão’s government reestablished Timor-Leste’s PSC, renaming it the CSC, a decision that was in part a response to the country’s 2006 crisis—a catalytic event that made equal access to public jobs and the fight against corruption and nepotism a politically salient issue and brought AR to the fore of the government’s political agenda. However, reestablishing the PSC possibly also served as a vehicle of introducing the new government’s own loyalists into an administration that had been strongly politicized by its predecessor.

The influence of Sierra Leone’s PSC and Liberia’s CSA has grown much more incrementally. Both evolutions can be characterized as “late takeoffs” (see figure 4.3). Until 2010, Sierra Leone’s PSC lacked the leadership and means for overseeing recruitments. But since President Ernest Bai Koroma’s election in 2007, it has undergone a significant revival and has risen in credibility and reputation, under a new commissioner and with enhanced support from development partners. Its scope of control, however, has shrunk significantly, limiting its influence. In 2014, the PSC controlled only a minority of senior positions as a growing number of highly paid jobs outside the public service were filled with political appointees including in semiautonomous agencies. In addition, the authority for recruiting teachers and health workers had been assumed by the ministries of education and health, respectively, further limiting the number of staff formally under the PSC’s appointment authority.

In Liberia, attempts to help the CSA regain its statutory recruitment role started only when the Civil Service Reform Strategy for 2008–11 was adopted. In practice, however, the share of appointments that the CSA controlled in 2014 remained quite limited. Line-MDAs could evade its oversight by recruiting on supplementary payrolls or by bypassing the CSA examination mechanism and
directly requesting the MoF to include staff on the payroll. In addition, hundreds of political appointments remained exempt from the CSA’s control.

Meanwhile, the role of South Sudan’s MoLPS & HRD and its CSC in protecting merit has been nonexistent. Contrary to their mandates, neither have exerted any noteworthy influence over public service appointments, which de facto remained under the authority of line-MDAs and state governments. In 2014, the MoLPS & HRD’s Appointment Board remained in its infancy.

In sum, central bodies’ ability to influence the appointments of public servants has been undermined by a range of strategies, as summarized in Table 4.4, building on Grindle (2010). These have included outright attempts to deestablish central bodies as in Timor-Leste (2002) and Afghanistan (2013). Or central bodies have simply been starved of human and financial resources and strong leadership, as was the case early on in Sierra Leone. In some instances, agencies have “opted out”—refusing to subject their appointments to central control. This was the case, for example, with state governments in South Sudan. In most of these countries, bypassing central oversight (“reengineering”—whether by recruiting temporary workers on supplementary payrolls (as in Liberia) or hiring consultants for “professional services” (as in Timor-Leste)—has been one of the major ways for line-MDAs to obtain discretion over appointments.

### Table 4.4 Response Strategies to Central Merit Protection

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Definition</th>
<th>Case study examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disestablishment</td>
<td>Legislating out of existence an agency or commission charged with managing the CS system. (This requires cabinet agreement.)</td>
<td>• Timor-Leste: Abolition of the PSC by the first elected government in 2002.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Afghanistan: Parliament initiative to abolish the IARCSC in 2013.</td>
</tr>
<tr>
<td>Starvation</td>
<td>Reducing the budget of the implementing agency to impede its function; canceling opportunities for examinations.</td>
<td>• Afghanistan: President Hamid Karzai’s appointment of a politically weak IARCSC chairman.</td>
</tr>
<tr>
<td>Reclaiming</td>
<td>Resisting incorporation into a new CS regime at the agency or service level.</td>
<td>• Sierra Leone: Lack of PSC funding and staff until 2009/10.</td>
</tr>
<tr>
<td>Opting out</td>
<td>Decentralizing personnel decisions to the ministry or agency level to thwart systemwide rules. (This requires cabinet agreement.)</td>
<td>• Afghanistan: Inclusion of line-MDA deputy ministers on the IARCSC recruitment panels in 2008.</td>
</tr>
<tr>
<td>Reengineering</td>
<td>Inventing means to hire public officials outside the regulations of a CS system.</td>
<td>• South Sudan: Delegation of recruitment decisions to state governors in the Interim Constitution of 2005.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sierra Leone: Employment in semiautonomous agencies, contractual appointments, creation of a separate Health Commission in 2011.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Liberia: Proliferation of temporary employees on a supplementary payroll.</td>
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<tr>
<td></td>
<td></td>
<td>• Liberia: Working in the place of a deceased person, informing the CSA about recruitments ex post, bypassing it.</td>
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<tr>
<td></td>
<td></td>
<td>• Sierra Leone: Volunteer nurses, paid from own revenues.</td>
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<tr>
<td></td>
<td></td>
<td>• Timor-Leste: Recruitment of consultants on “professional services” budget lines.</td>
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Note: CS = civil service; CSA = Civil Service Agency; IARCSC = Independent Administrative Reform and Civil Service Commission; MDA = ministries, departments, and agencies; PSC = Public Service Commission.
Results

As has been noted, over a decade after conflict, vast gaps existed between central bodies’ mandates and their actual influence over appointment decisions—both in terms of the number of appointments they conduct or oversee (i.e., their “span of control”\textsuperscript{28}) and their autonomy.

Afghanistan and Timor-Leste are the two countries in which central public service bodies have attained the largest span of control over appointment decisions\textsuperscript{29} and where the gap between policy and practice was smallest in 2014 (see table 4.5). Timor-Leste’s PSC appointed all managerial and professional public servants, and Afghanistan’s IARCSC selected all managerial and some professional public servants at the national level.\textsuperscript{30} By contrast, Liberia’s CSA controlled only a small fraction of appointments, and South Sudan’s MoLPS & HRD controlled almost none. Both fell far short of their mandates.\textsuperscript{31} Sierra Leone was an in-between case. In 2014 the PSC and HRMO did not fully live up to their mandate for recruiting public servants, but they had gained in influence.

When it comes to autonomy and the ability to protect merit,\textsuperscript{32} the central public service bodies in all five countries remained weakly institutionalized, and none was consistently free from political interference. In South Sudan’s MoLPS & HRD and in Liberia’s CSA, the issue was largely irrelevant because they had little say on recruitment in the first place. In Afghanistan’s IARCSC, recruitment practices were consistently viewed as strongly politicized. Only Timor-Leste’s CSC and Sierra Leone’s PSC had gained a reputation for protecting merit in appointment decisions and acting with some degree of autonomy. But even in these cases, past volatility shows that these trends depended on the bodies’ leadership and remained subject to the whims of political change.

Explaining Divergent Paths

To what extent have the divergent paths of these public service bodies been shaped by legacies and administrative traditions and/or the early influence of development partners? Could different political economy contexts have helped predict these outcomes?

Table 4.5 Central Bodies’ Span of Control over Appointment Decisions: Policy and Practice

<table>
<thead>
<tr>
<th>Country</th>
<th>De jure centralization of appointment authority</th>
<th>De jure-de facto gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Partially centralized</td>
<td>Small</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>Centralized</td>
<td>Small</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Centralized</td>
<td>Medium</td>
</tr>
<tr>
<td>Liberia</td>
<td>Centralized</td>
<td>Large</td>
</tr>
<tr>
<td>South Sudan</td>
<td>Decentralized to state governments; centralized at the national level</td>
<td>Large</td>
</tr>
</tbody>
</table>

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**Legacies**

There are mixed findings regarding the influence of administrative legacies on central bodies and their role in protecting merit. At first glance, the fact that donors have created central bodies with little regard for administrative tradition—Afghanistan’s IARCSC and Timor-Leste’s PSC—suggests that these legacies do not matter much. Further, the central bodies that have remained the least powerful are the ones that were built on preexisting or inherited traditions (Liberia, Sierra Leone).

Timor-Leste’s endogenous absorption of the UNTAET-created PSC suggests that imported institutions can, in fact, take root, perhaps particularly after secession. Certainly, Timor-Leste’s 2006 crisis and public outcries over accusations of corruption and nepotism were essential forces that drove Prime Minister Gusmão’s government to reestablish a CSC. But the UNTAET’s PSC provided a precedent that the government could revert to. On the other hand, the decline of Afghanistan’s Westminster-type IARCSC shows that transplanting foreign models of central public service bodies can fail where they are misaligned with prevailing political incentives.

The cases of Liberia and Sierra Leone also demonstrate the longevity of administrative traditions, despite conflict and political change. Preconflict differences in how both administrations manage the politico-administrative boundary prevailed. In Liberia, which inherited the U.S. tradition, political appointments continued to reach deep into the administration. By contrast, Sierra Leone, influenced by the British tradition, stands out as the only one among the five countries where (allegedly) senior appointments were made almost exclusively from within the public service, in line with de jure rules.33 The British administrative tradition thus appears so deeply ingrained that it does to some extent protect senior appointments from political interference. Indeed, President Koroma’s 2013/14 initiative to introduce performance contracts for the senior civil service aimed to address a concern about public servants’ lack of responsiveness to political leaders.

The case of Sierra Leone also suggests that seeking continuity with administrative traditions can be a powerful source of legitimacy. Public servants interviewed in Sierra Leone remembered that “after independence ... [their] country had the best civil service in West Africa,”34 thanks in part to an influential PSC—even though these memories were four decades old, and the PSC had long since declined under a one-party state.

To varying extents, attempts to introduce merit protection institutions have clashed with prevailing social norms and values. In Afghanistan, for example, the abolition of the rank-in-person system clashed with seniority norms; in South Sudan, former fighters were seen to “merit” public jobs, regardless of their qualifications; in all five countries, the norm of supporting personal networks through patronage was important, and the idea of an impersonal state, foreign.

Interviews in the five countries indicate that the acceptance of patronage may decline after conflict, albeit slowly. During war and in its immediate
aftermath, when the state is incapable of providing security and essential services, citizens need to trade favors, and society may accept patronage as a “necessary evil” that provides social and political stability. Once peace is consolidated and stability is no longer the primary priority, however, growing demands for better services may foster increasingly critical views of patronage. The cases in this study suggest that this transition may happen faster in more-open societies with considerable Western influence and higher educational standards, as, for example, in Timor-Leste.

**Bargaining**

In terms of merit protection, were the different fates of central public service bodies predictable? This chapter’s findings suggest that the answer is yes—to some extent. General measures of the quality of governance do a pretty good job of predicting the influence that central public service bodies had on appointments about a decade after conflict. As shown in figure 4.4, the three countries whose central bodies have increased their influence over appointment decisions (Liberia, Sierra Leone, and Timor-Leste) had distinctly higher World Governance Indicator (WGI) scores in 2006 for voice and accountability, government effectiveness, rule of law, and control of corruption than the countries whose public service bodies have remained weak (Afghanistan, South Sudan).

In addition, shifts in the influence of central bodies have been associated with changes in political leadership and shifts in the bargaining power and interests of major players. Most clearly, in Timor-Leste the 2006 crisis provided Prime

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**Figure 4.4 Selected World Governance Indicators and the Influence of Public Service Bodies**

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<tbody>
<tr>
<td>Voice and accountability</td>
<td>Blue</td>
<td>Green</td>
<td>Yellow</td>
<td>Blue</td>
<td>Green</td>
</tr>
<tr>
<td>Government effectiveness</td>
<td>Red</td>
<td>Orange</td>
<td>Brown</td>
<td>Red</td>
<td>Orange</td>
</tr>
<tr>
<td>Rule of law</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Control of corruption</td>
<td>White</td>
<td>White</td>
<td>White</td>
<td>White</td>
<td>White</td>
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</tbody>
</table>

*Countries with growing influence of central PS bodies over appointments*

*Countries with declining or stagnating influence of central PS bodies over appointments*

*Source:* World Governance Indicators.

*Note:* PS = public service; WGI = World Governance Indicators.
Minister Gusmão’s government with a public platform for undertaking broad-based AR. Conversely, in Afghanistan, following the 2004 and 2009 elections, line-ministers increasingly sought to undermine the IARCSC’s selection function as President Karzai had to accommodate a less technocratic, less donor-influenced, and more politicized cabinet. The revival of Liberia’s CSA and Sierra Leone’s PSC began after President Ellen Johnson Sirleaf’s and President Koroma’s respective elections, under newly appointed leaders.

Table 4.6 provides a summary of how external partners’ influence in the postconflict window of “high institutional malleability”—whether they push for renewal or not—combined with the quality of governance in the first five years postconflict, may help predict the trajectories shown in figure 4.3 earlier in this chapter.

While countries with relatively high “voice and accountability” scores may be more likely to strengthen central merit protection, these efforts need not respond to public pressures. Timor-Leste’s 2009 reform was probably the most sincere attempt of politicians to “tie their own hands” in response to public pressure. Although Timor-Leste’s 2006 crisis and the historical conditions in the United States that brought forth the Pendleton Act in 1883 are hardly comparable, both cases have in common that public frustration with nepotism, corruption, and patronage became salient political issues and translated into acute political pressure because of catalytic events: public protests during the crisis in Timor-Leste, and the outcry over the buying and selling of public jobs in the United States. While Prime Minister Gusmão’s efforts were clearly a response to public pressure, it is also true that the government used the PSC against political opponents, enabling it to remove the previous administration’s appointees from public offices.

In other countries, however, strengthening merit protection may primarily have served as a signal of goodwill to development partners. In particular, this may be true of Sierra Leone’s PSC and Liberia’s CSA. As noted, in both countries, the space for discretionary political appointments appears to have grown rather than shrunk since these reforms were undertaken, calling into question the sincerity of politicians’ commitment to “tying their own hands.” Responding to donor interest in public service reform, the reforms may have been a moderate price to pay for legitimacy in development partners’ eyes. More accountable

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**Table 4.6 External Support and Endogenous Alignment as Predictors of Central Public Service Bodies’ Mandates**

<table>
<thead>
<tr>
<th>Quality of governance in the five years postconflict (voice and accountability)</th>
<th>Higher</th>
<th>Lower</th>
</tr>
</thead>
<tbody>
<tr>
<td>External influence immediately after conflict</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewal</td>
<td>&quot;Endogenous absorption&quot; path: Timor-Leste</td>
<td>&quot;Decline of external imposition&quot; path: Afghanistan</td>
</tr>
<tr>
<td>Continuity</td>
<td>&quot;Late takeoff&quot; path: Liberia and Sierra Leone</td>
<td>&quot;Nonstarter&quot; path: South Sudan</td>
</tr>
</tbody>
</table>

Paths between Peace and Public Service • http://dx.doi.org/10.1596/978-1-4648-1082-4
governments may thus have been more likely to invest in central guardians of merit—but not necessarily for the right reasons.

**Conclusion: Policy Implications**

These findings send a clear overall message. Investing in central bodies as guardians of merit is often hopeless in postconflict settings. Reforms will gain real influence and take root only if backed by a domestic coalition (as in Timor-Leste), or if they at least do no harm to major interests (as in Sierra Leone). Even then, central bodies are likely to remain weakly institutionalized and subject to the whims of political change, only partially reducing the capriciousness of patronage (Grindle 2012). The fate of Afghanistan’s IARCSC provides a powerful warning against providing public service bodies with strong mandates that go against the grain of political power, cultural norms, and beliefs. It suggests that they are bound to be undermined, despite massive donor support, resulting in credibility losses and merely centralizing patronage.

These experiences suggest several recommendations for development partners in devising future strategies to strengthen merit in postconflict settings:

- **Accept that investing in central bodies is unlikely to pay off, unless there are strong signals of political support.**

- **Formulate the merit protection mandates of central bodies cautiously, based on government signals of what is politically feasible.** As in the case of Afghanistan, government objections can provide valuable cues that might lead to designing more modest and credible mandates for central bodies. Such mandates could consist of hybrid appointment mechanisms that allow for some politicization, with the central body assuming a mere advisory or shortlisting function. Or the central body could focus on only selected professional staff groups (rather than management levels) that can more realistically be insulated from political interference.

- **Anticipate that line-MDAs will try to evade and interfere with central merit protection.** As Afghanistan’s IARCSC has shown, interference and evasion provoked by strong mandates can result in a loss of credibility. Development partners thus ought to be wary of overshooting the target in pushing for powerful mandates for central public service bodies. More modest, achievable mandates may help them gradually build their credibility.

- **Seek continuity with administrative traditions, particularly if they provide a source of legitimacy or authority.** Arguably, in Sierra Leone in particular, development partners missed an opportunity to capitalize on the legitimacy the PSC retained from its role in the postindependence period.

- **In adverse political contexts, consider strengthening merit in selected individual MDAs, rather than through central bodies.** As was argued in chapter 3, where the center lacks the power to influence recruitment decisions in line-MDAs, it may be most effective to work with the “willing.”
• Seek to balance the merit principle with prevailing norms and beliefs. For example, merit could consist of a mere qualification check of the respective candidate, leaving space for selecting candidates based on personal loyalty.

**Administrative Reform**

Following the conflict, dedicated units for driving cross-cutting public service reforms were established in all five countries, typically with support from development partners. Afghanistan’s CSC was named the Independent Administrative Reform and Civil Service Commission because it was to centrally coordinate World Bank–supported pay reforms, among others. Its Administrative Reform Secretariat implemented the Priority Reform and Restructuring (PRR) program. Its Civil Service Management Department (established later) implemented pay and grading (P&G) reforms and drafted new public service legislation. Similarly, in Liberia the CSRD was created within the CSA, following the adoption of the 2008 Civil Service Reform Strategy.

In South Sudan the MoLPS & HRD retained responsibility for public service reform and drafted essential public service regulations. In Timor-Leste the function was initially located in the CISPE under the Ministry of Internal Administration, but was moved to the CSC in 2009. In Sierra Leone, the PSRU, previously called the Governance Reform Secretariat, was established in the President’s Office to help implement the country’s public sector reform strategy.

Overall, with a few exceptions, the track record of cross-cutting ARs overseen by these central units was poor. Many reform proposals developed by these units, often with major donor and consultant input, either failed to be adopted by the cabinet or were never implemented. Chapter 3 documents the failure of systematic P&G reform proposals—and similar findings hold, for example, regarding the adoption of functional reviews by line-MDAs. This is not to say exceptions do not exist. Some centrally driven reforms have been implemented. For example, Afghanistan’s asymmetric pay reforms (PRR and P&G, see chapter 3) were implemented, because the prospect of significant pay increases provided line-MDAs with a strong incentive to cooperate. Another exception is Sierra Leone’s Payroll Verification Project, which benefited from strong backing by the president himself.

The key challenges in implementing cross-cutting ARs have been central bodies’ weak authority and the lack of buy-in from line-MDAs. In seeking to provide central reform units with authority, development partners have had to face a trade-off between working with powerful established players that may be reluctant or reform-averse, and working with newly created “marionettes,” who will more readily do their bidding but have little inherited authority. In Afghanistan, for example, the OAA had significant power and would have been the natural locus for an AR function. But the World Bank lacked access to and influence over the OAA and therefore pushed for adding the AR function to the newly created IARCSC’s mandate. Similarly, in Sierra Leone, the
Governance Reform Secretariat (later the PSRU) was created even though there were already several officials with constitutional mandates for ARs.38 The addition of the PSRU only increased fragmentation and deadlock between different central players with AR functions.

Attempts to provide such newly created units with political authority through interministerial committees have had only temporary success. In Afghanistan, a Ministerial Advisory Committee on Administrative Reform (MAC) was created, comprising reform-oriented ministers from the Interim Administration to provide the PRR process and the Administrative Reform Secretariat with political authority. This worked during the Interim Administration, but shortly after the first presidential election in 2004, when President Karzai appointed a new and less reformist cabinet, the MAC fell apart, and the IARCSC was left without influential backing. In Liberia, the director of the CSA was to chair a Governance Commission (GC) comprising key ministers to ensure implementation of cross-cutting ARs. But the CSA lacked convening power, and ministers often simply did not attend GC meetings.

Public servants in line-MDAs have often been resentful and reluctant to collaborate with staff in central reform units, envious of the latter’s higher pay. To attract competent employees, staff in central reform units have often been paid technical assistant–level salaries, many times higher than the salaries of public servants, provoking jealousy among public servants in line-MDAs. In Liberia, the head of the CSRD and two management specialists were recruited under its high-paying Senior Executive Service (SES) program. Nearly all the staff of Sierra Leone’s Governance Reform Secretariat received high salaries from the U.K. Department for International Development (DFID). At the time of research, Afghanistan’s IARCSC had the highest concentration of staff in well-paid donor-funded positions39 in the entire administration.

Capacity bottlenecks in line-MDAs have often implied that central bodies or consultants drove the AR process, further undermining line-MDAs’ ownership. For example, one member of Afghanistan’s IARCSC noted with regard to P&G reforms: “The ministries—on paper—were supposed to lead the process of reform. The IARCSC was supposed to provide technical assistance to MDAs. But in reality these roles were a little bit reversed.”40

The poor track record of centrally driven cross-cutting reforms suggests that working selectively with willing line-MDAs may be more promising. Accordingly, development partners ought to focus on seeking buy-in from line-MDAs and on providing them with capacity-building support, possibly against donors’ own preference for working with a single central implementing agency. Central bodies’ role may be limited to providing the regulatory/authorizing environment for MDA-specific reforms and supporting reform coordination.

More specifically, the chances of AR initiatives may improve if development partners do the following:

- **Work with established central players with inherited authority, where possible.** Newly established reform units have increased rivalries, and they have mostly
lacked authority to drive reform. While there is no precedent for this, working in small steps with a reform coalition that includes established influential central players could be a difficult but possibly promising alternative.

- **Invest in both line-MDAs’ and central bodies’ capacity for implementing administrative reforms.** Collaboration between line-MDAs and central bodies may improve if employees on both sides feel that they receive the same benefits. One-sided investing to make public service bodies “islands of performance” may come at the price of resentment from public servants in line-MDAs. Staffing central reform units with well-respected and committed civil servants from line-MDAs, and providing a little extra pay, is a speculative but possibly more viable alternative.

**Conclusion**

In postconflict settings, what is the role of central bodies? Is looking to them as guardians of merit, controllers of the wage bill and payroll, and drivers of ARs a vain endeavor, akin to the “drunkard’s search” for his car keys under the streetlamp? Over a decade after conflict, many public service bodies played only a marginal role in exercising these functions, so it is tempting to answer “yes.” But doing so would be to misread the findings from the five countries in this study.

The reestablishment of Timor-Leste’s CSC is a hope-inspiring outlier, suggesting that even if destroyed temporarily, institutions leave a legacy in the system that can be revived. In addition, it may be too early to tell whether or not central public service bodies are on track toward gaining more influence, such as in Liberia and Sierra Leone.

On the other hand, this chapter’s findings suggest caution against overambition. Overly strong central mandates have provoked evasive responses by line-MDAs and undermined central bodies’ credibility. The poor reputation of Afghanistan’s IARCSC Appointments Board offers a cautionary tale, showing the pitfalls of reaching too far. Most important, providing space for political appointments can be essential for stability, as South Sudan’s Interim Constitution illustrates.

The findings in this chapter call for designing central mandates based on a process that involves key stakeholders and ensures their buy-in. In particular, the divergent paths of Afghanistan’s and Timor-Leste’s CSCs suggest that political commitment to strengthening merit and catalytic events, such as Timor-Leste’s 2006 crisis, are the most important predictors of whether central public service bodies will gain in influence.

With regard to wage bill and payroll control, the findings call for caution in pushing for first-best controls through establishment lists by a central body that is separate from the MoF. None of the five case study countries has established a functioning comprehensive control system which can ensure that public servants have the required qualifications and documents for their positions. Such systems exceed governments’ information-processing capacity and risk being undermined by interagency rivalries. Instead, it may be more effective to focus on more basic controls, to effectively keep the number of public employees in check.
Merging the establishment and payroll control functions in a single agency can help cut red tape and contain corruption. In particular, Afghanistan’s VPP may be a worthwhile example to learn from.

Focusing on central bodies as the main vehicle for merit protection may miss the elephant in the room. In all case study countries, vast numbers of public servants have been recruited directly by MDAs outside central oversight. Line-MDAs—particularly those with some commitment to service delivery—have often perceived central involvement as formalistic and burdensome, rather than seeing it as a helpful merit check. Development partners and governments may therefore need to accept that in many cases, delegating selection choices to line-MDAs may be the best solution. Where they are well managed, line-MDAs will pick the right people; where they are not, central controls will make little difference.

In the case of high-stakes senior appointments, it may be beneficial to limit the exercise of patronage in part but not in full. Hybrid appointment systems, as originally proposed for Afghanistan’s IARCSC, may be an option. Or, more speculatively, conflict between merit and patronage may be reduced by gradually expanding the domain of central selection controls, starting with a few essential staff groups, while leaving room for patronage to dominate in others.

As the case of Sierra Leone illustrates, building on administrative traditions can help. Despite the long years of politicization during Siaka Stevens’s dictatorship, the legacy of the once respected postcolonial public service has ensured basic respect for public service rules and may be a source of legitimacy for rebuilding the country’s PSC.

With few exceptions, development partners’ attempts to use central bodies to drive cross-cutting ARs have a dismal track record in these five countries. Central units in charge of driving such reforms have typically been donor creations with little domestic backing. Donors should think twice before trying again. Closely engaging with and supporting line-MDAs is a key guiding principle: without their support, little will happen. In choosing where to locate central AR units, the case of Sierra Leone’s Governance Reform Secretariat suggests that putting it near the presidency does not guarantee political authority. Rather than working with reformist but powerless newly created bodies, perhaps taking small steps with conservative but influential players on board will yield more impact.

Notes

1. Central public service bodies are defined as all administrative bodies at the center of government that have policy making, management, oversight, or recourse roles for the public (or, more narrowly, the civil) service. The institutional setup of these bodies varies between administrative traditions. They comprise, for example, Public Service Commissions (PSCs), Establishment Secretary’s offices (ESOs), ministries of public service and administration, and public sector reform units (PSRUs). They may be located in the President’s Office or in the Ministry of Finance (MoF) if it has a
mandate to manage human resources. They do not include ministries of finance if they exercise no human resource (HR) functions beyond controlling the payroll.

2. As Horn argues, this “large, often diffuse, and very divergent coalition” had high collective action costs and therefore had interests in achieving a permanent, institutional solution to the problem of patronage, beyond the term of the elected government.

3. Merit protection applies to recruitment, promotion, and firing decisions. This chapter primarily focuses on recruitment decisions, given their importance.

4. That is, central agencies ensure that the wage spending of MDAs does not grow beyond set ceilings, and nonsalary allocations are not diverted to salaries (e.g., crowding out investment and maintenance).

5. This section draws on World Bank (2015a).

6. If on-payroll employees lack personnel records (on-payroll, off-record employees)—for example, because the MoF directly entered them onto the payroll, bypassing the central personnel office—central bodies’ ability to perform the fit function breaks down. Without personnel records, staff cannot be mapped to the establishment list, nor can central bodies check whether they have the qualifications required for their job. Yet, even without personnel records, the payroll still provides a basic instrument for enforcing headcount ceilings (lid function).

7. This in particular applies to contractual or temporary staff paid from dedicated allowance or professional services budget lines (see chapter 2). For these employees, the lid function is fulfilled, but the center has no control over how many employees (lid function) an MDA hires, or who these people are, or how much they are paid (fit function).

8. For example, in Sierra Leone at least 1,000 volunteer nurses were paid from informal user fees until their absorption in the context of the Free Healthcare Initiative.

9. PEFA indicator PI-20 (i) captures the “effectiveness of expenditure commitment controls.” A score of C is given if “expenditure commitment control procedures exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated” (PEFA Secretariat 2011).

10. The roles of Liberia’s CSA and South Sudan’s MoLPS & HRD in preparing ministerial staffing plans remained marginal. In Timor-Leste, “line ministries present their own staffing proposals directly to the Council of Ministers at ‘Budget Retreats’ with only limited input from the Civil Service Commission and almost no input from the Ministry of Finance” (World Bank 2011, iv).

11. Until about 2012, in Sierra Leone establishment lists were prepared on paper only, with no real effect on the budget. However, efforts to strengthen coordination between the HRMO, line-MDAs, and the MoF have significantly improved the credibility of the negotiated establishment.

12. In Liberia, responsibility for managing the payroll was transferred from the MFDP to the CSA in July 2013. Sierra Leone has taken steps to unite responsibility for managing personnel data and the payroll under one roof, but at the time of research, the transfer was not complete.

13. In Liberia, prior to the transfer of responsibility for managing the payroll to the CSA, interviews conducted in 2013 consistently confirmed that, every month, the MFDP officials included new names on the payroll at their discretion, bypassing the CSA. For Sierra Leone, the PEFA assessment completed in 2014 (Coffey International Development 2014) notes that despite several payroll verification exercises, “the conclusion remains that the integrity of the payroll is significantly undermined by lack of
complete personnel records and personnel database, or by lacking reconciliation between them.” In Timor-Leste, as of 2014, the Personnel Management Information System (PMIS) and the payroll were not directly linked, requiring labor-intensive monthly reconciliations between PMIS and payroll. Afghanistan’s and South Sudan’s higher scores (B) are somewhat misleading. They reflect the improved payroll integrity achieved through payroll verification exercises (see chapter 2) and by making payments directly to employee bank accounts, not an actual link between the personnel database and the payroll. In Afghanistan, the identity database established as part of the Verified Payroll Program (VPP) in effect serves as a minimalistic substitute to a full personnel database. While South Sudan’s MoLPS & HRD should approve changes in the payroll, the MoF often puts names on the payroll without checking qualifications.

14. In Liberia, having new workers work in the place of the deceased on the payroll was a similar way of shortcutting central processes.


16. The VPP only verifies employees’ identities, but does not contain information on their qualifications and other HR records.

17. Afghanistan is an exception because the Tashkeelat, situated in the influential OAA, has historically been powerful relative to the MoF.


19. On the downside, distributing the establishment control function can cause (1) blockages, because of unclear responsibilities and competition between the central public service body and the MoF. The involvement of multiple central agencies in HR decisions can (2) increase the complexity and number of communication steps in decision-making processes. It also (3) risks diluting responsibilities for irregularities in HR actions. Not least, (4) concentration of power in a single agency can help reinforce that agency’s authority relative to line-MDAs.

20. The best-case scenario is competition over substitute goods, driving prices to marginal costs.

21. If either the MoF’s or the central public service body’s approval was sufficient for payroll access, they would compete over substitute goods, rather than complements. In this case, multiple bodies would be preferable, as competition would reduce bribes.

22. Sierra Leone’s 1991 constitution empowered its PSC “to appoint persons to hold or act in offices” (Government of Sierra Leone 1991, 65) across all grades, with the exception of permanent secretaries, the senior-most public servants, who are appointed by the president. Similarly, the 1972 Civil Service Act provided Liberia’s CSA with authority to appoint nearly all public servants (Government of Liberia 1972), modeling it on the United States CSC (dissolved in 1979).

23. Development partners’ stakes were high because they were financing salaries through the Afghanistan Reconstruction Trust Fund (ARTF; see chapter 2). They also needed the IARCSC to oversee the selection of several thousand employees in the context of the asymmetric Priority Reform and Restructuring Program starting in 2003 (see chapter 3).

24. CISPE’s mandate included the organization of the selection, recruitment, and placement of candidates (the majority of whom were interviewed by joint CISPE and agency panels); preparation of contracts; maintenance of a database of personnel; and the definition and implementation of training strategies.
25. Article 142(1)(m) of the Interim Constitution of Southern Sudan stated that “all levels of government in Southern Sudan shall be responsible for the recruitment, appointment, promotion, transfer, and dismissal of employees of the civil service in their administrations” (GoSS 2005).

26. International influence played a role in establishing a CSC with an oversight mandate, but it remained inept.

27. In his speech to inaugurate 2008 the “Year of Administrative Reform,” Gusmão declared, “On coming to Government, we were determined to establish an effective institutional framework of good governance . . . And I am pleased to announce today our progress in establishing this foundation of good governance—a foundation to ensure effective service delivery to our people and the ethical and proper use of public money” (Gusmão 2008).

28. Central public service bodies’ “span of control” refers to the share of appointment decisions they conduct or oversee de facto, compared with those they should control, de jure, given their mandate. As reliable data on the de jure–de facto gap are typically lacking, qualitative approximations are reported here.

29. In Timor-Leste, consultants hired on professional services budget lines are, however, exempt from CSC oversight.

30. While de jure this role extends to provinces, and the IARCSC has oversight of recruitment to lower grades, its actual influence over lower-grade recruitment remains limited.

31. In South Sudan this is in part due to the de jure decentralization of appointment authority to state governments. But at the national level the de jure–de facto gap remained strikingly large: whereas the MoLPS & HRD had a mandate to recruit all public servants at the central level, de facto all/most of this recruitment was conducted by line-MDAs. In Liberia, large numbers of temporary staff were on parallel payrolls.

32. The autonomy and merit orientation of central public service bodies is hard to gauge based on objective indicators. One subjective and one (partly) objective indicator are used here: (1) the reputation of recruitments made by central bodies among line-MDAs and (2) the autonomy of their heads/leadership authority of their heads, as indicated by (a) who holds the job and (b) their authority relative to the cabinet.

33. While transfers are frequent and serve to move loyal civil servants into the most influential jobs (within a small civil service elite), the entry of politically connected outsiders is much rarer than in the other cases.


35. For South Sudan, WGI scores are reported for 2011 because earlier values are not available. The year 2006 was selected as the earliest postconflict year common to all five countries after President Ellen Johnson Sirleaf’s election, in order to reflect the significant improvement of Liberia’s WGI scores since.

36. As shown in figure 4.4, the gap in “voice and accountability” scores between Liberia, Sierra Leone, and Timor-Leste on the one hand, and Afghanistan and South Sudan on the other, is particularly large.

37. Following the World Bank (2015b), in hybrid appointments, merit, defined by meeting explicit and contestable criteria, is accompanied by subjective political judgments. Unlike “purely” political appointments, in which serving members of the government make hiring and firing decisions, in hybrid appointments merit is a necessary but insufficient condition for appointment.
38. These included the cabinet secretary, the secretary to the president, and the establishment secretary (later HRMO).

39. These include so-called “superscale” positions and positions funded under the Management Capacity Program (MCP) or Capacity Building for Results (CBR) programs (see chapter 3).


Bibliography


Parallel Structures

Introduction

Postconflict countries are characterized by a strong demand for security and services, and governments that are incapable of supplying them. Either capacity for service delivery never existed, or it was largely destroyed during the conflict, as skilled public servants fled the country. Establishing so-called “parallel structures” to the public service—that is, units partially supported by donors that perform government functions—is the typical response to this capacity dilemma. Donor financed and staffed with well-paid technical assistants (TAs), such parallel structures help ensure that basic functions of government are performed in the aftermath of conflict. But these short-term results can come at a high, long-term cost to state building. Parallel structures risk being unsustainable and can undermine efforts to strengthen the government’s own legitimacy and capacity, in particular by driving up salaries and increasing competition for competent staff in the local labor market.

More than any other country, Afghanistan—where an entire parallel state has emerged—epitomizes this dilemma. As of 2018, there was a total of over 28,000 mostly donor-funded TAs and advisers employed by the Government of Afghanistan on- and off-budget (World Bank 2018, 20). In Afghanistan, parallel structures have helped achieve great results, through well-known programs such as the Basic Package of Health Services (BPHS) or the National Solidarity Program. But what held for Afghanistan’s Budget Department holds for many of these structures: “Without the Making Budgets and Aid Work [MBAW] project, there is no Ministry of Finance [MoF] Budget Department” (cited in Curtis 2010, iii). What happens to these results when the projects end? President Hamid Karzai’s push to abolish parallel structures in 2013, near the end of his presidency, was a clear warning that they have a limited life expectancy, even if development partners are willing to fund them over extended periods of time.

This study dedicates a chapter to the design of parallel structures for three main reasons. First, they are almost three times more prevalent in fragile and postconflict countries than in nonfragile countries. Even those who champion
phasing out parallel structures accept that postconflict settings—with their extreme capacity constraints and weak public financial management (PFM) systems—are an exception to the Paris Declaration and the Accra Agenda, which aim to drastically reduce parallel structures and increase the use of country systems. Second, parallel structures matter enormously for state-building trajectories—perhaps more than the dedicated public service reforms discussed in the preceding chapter. To take just one example, Sierra Leone’s current Budget Department operates the way it does primarily because of the project structures that supported it; cross-cutting administrative reforms did little to shape it. Last, parallel structures may often be a necessary evil, yet how they are designed can make a big difference to their sustainability prospects. This chapter explores which design features may help improve these prospects.

More specifically, this chapter focuses on a subset of parallel structures in the five countries: those that support routine government functions, and in particular, the budget and treasury functions. It does not cover parallel structures that perform project-management functions (project implementation units, PIUs) or those that perform advisory functions. The chapter seeks to understand what has motivated the initial design of these parallel structures and subsequent modifications. It asks how the design of parallel structures has influenced their sustainability and, to the extent measurable, their performance.

In addition, the chapter covers choices regarding the flow and management of project finances. These choices are typically made early after conflict, often in the context of establishing multidonor trust funds (MDTFs). These choices—particularly decisions to set up central project financial management units (PFMUs)—matter because they have influenced the extent to which development partners rely on, and strengthen the capacity of, government budget execution systems.

This chapter ought to be considered as an exploratory look at parallel structures and their design features. From each of the five case study countries, only a few parallel structures could be studied, limiting the external validity of the findings. Follow-up research that studies a much larger sample would be desirable.

The chapter first defines parallel structures and catalogs several types. It then discusses upstream country-level aid architecture and fund-flow choices, summarizes the evolution of parallel structures, analyzes the factors that have influenced this evolution, and seeks to distill operational lessons.

**What Are Parallel Structures?**

**Definition and Types of Parallel Structures**

Parallel structures have all of the following characteristics: (1) they are at least partially donor supported, (2) they are functionally bounded units, (3) they perform government functions that are typically managed by the public administration (excluding security and defense functions), and (4a) they use systems and
procedures that differ from (or add to) country systems and/or (4b) human resources that are (partially or fully) paid, recruited, or managed by donors. All these four characteristics are necessary, and none is sufficient on its own to adequately describe parallel structures (see table 5.1).

This definition distinguishes parallel structures from purely government-run functions (i.e., those that are not donor supported), and from a range of other government or donor-created arrangements that are not considered parallel structures. Purely government-run functions are not considered parallel structures if they rely entirely on government financial management (FM) systems and if they comprise only civil servants who do not receive supplemental pay from donors. If a government directly contracts with firms or individuals (consultants) without donor support (e.g., the government accounting agent [GAA] in South Sudan), this is also not considered a parallel structure. Other exceptions include senior executive service (SES)–type programs (as in Liberia, see chapter 3) because they are not “functionally bounded,” and military or joint

<table>
<thead>
<tr>
<th>Table 5.1 Defining Characteristics of Parallel Structures</th>
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<tbody>
<tr>
<td><strong>Necessary properties of a parallel structure:</strong></td>
</tr>
<tr>
<td>Parallel structures …</td>
</tr>
<tr>
<td>(1) Are partially donor supported</td>
</tr>
<tr>
<td>Contractors contracted to support donor-project implementation (and financed by the project):</td>
</tr>
<tr>
<td>• Firms contracted to support the Treasury in Afghanistan</td>
</tr>
<tr>
<td>• Project accounting agent (PAA) in South Sudan contracted by the Government of South Sudan using multidonor trust fund (MDTF) funding</td>
</tr>
<tr>
<td>Contractors (firms and individuals) contracted directly by government without donor support:</td>
</tr>
<tr>
<td>• Government accounting agent in South Sudan</td>
</tr>
<tr>
<td>(2) Are functionally bounded units</td>
</tr>
<tr>
<td>Specific departments and administrative units (Treasury, Budget, and so on):</td>
</tr>
<tr>
<td>• PAA, South Sudan, which provided accounting services transversally to all MDTF projects</td>
</tr>
<tr>
<td>Senior executive service (SES)–type programs that cut across several ministries, departments, and agencies or units:</td>
</tr>
<tr>
<td>• Lateral Entry Program and Management Capacity Program in Afghanistan</td>
</tr>
<tr>
<td>• SES program in Liberia</td>
</tr>
<tr>
<td>Nongovernmental organization projects</td>
</tr>
<tr>
<td>(3) Perform activities typically managed by the public administration</td>
</tr>
<tr>
<td>Government functions:</td>
</tr>
<tr>
<td>• Infrastructure Implementation Unit in Liberia</td>
</tr>
<tr>
<td>All FM functions use government systems</td>
</tr>
<tr>
<td>(4a) Use public financial management systems and procedures that differ from (or add to) the respective country systems</td>
</tr>
<tr>
<td>Some financial management (FM) functions, including budgeting, accounting, procurement, and audit, are performed outside government systems:</td>
</tr>
<tr>
<td>• None of the MDTF projects in South Sudan used the government’s accounting system</td>
</tr>
<tr>
<td>Government units with technical assistants (TAs):</td>
</tr>
<tr>
<td>• Project Financial Management Unit in South Sudan (six consultants contracted in by the World Bank to replace an accounting firm as the PAA for MDTF-funded projects)</td>
</tr>
<tr>
<td>Government units staffed only by civil servants, no top-ups, no TAs</td>
</tr>
<tr>
<td>(4b) Rely on human resources (partially or fully) paid, recruited, or managed by donors</td>
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</tbody>
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civil-military interventions (e.g., United Nations [UN] peacekeepers in Liberia, the North Atlantic Treaty Organization [NATO]–led Provincial Reconstruction Teams in Afghanistan) or nongovernmental organization (NGO) activities.

Besides looking at parallel structures that support government functions, this chapter takes a particular interest in parallel structures that centrally perform specific project management functions (such as FM or audit) for multiple projects (multiproject, single-function). One example is the PFMU that was established in South Sudan to account for MDTF projects.

**Aid Architecture and Fund-Flow Management Choices**

Individual parallel structures are designed in the context of country-level decisions about the “aid architecture” and about the flow and management of donor funds. Country-level choices relevant to the aid architecture refer to multiodonor and government agreements on it. These can pertain to the creation of MDTFs, such as in Afghanistan and South Sudan. Extreme forms of external influence consist of establishing internationally led transition governments, such as the United Nations Transitional Administration in East Timor (UNTAET) in Timor-Leste, or international temporary trusteeships for government FM, such as the Governance and Economic Management Assistance Program (GEMAP) in Liberia. They can also include fundamental choices regarding the use or design of parallel structures, such as a decision in South Sudan not to create a “super-PIU” for implementing the MDTF.

Fund-flow and management decisions refer to centralized decisions made for multiple projects regarding the design of project FM arrangements. Donors can choose to systematically use the country’s FM system (accounting, procurement, audit), or they can set up dedicated parallel structures or so-called multiproject, single-function units, which centrally perform these functions for several projects. The setup of such units is often (but not always) linked to aid architecture choices, such as the setup of MDTFs.

**Country-Level Aid Architecture and Fund-Flow Choices**

Country-level aid architecture and fund-flow management choices influence the extent to which development partners trust and rely on a country’s FM systems in providing budget aid investment financing. In turn, development partners’ decision to channel aid through government accounting and payment systems can create a virtuous circle of FM capacity building. The more aid money that flows through government systems, the stronger the incentive for donors to invest in strengthening them. The stronger government systems become, the more ready development partners will be to channel aid through them. By contrast, if donors set up “parallel” PFM arrangements for projects, this may lead to a vicious circle of bypassing government PFM systems, as donors face weaker pressures or incentives to rely on them.

Country-level choices regarding aid architecture and the management of fund flows shape the options that managers of individual projects have for designing
In principle, project managers have three options for their FM arrangements. They can use the government system (e.g., the treasury), if it is considered reliable enough. They can use a central PFMU for multiple projects, if it has been created. Or they can set up specific FM arrangements for their own project, as part of the project PIU. Figure 5.1 shows how these FM choices depend on prior country-level aid architecture and fund-flow management decisions.

If development partners are able to exert influence over government treasury systems, they may more readily use them for investment projects (and for budget aid). If donors lack such control and perceive fiduciary risk to be high, they may bypass government FM systems by setting up centralized PFMUs. Such central PFMUs are often established to help implement MDTFs. They offer project managers an alternative to establishing project-specific FM arrangements. The following will discuss how aid architecture and fund-flow management choices have influenced donor use of national treasury systems in the five case study countries.

**Donor Reliance on Country Treasury Systems**

The extent to which donors have channeled aid through national treasury systems varies enormously across the five countries, both in terms of budget support and also reliance on the treasury for individual projects. According to the 2010 Paris Declaration Monitoring Survey of the Organisation for Economic Co-operation and Development (OECD), South Sudan had received no budget support or other program-based approaches (PBAs) at all. At the other end of
the spectrum, in Afghanistan budget support and PBAs amounted to 37 percent of total aid. Liberia, Timor-Leste, and Sierra Leone fell somewhere in the middle, receiving support of 12 percent, 24 percent, and 34 percent, respectively (see figure 5.2).

The extent to which the World Bank and other donors used government budget execution procedures roughly reflects the same ordering of countries, but with some significant deviations (see figure 5.3). At the two extremes, the World Bank relied 100 percent on government budget execution procedures for its projects in Afghanistan, and not at all in South Sudan.

**Figure 5.2 Share of Budget Support (and Other Program-Based Approaches) in Total Aid, 2010**

![Graph showing the share of budget support and other PBAs in total aid for various countries.](image)


*Note:* PBAs = program-based approaches.

**Figure 5.3 Use of Government Budget Execution Procedures by the World Bank and All Donors, 2010**

![Graph showing the share of aid spent through government budget execution procedures for various countries.](image)


*Note:* The OECD data on the World Bank’s use of government budget execution procedures in Liberia are highlighted with stripes as they are likely exaggerated or misleading (due to reporting errors).


Influence of Aid Architecture Choices

What explains this variation in development partners’ readiness to channel aid through national budget execution systems? Development partners’ ability to control the management of government expenditures has been an important factor. Those countries with a heavier initial donor footprint on the government treasury later receive higher shares of budget support and other PBAs. They also see a higher usage of government execution procedures for World Bank/donor-investment projects. For example, in Timor-Leste, UNTAET directly controlled government treasury operations to bridge the capacity gap after independence. In Liberia, with the intervention of the GEMAP, a strict regime was imposed against the national transition government’s will. Despite the different origins of these “control regimes,” both provided the foundation for development partners’ trust in government FM systems.15

At the other extreme, the Government of South Sudan (GoSS) rejected any outright donor involvement in the management of its treasury. It also rejected the Joint Assessment Mission (JAM) proposal to establish a “super-PIU” that would coordinate all MDTF projects.16 This rejection prompted donors’ decision in 2005 to create a multiproject accounting agent (PAA) (as a fund-flow management choice) as a way of centralizing the FM functions for all projects under the MDTF (2005–13) and of bypassing the government treasury system.17 The PAA’s creation was a compromise between the Sudan People’s Liberation Movement’s (SPLM’s) leadership and development partners. It served both parties’ purposes by avoiding parallel PIUs for individual projects, which the SPLM had rejected, while also reducing fiduciary risk. Lack of trust in South Sudan’s treasury system may also explain the complete absence of budget aid.

Afghanistan and Sierra Leone fall in between these extremes. In Sierra Leone, the appointment of a foreign accountant general during the conflict was mainly a response to donor pressure as a result of perceived corruption, but was supported by President Ahmad Tejan Kabbah, with a view to attracting aid. In Afghanistan, development partners made an explicit choice to rely on the government treasury and invest in strengthening it systematically for all Afghanistan Reconstruction Trust Fund (ARTF) projects.

What set South Sudan apart from the other four countries was its bargaining power over these aid architecture decisions relative to development partners. In the four other countries, high financial and military dependency enhanced donors’ bargaining power in gaining influence over the management of domestic resources. By contrast, South Sudan’s economic and military independence (sustained by oil revenues) allowed the government to shut donors out.

Influence of Fund-Flow and Management Choices

How has the creation of central PFMUs influenced the use of government budget execution procedures by World Bank investment projects? Have they hindered the building of capacity in government treasury functions or have they actually fostered a more robust PFM system?
Centralized PFMUs were established in only two of the countries, South Sudan and Liberia, and for different reasons. In South Sudan, as has been noted, the PAA served as a compromise that reduced fiduciary risk for donors, while helping avoid parallel PIUs.

By contrast, Liberia’s PFMU was originally created in 2007 in Liberia’s MoF to support just three World Bank projects. The PFMU was an arrangement that sought to mitigate World Bank concerns about the weakness of the government’s fiduciary arrangements, while at the same time seeking alignment with government structures by placing the PFMU in the MoF, at the request of the then-minister of finance. Initially, there was no plan to use the unit for additional projects, but it was so successful that it expanded its coverage to other projects and donors over time. The number of projects relying on the PFMU grew rapidly, from three projects in 2007 to 39 multisector projects in 2014, from six different donors. From an initial portfolio of $10 million, the funding handled through the PFMU grew to more than $700 million.

In both Liberia and South Sudan, the centralized PFMU/PAA provided projects with reliable FM, and this has been their primary function. Compared with individualized PIUs, they have provided economies of scale and may have helped reduce competition with government for scarce accounting skills. By bundling the FM function for multiple projects, they have also reduced transactions with government officials compared with stand-alone FM units.

However, the two cases also suggest that, for several reasons, multiproject PFMUs run the risk of becoming unsustainable. First, evidence suggests that they are self-perpetuating; once set up, the prospects for “mainstreaming” them into government systems appear to be weak. About a decade after the peace agreements, the central FM unit had not been mainstreamed into the Treasury in either South Sudan or Liberia, although one might expect that this would be easier to achieve with a PFMU than if project FM functions were dispersed over multiple projects. In South Sudan, the PFMU life span was associated with the MDTF, and it was later dissolved. An exit strategy for Liberia’s PFMU, created in 2007, never existed. Although efforts to mainstream the PFMU were under way at the time of research, several donors had interests in preserving it, as they relied on it for a large number of projects. In addition, by 2013 the unit was headed by an expatriate, staffed by international TAs, and had a weak reporting relationship to the MoF. These factors have reduced the prospects for its absorption in the near future.

Second, the two central PFMUs have had little capacity spillover on government treasuries. In South Sudan, such spillovers were not intended, at least in the first few years. Between 2006 and 2008 (while being contracted out), the PAA (KPMG) had no mandate to build the capacity of the Treasury. Moreover, it was in a separate location, and its staff had little interaction with the Treasury. Both Treasury staff and PAA TAs perceived it as a World Bank unit, not a government one. In Liberia, the PFMU had a mandate to transfer capacity to civil servants and was located in the MoF. Nevertheless, capacity transfer remained weak. As in South Sudan, the PFMU was perceived as a World Bank unit.

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Third, at least in Liberia, there is some evidence that establishing the PFMU may have encouraged a vicious cycle of underinvestment in the government Treasury. Interviews suggest that the PFMU reduced pressure on donors to strengthen the government Treasury: “The PFMU grew, as they continued to add projects and donors to the PFMU, further hindering capacity-building efforts. . . . Now most donors use the PFMU: AfDB [African Development Bank], Sida [Swedish International Development Cooperation Agency], Global Fund, Gates Foundation—all are using PFMU.”

With the benefit of hindsight, a World Bank report argues that the prospects for mainstreaming the PFMU and building the capacity of civil servants could have been increased by integrating it more closely into the Comptroller and Accountant General’s Division (CAGD) of the MoF, which is in charge of managing the government’s own core consolidated fund transactions. This would have strengthened government ownership of the unit. According to the report, giving public servants the opportunity to join the PFMU and work alongside international experts could have helped capacity development. This approach, adopted in Afghanistan for the training of civil servants by the ARTF’s audit agent, is widely seen as successful.

Afghanistan’s Treasury provides strong evidence for the “virtuous” circle triggered by the decision to channel both the ARTF’s budget support and investment project funds through the Treasury. This decision resulted in continuous support for building the Treasury’s capacity, and the growing responsibility has contributed to further capacity growth. A key factor in this evolution has been continuous reform-oriented leadership of the MoF or Treasury. In contrast to South Sudan or Sierra Leone, Afghanistan’s initial FM design benefitted from a highly supportive MoF leadership.

What do these findings imply for the creation of central PFMUs in other post-conflict settings? Following are three recommendations for donors:

- **Rely on and invest in the government treasury for MDTF projects, where possible.** The case of Afghanistan suggests that this can lead to a virtuous circle and result in high performance and sustainability. Certainly a range of factors contributed to Afghanistan’s success, which may not be easy to replicate in other contexts. But Afghanistan is a case that development partners can turn to in order to study successful fund-flow management arrangements.

- **Consider establishing central PFMUs if the use of government treasury systems is impossible.** The case of South Sudan clearly suggests that circumstances determine whether or not to establish central PFMUs. If reliance on the Treasury as the “first-best” solution is not an option, central PFMUs can be a second-best choice. Compared with individual project FMUs, PFMUs can reduce negative side effects on government FM capacity and transaction costs. If integrated with the corresponding government units and designed to involve civil servants, they may be vehicles for building public servants’ capacity.
• Anticipate that PFMUs may be self-perpetuating and that their absorption prospects are not great. These units have either been dissolved or the prospects for their integration with the government Treasury are poor. They have not had significant capacity spillovers, and, at least in Liberia, may have diverted funding from the government treasury function.

Project-Level Parallel Structure Design Choices

Two Paths

In the context set by aid architecture and fund-flow management choices, what patterns emerge in the evolution of individual parallel structures performing treasury and budget functions? Parallel structures have typically evolved following two types of paths: “declining” versus “chronic” TA dependency. In the former case, TAs gradually help build the capacity of civil servants, hand over their tasks to them, and decrease in numbers. In the latter case, reliance on technical assistance remains strong with little transfer of skills to civil servants. When project financing ends, governments face pressure to either absorb TAs into the civil service at higher pay levels or risk a severe loss of institutional memory and performance.27 Figure 5.4 illustrates these two paths.

The contrast between Afghanistan’s Treasury and Budget Departments epitomizes these different paths. Afghanistan’s Treasury Department, led by a civil
servant, has successfully reduced reliance on TAs, to the extent that in 2013, in the view of a senior Treasury official, “we could probably do away with local consultants that are still there, if we had some way of compensating these civil servants in line with the market.”

Civil servants performed almost all operational tasks, with TAs mainly responsible for advanced reporting or reconciliation tasks. This has been achieved through a combination of factors, including committed leadership, continuous World Bank support, and significant investments in training civil servants.

By contrast, as of 2014, Afghanistan’s Budget Department continued to depend heavily on TAs and project financing. It was headed by a national TA, and practically all professional positions were filled with TAs funded by a series of projects executed by the United Nations Development Programme (UNDP). After attempts to train civil servants failed because of large capacity gaps, national TAs were recruited. Capacity was primarily transferred from international to these national TAs.

About half of the parallel structures reviewed for this study pursued the declining TA dependency path (see table 5.2). As will be shown in more detail, Liberia’s and Timor-Leste’s Treasury and Budget Departments, and Afghanistan’s and South Sudan’s Treasury Departments, all gradually reduced their reliance on TAs over time.

### Table 5.2 Overview of Stylized Parallel Structure Paths

<table>
<thead>
<tr>
<th>Country</th>
<th>Treasury function</th>
<th>Budget function</th>
</tr>
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<tbody>
<tr>
<td>Afghanistan</td>
<td>Few TAs absorbed</td>
<td></td>
</tr>
<tr>
<td>Liberia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>A number of national TAs absorbed</td>
<td></td>
</tr>
<tr>
<td>South Sudan</td>
<td>One local consultant absorbed</td>
<td>Still high international TA dependency</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td></td>
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Note: The attribution of real parallel structures to the two types is reductionist and serves to provide an overview. In reality, most parallel structures fall somewhere between the two extremes. TA = technical assistant/assistance.
Afghanistan’s and Sierra Leone’s Budget Departments pursued the path of chronic TA dependency. As of 2014, both continued to be run by (absorbed) national TAs, with civil servants playing a marginal role.\textsuperscript{32} Sierra Leone’s Accountant General’s Department is a hybrid case; its senior management consisted of absorbed national TAs, but civil servants represented the majority of its staff. South Sudan’s Budget Department was still strongly dependent on external international TAs, despite some progress in transferring capacity.

It is tempting to consider the path of declining TA dependency to be the only sustainable strategy and to dismiss chronic TA dependency as a necessary evil that marks the fate of parallel structures that lack a viable exit strategy. But the cases in this study suggest that a more balanced case-by-case judgment is called for.

Because of pay discrepancies, absorbing TAs onto the government payroll risks demotivating civil servants if they work side by side. For example, in Sierra Leone’s Ministry of Finance and Economic Development (MoFED), civil servants were already reluctant to cooperate with national TAs before the latter were absorbed. They considered it unfair to be paid a fraction of a TA’s salary. “If you are doing the same but the other person is being paid ten times what you are paid, of course you don’t have the enthusiasm for work. There is nothing an accountant or an economist does that I am not able to do.”\textsuperscript{33} These perceptions of unfairness increased once the government enlisted national TAs as government staff but continued to pay them salaries equivalent to their TA fees.

The process of mainstreaming national TAs itself is risky. In Sierra Leone, donors had to push hard and leverage aid conditionality to exit from project funding and ensure that the MoFED absorbed national TAs, even though the number of TAs was relatively small and the absorption thus affordable. When the government gave in, the candidates holding the jobs were simply absorbed, without respecting transparent recruitment or pay determination process. This further fueled civil servants’ frustrations about unfair pay.

Because of patronage, the attempt to absorb competent TAs may simply not work, potentially risking the loss of institutional memory. Afghanistan’s ongoing World Bank Capacity Building for Results (CBR) project highlights this risk. The project is a major effort to reduce dependency on TAs working in parallel structures by absorbing them into line-positions at attractive salaries, to build more sustainable government capacity. However, competent TAs eligible for the program expressed fears that they would not be selected for their own job because of political interference in the CBR recruitment process: “I really have a fear that if [my] position goes through CBR I might not be able to take my position again. . . . People know, as long as you don’t have relationships with ministers, parliamentarians, or some influential people it’s difficult to be recruited through the civil service commission for higher positions.”\textsuperscript{34} High salaries make such political interference attractive.\textsuperscript{35}

Despite these shortcomings, continued reliance on TAs may sometimes be inevitable. This is particularly so if the functions performed by parallel structures are vulnerable to rent-seeking. The Grants and Service Contracts Management Unit (GCMU) in Afghanistan’s Ministry of Public Health is a
Parallel Structures

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case in point. Supported by a World Bank project, the GCMU contracted NGOs for delivering the BPHS and handled the associated procurement and contract management processes. As the GCMU procured a large volume of contracts, it was an attractive target for rent-seeking attempts. TAs report that parliamentarians (among others) frequently attempted to influence contracting decisions. The GCMU was ring-fenced as a fiduciary island run by TAs under development partners’ oversight, a move that has helped protect against such interference.

It can sometimes also be necessary to rely on TAs to interface with development partners, at least at the outset. For example, Afghanistan’s Budget Department, created nearly from scratch after the Bonn Agreement, served as a central interface for coordinating aid to Afghanistan. To effectively work with donors, Budget Department staff thus had to be able to communicate in English and have familiarity with donor requirements.

In some cases, chronic TA dependency need not pose a sustainability threat. For example, views are divided on the sustainability of Afghanistan’s Budget Department. An evaluation conducted in 2010 took a very critical view, arguing that “the impact of a premature cessation of project benefits, particularly in relation to budgetary processes, would be extremely detrimental to the stability of the Afghan Government and therefore to the entire spectrum of development assistance in this country” (Curtis 2010, iii). However, some national TAs working in the department who were interviewed for this study disagreed. In 2013, the budget director himself argued that the MoF could easily afford to absorb the national TAs if needed, and that declining salaries might make it even more affordable over time. In this argument, if national TAs highly identify with their jobs and their country, they may even stay for a lower salary package.36 One way of mainstreaming larger, predominantly TA-staffed units could be to transform them into autonomous agencies.37

In sum, these findings suggest that chronic TA dependency has clear downsides but is inevitable in some cases. It can be particularly hard to avoid if financial stakes and fiduciary risks are high, if the skills gap between TAs and civil servants is large, or if the donor interface is essential. If, as a result, mainstreaming TAs becomes necessary, governments may be reluctant to do so because it can demotivate civil servants, and skills can be lost because of patronage in the mainstreaming process. The chances of mainstreaming national TAs appear to be higher if TAs are part of governing networks (as in Sierra Leone’s MoFED) and see their future in government, not in donor projects or organizations. Absorption chances are also higher if governments have their own sufficient revenues from natural resources (as in South Sudan and Timor- Leste).

Results

The trade-off between relying on TAs to build civil servants’ capacity and to get the job done is at the center of the debate about how to design parallel structures. A systematic evaluation of parallel structures therefore ought to provide a balanced view of both their performance and the extent of capacity transfer. It is beyond the
scope of this study to conduct such an evaluation. However, based on the small sample of Budget and Treasury Departments reviewed here, a few findings are noteworthy.

About a decade after conflict, several Budget and Treasury Departments had significantly reduced their reliance on TAs (see figures 5.5 and 5.6). However, as of 2013, none had been fully taken over by civil servants. Most still retained some TAs and continued to depend on project-funded support.

In all of the five countries, the Treasury Departments have become relatively independent. Although all still received support from a small number of TAs, at the time of research, civil servants constituted the vast majority of their staff. TAs typically performed systems-management functions (as in Afghanistan) or occupied senior positions in the department (absorbed national TAs in Sierra Leone). In Liberia the Treasury managed to transition relatively quickly from total dependence on foreign TAs (cosigning authorities) to significant autonomy. Even if its performance still remained weak in 2013, the trend has clearly been positive. Similarly, in Timor-Leste, the number of consultants at the Treasury decreased significantly over a decade; by 2013 they focused solely on analysis, planning, and policy advice, while daily tasks were carried out by civil servants. Finally, the trajectory of South Sudan’s Treasury involved notable progress from a dramatically low baseline, which allowed the unit to transition from a (partial) reliance on contracting out to bringing full responsibilities in-house—with intermittent TA support from

Figure 5.5  Evolution of the Number of Civil Servants per Technical Assistant at Treasury Departments

Sources: World Bank calculations, based on interviews with Treasury Department employees and payroll data of the respective case study country. For Afghanistan: MoF, Government of Afghanistan (2008, 3) and MoF, Government of Afghanistan (2015, 5).
Note: Except for Sierra Leone, the ratio of the total number of civil servants (including both clerical and professional grades) to the total number of TAs (including both national TAs and expatriates) is reported. For Sierra Leone, only professional-level civil servants (grade 7 and above) are counted, due to data limitations. TAs = technical assistants.
development partners. On the other hand, its performance was severely constrained by political interference, lack of PFM capacity from spending agencies, and low technical skills within the Treasury, all of which prevent implementing some basic accounting standards.

With regard to Budget Departments, however, the picture is quite different. Timor-Leste and Liberia have achieved a strong degree of independence; as of 2013, both Budget Departments were run mostly by civil servants with support from a small number of TAs. But the other three countries still relied heavily on (sometimes absorbed) TAs. In Afghanistan the Budget Department was run primarily by (national) TAs. Sierra Leone’s Budget Bureau was run by absorbed national TAs. And although South Sudan’s Budget Department had few TAs (just three or four international TAs), it depended heavily on them for its functioning. TAs performed most line-functions, even if on paper they were limited to advisory and capacity-building roles. For Afghanistan and Sierra Leone, this high dependency is clearly visible in the persistently low number of civil servants per TA (see figure 5.6).

It is beyond the scope of this study to systematically measure and compare the performance of Budget and Treasury Departments over time and across countries. However, the evolution of relevant scores of Public Expenditure and Financial Accountability assessments (PEFAs) conducted in the five countries provides at least a rough indication of their performance (see figures 5.7 and 5.8).

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**Figure 5.6 Evolution of the Number of Civil Servants per Technical Assistant at Budget Departments**

Sources: World Bank calculations, based on interviews with Budget Department employees and payroll data of the respective case study country. For Afghanistan: MoF, Government of Afghanistan (2008, 3) and MoF, Government of Afghanistan (2015, 5).

Note: Except for Sierra Leone, the ratio of the total number of civil servants (including both clerical and professional grades) to the total number of TAs (including both national TAs and expatriates) is reported. For Sierra Leone, only professional-level civil servants (grade 7 and above) are counted, due to data limitations. TAs = technical assistants.
Figure 5.7 Association between TA Dependency and PEFA Scores for Treasury Departments

Source: Based on relevant PEFA assessments (http://www.pefa.org).

Note: This figure reports the arithmetic average of selected PEFA scores, considered as suitable proxies for capturing the performance of Treasury Departments. These include: PI-16 (all) Predictability in the availability of funds for commitment of expenditures; PI-17 (ii) Extent of consolidation of the government’s cash balances; PI-18 (ii) Timeliness of changes to personnel records and the payroll; PI-20 (all) Effectiveness of internal controls for nonsalary expenditure; PI-22 (all) Timeliness and regularity of accounts reconciliation; PI-24 (all) Quality and timeliness of in-year budget reports; and PI-25 (all) Quality and timeliness of annual financial statements. Scoring equivalence: PEFA scores as projected on an ordinal scale as follows: A = 4, B = 3, C = 2, D = 1. PEFA = Public Expenditure and Financial Accountability; TA = technical assistance.

Figure 5.8 Association between TA Dependency and PEFA Scores for Budget Departments

Source: Based on relevant PEFA assessments (http://www.pefa.org).

Note: This figure reports the arithmetic average of selected PEFA scores, considered as suitable proxies for capturing the performance of Budget Departments. These include: PI-1 Aggregate expenditure outturn compared with original approved budget; PI-2 Composition of expenditure outturn compared with original approved budget; PI-5 Classification of the budget; PI-6 Comprehensiveness of information included in budget documentation; and PI-11 (i) Existence of and adherence to a fixed budget calendar. PEFA = Public Expenditure and Financial Accountability; TA = technical assistance.
Interestingly, the data do not show a clear association between performance, as captured by the PEFA scores, and TA dependency. The data for Treasury Departments suggest that in some cases, capacity transfer to civil servants has been successful. As shown in figure 5.7, Afghanistan’s and Timor-Leste’s Treasury Departments have significantly and consistently improved relevant PEFA scores over time, while reducing their reliance on TAs. The same is true for Timor-Leste’s Budget Department (see figure 5.8). By contrast, Afghanistan’s, Sierra Leone’s, and South Sudan’s Budget Departments, which have remained chronically TA dependent, show only stagnating or declining PEFA scores. In sum, with the due caveats, these data suggest that capacity has successfully been transferred in some cases and that persistent reliance on (absorbed) TAs has not been associated with higher or faster-improving performance.

**Analysis of Parallel Structure Design Choices**

How parallel structures are initially designed influences their long-term evolution. How do early design choices influence the longer-term dependence on TAs and capacity transfer to civil servants? This section will discuss this question with regard to specific design factors.

**Overview of Parallel Structure Design Choices**

Task team leaders and their government counterparts can make a range of design choices for individual parallel structures. They can choose whether the government function is contracted out to a firm or whether individual consultants are contracted in to perform it. They can choose the mix of national or international TAs who support civil servants. These choices also include how closely the management of human resources—that is, of civil servants and TAs—is integrated, and whether, for example, both groups report to the same management and how closely they work together on tasks. Lastly, fiduciary integration choices need to be made—that is, whether the respective project uses government fiduciary systems, a central PFMU, or its own FM arrangements. Table 5.3 provides an overview of the design choices that task team leaders can make for supporting government functions.

In addition, questions of continuity over time are essential (see bottom of table 5.3). When parallel structures are first established, a key question is to what extent continuity with existing rules, systems, and staff is sought, in contrast to a “tabula rasa” approach that replaces the old with the new. Later, during the lifetime of a parallel structure, it matters whether it is provided with continuous project support or whether there is disruption.

**Continuity versus Blank Slate Approaches**

The case studies provide strong evidence that building on existing systems, using simple systems, and avoiding later system changes can facilitate transferring capacity from TAs to civil servants. By contrast, if new technologies, such as new financial management information systems (FMISs) or program budgeting, are
adopted and run by TAs, it can later become difficult to bridge technology gaps and hand tasks over to civil servants.

The design of the Afghanistan Financial Management Information System (AFMIS) in Afghanistan’s Treasury illustrates how continuity can facilitate skills transfer. The AFMIS primarily computerized accounting rules and procedures that had been put into place several decades before (with support from the U.S. Agency for International Development) and used ever since. In the words of Afghanistan’s Treasury director, “Right now [2013] it is almost three years since we rolled out the AFMIS to the entire country, but we are still keeping the old procedure. For example, the accounting manual which was [drafted] 40 years ago. We do not ignore the old forms.”42 This continuity made it easier for civil

Table 5.3 Overview of Parallel Structure Design Choices

<table>
<thead>
<tr>
<th>Design choice</th>
<th>Key design question</th>
<th>Associated trade-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Contracting in or out</td>
<td>Is the function contracted in or out?</td>
<td>Cost and knowledge transfer versus management ease, responsibility transfer, and risk reduction.</td>
</tr>
<tr>
<td>II. HR composition</td>
<td>What is the number of international TAs, national TAs, civil servants, and other staff groups (e.g., SES) working in the unit?</td>
<td>Quality, speed, and effectiveness versus cost, cultural fit, potential for settling in, sustainability, and aid dependency.</td>
</tr>
<tr>
<td>III. HR integration and management</td>
<td>(1) Leadership and HR authority. Are the parallel structures headed by a civil servant or a TA? To what extent do TAs in the unit report to her/him?</td>
<td>Fiduciary concerns, speed, quality, and effectiveness (&quot;getting things done&quot;) versus sustainability, capacity building, and strengthening government systems.</td>
</tr>
<tr>
<td></td>
<td>(2) Division of labor. What is the (de jure) division of labor between TAs and civil servants? Specifically, do TAs serve in line-functions?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3) TAs’ capacity-building incentives. Which weight is given to capacity building in TAs’ contracts? Are “getting the job done” and capacity-building functions integrated or separated?</td>
<td></td>
</tr>
<tr>
<td>IV. Fiduciary integration</td>
<td>Does the parallel structure use government FM systems, multiproject FM parallel structures, or project-specific FM arrangements?</td>
<td>Fiduciary concerns, speed, quality, and effectiveness (&quot;getting things done&quot;) versus sustainability, capacity building, and strengthening government systems.</td>
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<tr>
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<td>This comprises the following FM functions: (1) budget execution, (2) reporting, (3) auditing, and (4) procurement.</td>
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Continuity-related choices

<table>
<thead>
<tr>
<th>V. Continuity versus blank slate approaches</th>
<th>To what extent is continuity sought with existing rules, systems, and staff when the parallel structure is established?</th>
<th>Building on existing systems can accelerate capacity building and enhance acceptance. Replacing old systems can seize the opportunity for renewal.</th>
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</thead>
<tbody>
<tr>
<td>VI. Continuity of project support</td>
<td>Does a sequence of projects provide consistent and uninterrupted support to the same parallel structure, or are there disruptions?</td>
<td>Continuity limits possibilities for change, and disruption can harm capacity.</td>
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Note: FM = financial management; HR = human resource; SES = senior executive service; TA = technical assistant.
servants familiar with the old accounting system to transition to the electronic system, because their knowledge of procedures remained relevant. At first, civil servants lacked the necessary computer skills, and TAs had to transfer paper-based payment requests into the AFMIS. In 2013, however, “whatever operational tasks relate to [...] data entry, running reports or reconciling reports, these were being done by the civil servants.”

By contrast, there are numerous examples of system disruptions that hindered skills transfer and prolonged TA dependency. Afghanistan’s Budget Department offers one example. In the words of an international TA involved at the time, “In Afghanistan they implemented program-based budgeting. It was just so complicated! That impeded the Budget Directorate to transition out of TAs.” Similarly, as of 2013, South Sudan had relied on simple spreadsheets for preparing its budget, and “the ongoing introduction of a database for use in preparing budgets in place of spreadsheets” was expected to “further strengthen budget preparation processes” (GoSS 2012). But this database has also prolonged dependency on international TAs. Although imperfect, civil servants had become familiar with the spreadsheet system and it worked, whereas the new system required more intensive input from TAs.

Liberia’s Budget Department staff rejected outright the off-the-shelf FMIS introduced with World Bank support. They considered the FMIS as overly complex and overengineered for the government’s needs, straining civil servants’ capacity. It also did not fit with Liberia’s limited information technology (IT) skills, and the country lacked the infrastructure required to reliably run an Internet-based system. In the view of a Liberian official involved, a more incremental approach, in which capacity and technological sophistication grow step by step, would have been preferable: “We should engineer in a scalable manner so as when we grow, we can grow with the tool set and the technology. If we overengineer from the beginning, we will not succeed because we will never jump over the bar. It may be a disincentive at a point in time, like ‘this thing is too complicated, this thing will not work.’”

After Timor-Leste’s independence from Indonesia, there was arguably an opportunity and good reason for equipping the Ministry of Planning and Finance (MoPF) with new systems in a tabula rasa approach. The disruption of secession helped establish new systems from scratch, as a former TA at the Budget Department highlights: “The MoF was completely new after independence, there was no government before that, which I think helped to establish good procedures, whereas in Afghanistan the system was there, they inherited it, [which makes change more difficult].” In addition, there was little institutional memory to build on as UNTAET replaced most Timorese civil servants from the former Indonesian administration. Accordingly, in the MoPF, “new computerized systems were established in planning, budget, treasury, procurement, revenue service, and customs, so that national capacity had to be built from scratch, while almost all functions were carried out by international advisors” (World Bank 2006b).
The example of Timor-Leste’s Treasury, however, also suggests that insufficient donor coordination in such phases of renewal can result in the establishment of fragmented systems. In turn, fragmentation can later necessitate system changes and disruption. Immediately after conflict, different UNTAET agencies adopted different, unintegrated IT systems for different parts of the FM system. This meant that the same data had to be entered multiple times in different systems, wasting time and increasing the risk of errors. When the government later sought to replace the different systems with a single, integrated one, civil servants who had learned to use the original systems had to adapt to a whole new system, further prolonging dependency on TAs.

Overall, these findings are a warning sign that development partners should resist the temptation to set up new, sophisticated systems in a blank slate approach. Technological leapfrogging attempts have typically yielded suboptimal results, ranging from outright rejection to prolonged TA dependency. Rather, development partners ought to:

• Seek continuity with existing systems to facilitate capacity transfer, where possible. Seeking some continuity with preexisting rules and systems and tapping institutional memory is fundamental to facilitating capacity transfer and attaining sustainability.

• Where deep disruption by conflict suggests a tabula rasa approach, ensure close donor coordination and avoid system fragmentation.

• Aim for simple, workable solutions that have the buy-in of key local stakeholders and fit the skill set of civil servants and local IT infrastructure. Developing technology and public servants’ skills in tandem, in an incremental step-by-step approach, appears more promising than technological leaps.

**Contracting In versus Contracting Out**

Whereas contracting out, for example, to accounting firms, has been a dominant strategy for centralized multiproject FM functions, at least in the early postconflict stages, most government FM functions have been contracted in. Multiproject audit functions have consistently been contracted out in all five countries (see the far-right column of table 5.4). For multiproject treasury functions, the picture is more mixed: Liberia’s PFMU was contracted in from the start, and South Sudan’s PAA was first contracted out but later contracted in, a change that was made primarily in response to differences that the government and the World Bank had with the accounting firm on the terms of the GAA’s contract, a fact that also affected relations with the PAA. By contracting in both the GAA and PAA, the government aimed at increasing its control.

By contrast, contracting in individuals has more often been used for the government budget, treasury, and external audit functions (see the left-hand columns of table 5.4). Firms were rarely contracted to support government budget and treasury functions, with the exceptions of Afghanistan’s and
South Sudan’s Treasuries. For external audit, firms have been contracted mostly in the early years after conflict. However, once local capacity was strengthened, there has frequently been a transition from contracting out to in (see the third column in table 5.4). This arrangement was cheaper and typically allowed for better knowledge transfer, but it was also more demanding in terms of supervision and monitoring and evaluation (M&E).

Overall, contracting in core government functions (e.g., treasury, external audit) has typically yielded better capacity transfer results than contracting out when the government’s capacities were above a certain threshold. Individual consultants have done better at transferring knowledge to civil servants and developing local capacity. For example, in Timor-Leste’s MoPF, contracting in has been reasonably successful in building capacity. However, this requires the respective units’ heads to be capable of supervising and monitoring several individual consultants. It requires certain baseline skills from the civil servants working with the TAs, as well as the political will of the managers to push for (and prioritize) knowledge transfer. It also typically poses higher fiduciary risks for the government.

What can be learned from Afghanistan’s and South Sudan’s experiences with contracting out government treasury functions? Both cases show starkly different outcomes and models of contracting (see table 5.5). Outsourcing Afghanistan’s treasury functions is seen as a success story. Contracting out the FMIS helped build the sustainable capacity of civil servants and improved performance (see the increases in PEFA scores in figure 5.7 earlier in this chapter). In South Sudan’s Treasury, by contrast, contracting out the bookkeeping function undermined capacity building. South Sudan’s GAA failed to match the government’s expectations, its contract was not extended after three years, and capacity building had to restart practically from scratch. These examples suggest that what is contracted, and how, matter more than the mere fact of contracting.

In South Sudan, while the accounting/bookkeeping function was contracted out to the so-called GAA, civil servants continued making payments and only reported these (ex post) to the GAA. The decision to contract out was motivated by a total lack of government PFM capacity at the time of the Comprehensive
Peace Agreement and the expected influx of major oil revenues. Whereas the World Bank pushed for completely contracting out the treasury function to enhance transparency, the government opposed this, to affirm its sovereignty and to keep control of its own resources.

The GAA’s contract was not renewed in 2009 because of growing frustrations over the GAA’s lack of accountability and delays in providing the MoF with “the timely information it needed to undertake its core budget functions” (Davies 2009, 85). It also did not contribute to building the capacity of Treasury civil servants since it was run separately from the Treasury. Observers consider the lack of the MoF’s capacity to formulate and monitor the contract to be the key reason for this failure. The contract was largely written by the contracted firm itself, without support from development partners. In addition, the contractor team comprised mostly private sector accountants who had limited familiarity with the public sector and had to operate in a difficult environment.

In Afghanistan, the contractor’s key functions were to set up and roll out an FMIS and enable civil servants to use it. Contractors worked closely with civil servants in the Treasury, and the World Bank project that financed the contract had a dedicated capacity-building component. The motivation for contracting out was to set up an FMIS to help automate treasury transactions. The division of labor between TAs and civil servants gradually shifted, as already described. As a result, in 2014, Treasury civil servants processed all payments directly in the computer system, and the role of TAs was limited to resolving complicated cases and maintaining the system.

These two contrasting cases suggest that contracting out government FM functions (and treasury functions in particular) can both help build sustainable capacity and undermine it. The experiences suggest that the principal’s motivation and contract design are crucial, besides the choice between contracting out or in.

| Table 5.5  | Comparison of Two Different Models of Contracting Out Treasury Functions: Afghanistan versus South Sudan |
| Design feature | Afghanistan | South Sudan |
| Contract financed by | World Bank | Government |
| Contract negotiated and supervised by | Government, with World Bank support | Government |
| Functions contracted out | “Cross-cutting” | “By function” |
| | Setting up the financial management information system (FMIS), capacity building of public servants | Accounting/bookkeeping, not payment processing, not capacity building |
| Duration | 12 years, sequence of contracts | 3 years (2005–08) |
| TA turnover | Low, despite changing contracts (sequence of four different contractors) | No TA turnover during the whole period 2005–08 |

*Note: TA = technical assistant.*
One reason for Afghanistan’s success was that a horizontal systems function was contracted out, which meant that the contractors worked alongside civil servants, facilitating capacity transfer. A key success factor was the strong civil service leadership of the Treasury. The contract was well designed and jointly negotiated and monitored by the Treasury leadership and the World Bank. Importantly, although the contracted firms changed several times, many individual TAs remained the same, with their contracts being taken over by the new firm, ensuring continuous support. Not least, complementary measures were taken to attract capable university graduates.

In South Sudan’s Treasury, by contrast, the government lacked capacity to write the contract or properly oversee it. Capacity had not been built, in part because a specific treasury function (bookkeeping) was contracted out, vertically separating contractors and civil servants and limiting interactions between them.

These experiences suggest that when considering contracting out support for government FM functions, development partners ought to:

- **Take into account the government’s ability to supervise firm contracts.** When governments, rather than donors, have had a lead role in contracting, managing, and supervising consultants—either in or out—and the capacity to do so—this has favored capacity building. If governments, however, lead with little capacity, the results can be poor in terms of both performance and capacity building, as the case of South Sudan shows.

- **Favor contracting in when there is an “enabling environment.”** If the ministries, departments, and agencies’ leadership has the capacity to monitor the TAs as well as the interest to prioritize capacity building over short-term performance—and if the civil servants working with the TAs have the minimum baseline knowledge that allows them to learn—then contracting in is likely to favor knowledge transfer. This is especially true when individuals are properly selected and the right incentives are in place. However, if any of these preconditions is missing, contracting out may be safer.

**Human Resource Composition Choices**

TAs are the hallmark of parallel structures. Evidence from the five case study countries suggests that the extent to which international, regional, and national TAs are relied upon is an important factor that shapes the path of parallel structures.

The five cases strongly suggest that initial reliance on national TAs is more likely to lead to chronic TA dependency than is reliance on international TAs. Those parallel structures that were still most heavily dependent on national TAs at the time of research or had absorbed them (see figure 5.4 and table 5.2 earlier in the chapter) had relied on national TAs at early stages. These include Afghanistan’s Budget Department, the GCMU in Afghanistan’s Ministry of Public Health, and Sierra Leone’s Budget Bureau.51
Conversely, those parallel structures that did not intensively use national TAs have gradually reduced TA dependency, although weaknesses remain to varying degrees. Declining dependency is reflected in the increasing number of professional-level civil servants per TA in the respective units (see figures 5.5 and 5.6 earlier in the chapter). Timor-Leste’s Directorate of Budget provides a nice illustration of a successful gradual handover from international TAs to civil servants.

This being said, it is important to recognize that national TAs have helped build capable departments that have reached good performance standards. Both Afghanistan’s Budget Department and Sierra Leone’s Budget Bureau are prime examples. In both, several national TAs stayed for long periods of time and thus helped preserve institutional memory. The national TAs working there undoubtedly have a self-preservation incentive to stay on the job; it would therefore be unreasonable to expect them to invest in building civil servants’ capacity and “making themselves superfluous,” unless they were motivated by strong leadership, as was the case in Afghanistan’s Treasury.

In addition, the case studies also suggest that international TAs are far from a panacea. They highlight that international TAs often leave after short stays, especially if living conditions are harsh, which creates a loss of institutional memory. South Sudan’s External Audit Agent (EAA) illustrates this problem. Before 2010, the EAA had been headed by a series of international TAs from Western countries, but each of them quit after only a few weeks because of the harsh working and living conditions at the time (World Bank staff and consultants typically lived in tents). By 2010, no experienced consultant could be found in local and regional labor markets to head the EAA team. Following the recommendations of government officials, the contractor therefore decided to target applicants from low-income countries beyond the East Africa region, and hired an experienced consultant from India. The consultant’s hiring was a success on all counts, and once the contract ended, he was contracted directly by the government’s National Audit Chamber. One reason was that he combined the necessary technical and communication skills, international experience, and the personal capacity to manage the environment.

Several cases demonstrate that international TAs may adopt technologies that do not suit the local context and thus guarantee dependency. For example, Sierra Leone’s first foreign accountant general, an Irish national, programmed a custom-made FMIS for the country, which only he could fully navigate. After he was fired he refused to sufficiently document procedures, and as a result the system was ultimately replaced with off-the-shelf software. Similarly, in 2013, Timor-Leste’s Human Resources Management Information System (HRMIS) was controlled by a long-term international TA who blocked any attempt to transfer the technology to civil servants or merge it with the FMIS. Beyond these extreme cases, international TAs have often introduced sophisticated new systems that they were familiar with, but which later turned out to be difficult for public servants to run.
The case studies suggest that it is important to get both the mix and the number of TAs right. The varied experiences of parallel structures supporting South Sudan’s procurement, audit, and budget functions illustrate this. On the one hand, with just three TAs, the out-contracted procurement agent had too little staff to perform an overwhelming task. The TAs were stretched too thin and could not delegate work to civil servants because the capacity gap was too large, and they lacked time for on-the-job training. Consequently, little capacity was built. On the other hand, the EAA was staffed with 24 consultants. It had a clear mandate to develop the capacity of the South Sudan Audit Chamber, including measurable capacity-building milestones. Despite initial difficulties, substantial progress has been made in developing the capacity of the Audit Chamber.

The cases also suggest, however, that large numbers of TAs can exacerbate coordination challenges and provide contradictory advice. As a former TA in South Sudan’s Ministry of Finance and Economic Planning (MoFEP) observed, “More TAs? You have to be very careful: there is danger of conflicting advice. Among TAs it is important to choose the right ones and be clear on the work to be done by each one, not to overlap. Indeed, at the MoFEP, coordination among TAs funded by different donors was a challenge that could have been solved with higher involvement from GoSS.”

Finally, the case studies highlight that capacity transfer to civil servants works only if they have at least basic skills such as literacy and numeracy, regardless of the mix and number of TAs. For example, for Timor-Leste, an Independent Evaluation Group report (IEG 2011) notes that the “twinning of international staff with local counterparts was . . . difficult because of the paucity of reasonably skilled local staff.” In South Sudan’s Treasury, capacity was so low that an experienced international TA found that the approach she had successfully used in other postconflict settings failed: “What happens when you try to implement a procedure but the skill levels are so low that [the public servants] are even unable to write a letter or do simple mathematics? . . . All my theories about ‘you put a structured process and everything works’ . . . have failed. So we are all sitting back now and thinking, ‘What now? What now for this country?’”

These findings suggest the following recommendations for development partners:

• Provide a sufficient number of TAs to both get the job done and build capacity. Hiring too many TAs can be as damaging for capacity building as hiring too few. If there are too few, all TAs’ time risks being devoted to getting the job done, rather than building capacity (as for South Sudan’s Procurement Agent). If there are too many, coordination challenges grow and civil servants may get marginalized (as in Afghanistan’s Budget Department). Development partners should therefore seek a middle ground and provide a critical mass of TAs with clear accountability for capacity building and task transfer.
• Recognize the limits of capacity transfer by TAs if basic capacity and systems are lacking. If public servants lack basic skills, knowledge transfer will not take place, or will do so at the margins and at a very slow pace.

• Carefully choose the mix of national and international TAs in view of long-term consequences, context, and complementary measures. Heavy initial reliance on national TAs may make chronic TA dependency more likely, discourage capacity transfer, and ultimately force the government to absorb them. International TAs, on the other hand, may leave sooner and be more inclined to introduce advanced systems and technologies that lock in TA dependency. Ultimately, identifying individuals who are capable of adapting to the local administrative legacies, culture, and language is essential. Who supervises TAs and how their contracts are designed are important complementary choices.

• Consider reliance on national TAs as a long-term commitment that requires sustained funding, beyond five-year project time horizons.

**Human Resource Integration and Management Choices**

Whether a government official leads TAs, whether they work alongside public servants or in isolation, and whether they are held accountable for capacity building influence the likelihood of successful capacity transfer.

The parallel structures analyzed suggest that strong leadership by civil servants, not TAs, is essential for capacity transfer. Civil servants in leadership positions appear more inclined to invest in civil servants’ capacity, to build on existing systems, and to reduce TA dependency. One example is Afghanistan’s Treasury Department. In the words of Afghanistan’s Treasury director: “It comes from management ideas. For example, I am a civil servant, I am tashkeel staff. My focus is only the tashkeel because I know that they are sensible people.” With such committed leadership, the Treasury has systematically invested in training its civil servants and attracting qualified university graduates, despite low and uncompetitive salaries, by offering them attractive training opportunities. The head of the Treasury has also held TAs accountable for delivering on their capacity-building tasks. Similarly, government leadership can prevent the introduction of technologies that perpetuate TA dependency. By contrast, when national TAs assume line-leadership roles, emphasis on capacity transfer can be much weaker—as in Sierra Leone’s Budget Department, for example.

In the bigger picture, national leadership in managing TAs can also help ensure that they do not capture the government’s own policy-setting authority. This concern is highlighted in a study that Timor-Leste’s MoPF conducted on the role of TAs in 2011 (see excerpt in box 5.1). The study highlighted the Government of Timor-Leste’s lack of control regarding the tasks performed by the donor-funded TAs, who have incentives to focus on project deliverables rather than the ministry’s objectives. As a consequence, the government developed a consistent policy for recruiting and managing TAs, a step that different partners had encouraged since 2002.
The case studies suggest that the design and monitoring of TA contracts have often biased their incentives toward doing the job themselves, rather than showing public servants how to do it. As noted, the TAs themselves may face a conflict of interest between building capacity and staying on the job. But their principals—development partners and governments—often face the same dilemma and may be the first to ask TAs to focus on getting things done. For example, Liberia’s PFMU was explicitly required “to help build FM skills capacity.” But “as the number of projects under the unit’s purview grew, the demands of complying with fiduciary requirements of donor-funded projects ‘crowded out’ the capacity-building mandate of the unit” (Dapaah and Brar 2013, 7). Similarly, for Timor-Leste, the IEG’s (2011, 55) Country Program Evaluation found that “international advisors were for the most part unsuccessful in transferring skills to local staff. Typically, these advisors were required to perform routine line functions which would not give them sufficient time to train local staff.”

Specifically, the frequent lack of measurable capacity-building targets for TAs has often failed to counteract implicit pressures to get things done. Typically, the assessment of TAs’ performance was based primarily on hands-on deliverables, with contracts often referring to capacity building only in vague terms. In the words of one international TA who worked in South Sudan’s MoFEP, “Donors say they care about capacity-building but then evaluate our performance based on getting the work done properly and timely. If my contract clearly stipulated specific capacity-building outcomes, and [if donors] were ready to sacrifice quality and/or speed of the work, things would be very different.” Similarly, the IEG (2011, 55) report noted that for Timor-Leste “transfer of skills to local staff was also not part of the performance M&E system for foreign advisors in most cases.”
These findings suggest the following recommendations for development partners:

- **Urge that parallel structures be led by civil servants, where possible.** Where civil servants led parallel structures, capacity transfer was enhanced. By contrast, donors ought to be cautious about appointing national TAs as heads of parallel structures. Doing so has in several cases perpetuated TA dependency.

- **Support governments in adopting policy and management frameworks for TAs.** Such policies can help mitigate coordination failures between donors and ensure that TAs are responsive to government leadership.

- **Ensure that TAs’ explicit and implicit contracts enable them to build capacity.** Defining explicit and measurable capacity-building objectives that are actively monitored can help. More important, development partners ought to ensure that the incentives for their own staff prevent delivery pressures from crowding out capacity-building objectives.

**Financial Management Integration**

The most consequential choices for strengthening country FM systems are made at the country level, by deciding to systematically rely on government systems or establishing central parallel structures like Liberia’s PFMU for project FM functions. Yet, the case studies suggest that decisions to use government fiduciary systems in selected sectors or even individual projects can contribute to virtuous circles of capacity building.

Liberia’s Office of Financial Management (OFM) at the Ministry of Health (MoH)\(^6\) is a successful and innovative example of such a virtuous circle at the sector level. The OFM was a capacity-building project that aimed to build the FM capacity of the MoH as well as to ensure transparency and accountability in the use of public resources (MoHSW, Government of Liberia 2009, 6).

When we started off we had no employees . . . no facilities and no money, so we worked on all three of those, but to get the money [the minister of health] knew that you had to have accountability . . . We designed [the OFM] so that you could start financial management. The minister knew that for the next 10 to 20 years we would never have enough money in the government budget to support health, so we wanted to make it transparent and increase our accountability to get the international donors to contribute. (Authors’ interview with a former senior adviser to the minister of health, Government of Liberia, 2013)

The OFM was set up at the MoH in 2007, with responsibility for providing centralized accounting, disbursement, and financial reporting services for all funds managed by the MoH, both for government- and donor-funded projects. Supported by the U.K. Department for International Development (DFID), the ministry contracted an international firm of chartered accountants in 2007 for the OFM’s establishment and management for a period of two years. Under this
arrangement, the firm assumed the full authority and responsibilities of the OFM (Auditor General, Government of Liberia 2010).

A few months later, in March 2008, the government and a number of development partners established the Health Sector Pool Fund (HSPF). The large number of health actors presented a major challenge to government coordination (MoHSW, Government of Liberia 2012). The HSPF aimed to: (1) help finance priority unfunded needs, (2) increase the leadership of the MoH in the allocation of sector resources, and (3) reduce transaction costs associated with managing multiple projects from different donors. The pool fund was administered from within the MoH by an external agent, the Pool Fund Management Firm (PFMF), as an integral part of the OFM (Auditor General, Government of Liberia 2010). Disbursements from the pool fund were based on a dual-signatory arrangement between the MoH and the PFMF (Hughes, Glassman, and Gwenigale 2012, 10). The pool fund used country systems for FM, procurement, internal audit, planning, and M&E—when required, pool funds have been flexibly allocated to several of these system areas to increase their effectiveness.

The PFMF had two main areas of activity: (1) management of the pool fund mechanism, which included support to the pool fund steering committee as well as support to the MoH in development and implementation of proposals; and (2) management and control of fiduciary risk, which included supporting the OFM in FM and reporting, as well as monitoring expenditure. Through the PFMF, the OFM handled all FM aspects of the pool fund (MoHSW, Government of Liberia 2009, 6). Initially, the international firm that was managing the OFM also took responsibility for the administrative function of the fund. By 2011, the OFM’s capacity had grown remarkably and the PFMF was no longer managing (nor responsible for) the office, although it remained as a provider of technical assistance (Hughes, Glassman, and Gwenigale 2012, 11).

This arrangement has proven highly successful in building sectoral FM capacity. By 2013/14, the OFM had grown to comprise about 35 highly qualified employees and was seen as “the premiere line ministry finance office” in Liberia.66 OFM managed not only the pool fund’s and the government’s own resources, but also the funds for several other projects and programs, including of the World Bank and the Global Alliance for Vaccines and Immunizations (GAVI). Technical assistance to OFM was funded through the pool fund, providing a long-term mechanism for sustaining it. Donor contributions to the fund have grown rapidly, from about $8 million in 2008 to over $40 million in 2012. And so have other contributions to the health sector. “Today the budget for the ministry is about 34 million. The health sector budget is 196 million and it is because we created this transparency.”67 At the time of research, all contributions flowed through the OFM, and the pool fund provided the MoH with an effective mechanism for coordinating aid to the sector.
The example of Liberia’s HSPF suggests that development partners should consider:

- **Investing in (and relying on) decentralized government FM systems in specific sectors/line-ministries**, in particular when the sector leadership is capable and committed to investing in strengthening transparency and accountability in FM.

- **Promoting sector pool funds with efforts to build capacity in the use of country systems at the sector level**, to reduce transaction costs, mitigate coordination failures, favor the government’s leadership, and strengthen the sector public FM capacity.

**Continuity of Project Support**

Possibly one of the strongest messages emerging from the case studies is the importance of providing continuous, uninterrupted project support to parallel structures, far beyond the five-year life cycle of a typical project. Different forms of disruption have often entailed stagnation or even loss of the progress achieved. Most obviously, gaps in project financing can entail an exodus of national TAs and loss of institutional memory that cannot be restored once the next project comes along. This has, for example, been the case for Sierra Leone’s Economic Policy and Research Unit (EPRU). When project funding was interrupted for a few months in 2004, its macroeconomists left and were mostly transferred to the newly created Local Government Finance Department, which they knew would yield a safe job for a few years.

Changes of contractors or of TAs can, but need not, be similarly harmful. For example, in South Sudan, the change of the contractor supporting payroll management in 2012 entailed a relapse and loss of the progress attained since 2008. By contrast, Afghanistan’s Treasury, which has been supported by a series of three different firms on four different contracts (see figure 5.9), provides an example of how the disruptive effect of re-procuring was mitigated. While the contracted firms changed, many of the TAs financed under the sequential contracts remained in place, ensuring continuity.

Finally, systems discontinuity can be harmful. For example, when South Sudan’s payroll system was changed from an Excel and open-source-based system to an off-the-shelf FMIS in 2012, a lot of the progress made since 2008 was lost.

**Figure 5.9 Continuity of Support to Afghanistan’s Treasury, despite Changing Contractors**

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<td>Firm 1</td>
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<td>Firm 2</td>
<td>Firm 3</td>
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<tr>
<td>Individual technical assistants under firm contracts</td>
<td>Bank task team leader</td>
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These examples highlight that development partners ought to:

- **Ensure financing continuity when supporting parallel structures.** Follow-up projects should be planned in time so that no financing gaps arise—a few months can make a big difference.

- **Caution against unnecessary donor-driven project changes.** Task team leaders preparing a follow-up project may naturally seek to distinguish themselves by not simply continuing in the footsteps of the predecessor project. However, more of the same, rather than something new, may be exactly the right thing to do, given the long time it takes to build capacity. Country Management Units may therefore want to act as a conservative counterweight to project managers’ entrepreneurialism.

- **Be aware that procurement rules can pose a threat to continuity.** Procurement rules that require donors to recontract anew from project to project through open competition can make it difficult to keep the same contractor, even if well-performing.

## Conclusions

In postconflict settings, parallel structures are a necessary evil. Yet, development partners can do much to enhance their sustainability. Focusing development partners’ attention on designing parallel structures is essential, because they may influence state capacity at least as much as dedicated public sector reforms. The sample analyzed in this study is certainly small, and more in-depth research is needed to draw generalizable conclusions. However, a few major messages emerge from the sample considered.

The World Bank’s readiness to channel aid funds through government FM systems has varied enormously across the five countries. In Afghanistan, all World Bank projects used government budget execution procedures; in South Sudan, none. The success story of Afghanistan’s Treasury indicates that investing in government FM systems and channeling aid through them can trigger a virtuous circle of capacity building. Although development partners ought to aspire to this example, in some contexts, it may simply not be an option.

Development partners’ bargaining power, enhanced by financial and military dependency, has been an important factor in whether or not they were ready to rely on country FM systems for aid funds. Development partners have done so where they had strong influence on the government treasury, such as for the ARTF in Afghanistan or under the UNTAET administration in Timor-Leste. Where development partners had little influence, such as in oil-rich South Sudan, they had no choice but to channel aid flows through parallel FM systems, given high fiduciary risks and low public service capacity.

If relying on government FM systems is not an option, establishing central units that perform FM functions for multiple projects can be a second-best approach. These centralized units, typically in charge of accounting, audit,
procurement, M&E, or financial reporting for a number of projects, can reduce coordination costs for government, compared with a multitude of individual project units. However, the precedent of Liberia's PFMU highlights that such central project FM units may not help build capacity in the government's treasury. The more aid funds central PFMUs manage, the harder it may become to mainstream them later. The Liberian experience suggests that partially integrating these central project units with the respective government function from the start, under joint management, and with exchanges of staff, can increase the chances of later integration.

Designing parallel structures with an explicit exit strategy from the start is essential. This can encourage development partners to explicitly address the central trade-off between getting things done and building civil servants' capacity. Such exit strategies need a long time horizon. Over a decade after the end of conflict, attempts at mainstreaming chronically TA-dependent parallel structures were only beginning.68

Chronic TA dependency may be hard to avoid, in particular if financial stakes are high, if the skills gap between TAs and civil servants is large, or if communicating with donors is essential, as for example in budget departments.

However, chronic TA dependency poses significant risks. Mainstreaming competent TAs into the core administration may not work at all, if patronage interferes in the process. If TAs get absorbed at salaries similar to their previous fees, public servants will perceive this as unfair and risk being frustrated and demotivated. Not least, TA absorption is costly, and governments may be reluctant to foot the bill. As aid declines, national TAs may have fewer opportunities for finding donor jobs outside government and may accept public sector jobs for lower pay. However, this is a speculative long-term prospect. A decade postconflict, for the parallel structures analyzed here, to the authors' knowledge no TA had accepted a public sector job at a significantly reduced salary.

There is a lot that development partners can do to encourage capacity transfer and avoid chronic dependency on TAs. Providing a critical mass of TAs is essential, so that they have time to both get the work done and provide on-the-job training. The right number of TAs depends on civil servants' skill level at the outset. Where even basic skills are missing in the civil service, the prospects for effective on-the-job training may be slim. Firms and individual TAs ought to be accountable for achieving measurable capacity-building results, besides getting the job done. Capacity transfer has worked well in units led by public servants with a commitment to building public service capacity. Finding the right mix of TAs is tricky. Relying heavily on national TAs early on is likely to entail chronic dependency on them. International TAs, on the other hand, are more prone to introduce overly sophisticated technologies that perpetuate dependency. Ensuring continuous support beyond the life span of a single project is crucial. Disruptions, such as financing gaps between projects, the introduction of new systems, or frequent TA turnover have harmed capacity building.

Development partners' internal delivery and disbursement pressures often undermine capacity building. If their staff respond to these pressures, they are
less likely to rely on country systems and build civil servants’ capacity, which is risky and takes time. If projects attempt to achieve too much in too short a time, they risk harming capacity by falling into “capability traps” (Andrews, Pritchett, and Woolcock 2013). In the words of a senior official from Liberia’s MoF:

   Even in fragile states, even though we face an emergency situation and urgent needs, we should set the right expectations. . . . We then need to work in partnership [with donors] in a nonrushed manner to deliver incrementally. We are aware that most of the time we fail as leaders because we make it seem as if we can deliver everything at once, but we can’t.

   Above all, development partners ought to focus on getting the incentives right for their own staff. They ought to set realistic expectations, grounded in evidence from comparable contexts. Project managers’ accountability for measurable capacity transfer could be strengthened, balancing delivery pressures. If development partners themselves operate on three-to-five-year time horizons, they are unlikely to get long-term capacity building right. This calls for an honest debate on how development partners can institutionalize a long-run perspective. Development partners, as much as postconflict countries, have a long way to go to effectively rebuild public services.

Notes

1. In a survey carried out in 2011 for monitoring the Paris Declaration, it was found that donors made use of an average of 11 parallel project implementation units (PIUs) for every $100 million in aid disbursed for the government sector in these countries, compared with a global average of four parallel PIUs per $100 million of disbursed aid across all 78 countries that participated in the survey (OECD 2011).

2. “Parallel structures may be justified and/or inevitable in exceptional cases only, such as emergency situations (post-conflict)” (EuropeAid 2008). “Stand-alone PIUs should be used only as an exception—for example, when there is a virtual absence of functioning government entities because of emergency or conflict” (World Bank 2005).

3. Other parallel structures are used as examples, where relevant, but not covered systematically.

4. Project management functions are those associated with implementing investment operations needed only for the duration of a particular project. These are typically performed by a PIU and encompass project management, financial management, procurement, monitoring and evaluation (M&E), and so on.

5. Advisory functions are defined as consultative or training functions not directly involved in line-management or in “getting things done.” Parallel structures exercising advisory functions are typically composed of TAs, who provide policy advice or train civil servants without doing the job themselves or having decision-making power.

6. In some cases, the delineation of “government functions” raises fundamental questions regarding the desirable and realistic scope of state functions in postconflict settings. For example, in Afghanistan, one might question whether the provision of primary health services should be considered a government function (outsourced or not), as the government has historically been unable to provide these services and nongovernmental organizations (NGOs) have taken the lead.
7. Distinguishing between government and project-management functions is important because the former raise more serious sustainability concerns than the latter. Arguably, PFMUs are needed for only a finite time, and their integration into government may not be as critical as for government functions.

8. In contrast to multiproject, single-function units, single-project, multifunction PIUs are typical for most investment projects, such as the Planning and Financial Management Capacity-Building Project’s PIU at Timor-Leste’s MoF.

9. Liberia’s GEMAP was a highly interventionist measure put into place under pressure from development partners in 2005, in response to financial mismanagement and abuse by the Transitional Government. GEMAP was a “temporary international trusteeship” introduced as a “bold, credible enforcement instrument for transparent economic governance” (Giovine et al. 2010). FM experts were internationally recruited and placed in line-positions as managers and financial controllers, with “cosigning” authority, introducing comprehensive, international best-practice financial controls at the MoF, the Central Bank, and other selected government agencies and state-owned enterprises (SOEs). GEMAP aimed to (1) mitigate fiduciary risk, enforcing a transparent and efficient PFM; (2) provide social and political stability, underpinning the peace-building process and preventing the country from falling into a new civil war; and (3) “empower and capacitate Liberians to administer the basic functions of cash management, commitment control, clearance of arrears, and treasury management when the expats leave” (Dapaah and Brar 2013).

10. The World Bank had proposed that the so-called super-PIU would centralize FM functions for all MDTF-funded projects.

11. Examples of such central units with FM functions are Liberia’s PFMU; South Sudan’s Project Accounting, Procurement, and Audit agents; and the Afghanistan Reconstruction Trust Fund (ARTF) monitoring agent.

12. PFM systems are those that a project uses to account for project expenditures (“treasury function”), for conducting procurements (“procurement function”), and for auditing expenditures function (“audit function”).

13. In this case, using the government treasury becomes a merely theoretical option for project managers (indicated by the dashed outlines in figure 5.1).

14. According to the OECD definition, PBAs display the following characteristics: “(1) leadership by the partner country; (2) a single, comprehensive program and budget framework; (3) a formalized process for donor coordination, and harmonized procedures for reporting, budgeting, financial management and procurement; (4) efforts to increase the use of country systems for program design and implementation, financial management, monitoring and evaluation” (http://www.aideffectiveness.org/Themes-Programme-based-Approaches.html).

15. It is noteworthy that as donor control over the treasury diminished in both cases, the share of budget aid also declined. In Timor-Leste, budget support declined from 61 percent in 2001 to only 24 percent in 2010. In Liberia, the decline was more modest.

16. Consequently, the MDTF did not have PIUs but so-called project management teams (PMTs) responsible for daily management, with public servants and other competitively recruited team members embedded within the implementing agency’s structure (e.g., a ministry’s directorate), and typically headed by a public servant.

17. Stakeholders in South Sudan “felt that donors use humanitarian aid as a means of financing public service delivery beyond immediate crises for a number of reasons.
In some cases this is because of a lack of appetite for engagement with government, in others it is to avoid using national systems or supporting frequently weak sector strategies, or because humanitarian aid allows for more flexible engagement and disengagement on the part of the donor” (OECD 2011, 56).

18. In 2013, the PFMU provided FM oversight for 39 projects of the World Bank, African Development Bank (AfDB), Pool Fund, Swedish International Development Cooperation Agency (Sida), U.K. Department for International Development (DFID), and the Nike Foundation.

19. For example, in South Sudan, there were more than 100 PIUs hiring accountants, and just a handful of skilled South Sudanese with accounting knowledge. Those available were working for development partners, not for the government.

20. “This arrangement has helped Liberia a lot in terms of getting out of this post-conflict zone. But it has other challenges. If you do not expect the PFMU to be permanent, you need an exit strategy that was never done. And you need benchmarks for capacity building” (authors’ interview with an international FM expert in Liberia, 2013).

21. “The PFMU was great for preventing multiple PMUs [project management units], but it did nothing for capacity building. Civil servants at the Treasury did not see that as part of them. They saw that as a donor unit, a World Bank unit, not part of the government accounting structure. Expats think of themselves as working for the World Bank, not for the government” (authors’ interview with an international FM expert in Liberia, 2013).

22. For South Sudan, this argument does not hold. As the GoSS itself did not show any interest in enhancing the Treasury’s performance, and blocked any attempt to introduce expenditure controls, using the government treasury never became an option.

23. Authors’ interview with an international FM expert in Liberia, 2013.

24. “Establishing the PFMU as a composite unit embedded in the Comptroller and Accountant General’s Division from the outset would have offered better skills transfer opportunities to nationals. Such an arrangement would have ensured proper government ownership and oversight of the unit, strengthened the use of country systems, fostered comprehensiveness of government fiscal reporting by including donor funded projects in fiscal reports and final accounts, and strengthened the legitimacy of the unit to build FM skills capacity under the auspices of the office of the Comptroller and Accountant General” (Dapaah and Brar 2013, 9).

25. Further, a strategy should have been developed, at the start, to bring in local staff, with some proficiency in financial management and already serving in the MoF, Ministry of Public Works (MPW), and other MDAs, to work alongside TAs until other medium to longer-term local capacity development initiatives matured (Dapaah and Brar 2013, 9).

26. In Afghanistan, strong civil service leadership, significant external influence at the beginning, continuous World Bank support, ongoing pay reforms, and a dedicated program to attract university graduates to the Treasury (despite low pay) have all contributed to its success. Complementary ARTF control mechanisms, in particular the ARTF monitoring agent (audit), have also played an important role.

27. In practice, both paths are not mutually exclusive. TAs might mostly hand over responsibilities to civil servants (path I), but a few TAs may still be absorbed.

28. Authors’ interview with the World Bank task team leader for the PFM project, Afghanistan, 2013.
29. “Whatever operational tasks relate to . . . data entry, running reports, or reconciling reports, these are being done by the civil servants. We [the TAs] are looking for the reconciliation after them, whatever data is imported by them. Here in our unit we are reconciling bank statements, reconciling, preparing financial statements. We look after those cases which . . . are new or complicated for them then they will come to us and we will find solutions” (authors’ interview with a national TA, Treasury Department, MoF, Afghanistan, 2013).

30. “There was a lot of capacity building and training, in terms of on-the-job training, duty-specific training, general management training, computer literacy. So all of these things led to the growing participation and reliance on civil servants” (authors’ interview with a World Bank task team leader for the PFM project, Afghanistan, 2013).

31. “Training was a big problem, because [of] the knowledge [gap] between the local civil servants and the expats here. The civil servants knew things which were probably updated in the 1960s, but the international TAs, they knew something of the 21st century. Even if the language was not a problem . . . civil servants and international TAs somehow did not know what each other were talking about” (authors’ interview with a senior official, Budget Department, MoF, Afghanistan, 2013).

32. Whereas, at the time of research, Sierra Leone’s Budget Department had already absorbed the national TAs onto the government payroll, the national TAs running Afghanistan’s Budget Department continued to be project funded.

33. Authors’ interview with an official, Accountant General’s Department, Government of Sierra Leone, 2013.

34. “Probably in the past [patronage] was in the lower level, people were trying to recruit their brothers and sisters and cousins, but now the cabinet is interested to recruit their . . . friends and relatives because the salaries are so high” (authors’ interview with a senior official, Ministry of Public Health, Government of Afghanistan, 2013).


36. For example, when national TA contracts in Afghanistan’s Budget Department were changed from the UNDP to government contracts, “MBAW staff uniformly express regret at the loss of the UN benefits, and also keenly feel the loss of the prestige and status as UNDP staff. . . . However, MBAW staff strongly identify themselves as Ministry of Finance staff rather than as ‘project staff’ or, worse, as ‘term contract staff’” (Curtis 2010, 5).

37. At the time of writing, this was envisaged for Liberia’s Infrastructure Implementation Unit (IIU), originally established in 2006 (then called the Special Implementation Unit, SIU) to manage World Bank–financed infrastructure projects and to be staffed with a mix of international and national consultants. Since its creation, the IIU has performed successfully and its infrastructure investment portfolio has grown more than tenfold (it was expected to total about $300 million by the end of 2010), with financing pooled from several donors through the Liberia Reconstruction Trust Fund (LRTF). To manage this increased budget, the government scaled up its staffing and envisaged to transform it into an autonomous, performance-oriented road authority within the MPW. Although some stakeholders have expressed concern that this may negatively affect the MPW’s capability to perform the work, this is seen as a promising way of mainstreaming the IIU into the administration, while preserving its management and pay structures (http://www.iiu-mpw.org/).
38. In Timor-Leste, in 2013, one (international) TA still supported the Budget Department, in an advisory role and provided support in analysis, strategic planning, and reporting tasks. In Liberia the Department of the Budget was apparently TA-free, at least for daily tasks.

39. Contracting out is here defined as an arrangement in which part of the functions of a government unit are delegated to a contracted firm, which in turn provides the staff to perform these functions. Contracting in, by contrast, means that the respective government unit enters into contracts with individuals directly to perform the respective functions.

40. Four key dimensions of continuity can be distinguished: (1) regulatory continuity (i.e., is new legislation introduced, or does the authorizing regulatory framework remain the same?); (2) technological or systems continuity (e.g., are financial management information systems adopted, medium-term expenditure frameworks introduced, the operating language changed, and in particular ways that have skills implications?); (3) organizational continuity (i.e., are new organizational units created, are they moved, or do they remain the same?); and finally (4) staffing continuity (are new staff, including TAs, hired to staff the unit, or do the old staff remain?).

41. Disruption can be caused by multiple factors including (1) a change in the donor supporting the function; (2) funding gaps between projects; and (3) recontracting of firms/TAs working in a parallel structure, due to donor procurement rules.

42. Authors’ interview with a senior Treasury official, MoF, Government of Afghanistan, 2013.

43. “At first, employees . . . were not familiar with computers . . . so, we had a lot of load of work, and we had to process all government M16 requests [into] FreeBalance” (authors’ interview with a Treasury official, MoF, Government of Afghanistan, 2013).


45. Authors’ interview with a former international TA to the MoF, Government of Afghanistan, 2013.

46. “The World Bank introduced a [budgeting] module for IFMIS [the Integrated Financial Management Information System] that is not applicable and does not help my budget process. It created more work and more capacity gaps with FreeBalance. I told them, ‘we are not going to use it,’ and today we are not using it, but we can produce the budget on time” (authors’ interview with an official, Department of the Budget, MoF, Government of Liberia, 2013).

47. Authors’ interview with an official, Department of the Budget, MoF, Government of Liberia, 2013.

48. Authors’ interview with a former TA in the Department of the Budget, MoPF, Government of Timor-Leste, 2013.

49. In Timor-Leste, the software packages used for accounting and budgeting could not interconnect or exchange information.

50. This is in hiring, drafting of terms of reference and contracts, management, sanctioning, and pay.

51. The first two remain heavily reliant on TAs; in the latter, national TAs were absorbed into the payroll.

52. These parallel structures have also reduced the number of TAs in absolute terms (with the exception of South Sudan’s Budget Department).
53. “If comparing to the past, the power is now more with the national staffs. . . . In the UNTAET time we were more dependent on the international TA, due to difficulties in understanding the system and barrier of language. . . . With the Fourth Government we started to minimize the support of TAs. Tasks were gradually taken over by the national staff, with the TAs taking more a role of assisting with advice and clarification. . . . Now, with the Fifth Government, this directorate has only one international adviser” (authors’ interview with an official, MoF, Government of Timor-Leste, 2013).

54. “Juba was a tough place, and the contractors did not last a week. I asked them not to bring TAs from the EU [European Union], but regional or from the Third World. They then brought an Indian guy who was very helpful. He is still here!” (authors’ interview with a senior official, MoF, GoSS, 2013).

55. For example, in South Sudan, assessments on the appropriate number of TAs came to divergent conclusions. Some suggest that more TAs at all levels of key ministries would have been beneficial in the early stages (World Bank 2006a). Others consider that the presence of TAs was often excessive, ultimately hindering the assumption of responsibilities and capacity development of government officials (Fafo Institute for Applied International Studies 2013).

56. Authors’ interview with a former TA to the MoFEP, GoSS, 2013.

57. Authors’ interview with a PFM TA, South Sudan, 2013.

58. Authors’ interview with a senior official, Treasury Department, MoF, Government of Afghanistan, 2013.

59. “We hire the new applicants graduated from high school or university, we give them training, we send them to the line-ministry, we send them to all provinces, all mustoufiats, and we keep them in the central Treasury. Same we do with small salary” (authors’ interview with a senior official, Treasury Department, MoF, Government of Afghanistan, 2013).

60. Similarly, an IEG report finds that government leadership was essential for successful capacity transfer from international TAs to public servants in Timor-Leste’s Budget Department: “It was the strong hand of the new Government of Timor-Leste that introduced a staged system to use . . . advisors effectively, and transfer capacity from foreign advisors to the local staff.” Specifically, program management for the World Bank’s Planning and Financial Management Capacity-Building Project was located within the MoPF’s Administration and IT Directorate to facilitate integration and local ownership, and to bolster the MoPF capacity to administer the program by providing additional advisory support. As a result, by 2010 there was “full government ownership through the active steering and oversight from the MoPF. The Program [was] aligned with the MoPF reform process and ensures near full harmonization of donor support to MoPF” (IEG 2011).

61. For example, Liberia’s deputy minister for budget refused to use the off-the-shelf FMIS for budget preparation and insisted on continuing the use of Excel spreadsheets, which his staff were familiar with.

62. For more than a decade different reports have highlighted that TAs should be provided through a coordinated program that allowed the government to prioritize the allocation of personnel, bringing them under the direct supervision of national managers and thus improving the chances of effective skills transfer. “However, the initiative for this kind of program rests with the Government. Bilateral donors will find it difficult to coordinate assistance unless the Government puts in place an appropriate
policy and management framework. This should be considered one of the highest priorities for FY2003" (World Bank 2002).

63. The PFMU was required to hold periodic training in financial management for the accounting staff of the MDAs whose projects it managed (Dapaah and Brar 2013, 7).

64. Authors’ interview with an international consultant to the MoFEP, GoSS, 2013.

65. Liberia’s current Ministry of Health (MoH) was earlier called the Ministry of Health and Social Welfare. It is here always referred to as MoH, for consistency.


68. Examples include Afghanistan’s CBR program, the absorption of local TAs in Sierra Leone, and Liberia’s IIU, which, at the time of research, was in the process of becoming an autonomous road authority within the MPW.

Bibliography


Afghanistan Case Study

Overview

Postconflict, Afghanistan’s public service trajectory has been marked by two exceptional features: (1) the emergence of an unprecedented “parallel state” and (2) uniquely intense donor-driven public service reform efforts.

The notion of a parallel state refers to a largely donor-funded and donor-overseen administration, run by technical assistants (TAs), that exists parallel to the core civil service but assumes essential government functions. As of 2018, there were more than 20,000 National Technical Assistants (NTAs) and advisers employed by the Government of Afghanistan (GoA) on-budget (largely funded though on-budget donor financing), and an additional 8,000 TAs were estimated to be employed off-budget (World Bank 2018, 20). The country’s flagship development programs are typically run by such parallel structures. For example, the National Solidarity Program (NSP), perhaps the most prominent, is run by the Ministry for Rural Rehabilitation and Development (MRRD), whose staff comprised about 2,800 TAs in 2018. Delivery of the Basic Package of Health Services (BPHS) was mostly contracted out to nongovernmental organizations (NGOs). The BPHS contracting unit, the Grants and Service Contracts Management Unit (GCMU), was supported by a World Bank project, run by TA and put under tight fiduciary oversight by donors to prevent interference in contracting decisions. As of 2014, even the Budget Department in the Ministry of Finance (MoF) was highly dependent on NTAs.

At the same time, the World Bank and other development partners have supported a uniquely intense and interventionist reform agenda for the core government administration. First, to get the administration up and running again, development partners decided to finance salaries through the Afghanistan Reconstruction Trust Fund (ARTF). Initially, the ARTF financed nearly the entire wage bill for nonuniformed staff. A large share of the wage bill for uniformed staff remained financed through the Law and Order Trust Fund for Afghanistan (LOTFA). Salary financing has provided leverage for an unusually interventionist—and effective—payroll-monitoring system. As of 2014, the identities of most public servants (excluding Ministry of Education [MoE], Ministry of Interior [MoI],
and Ministry of Defense [MoD] employees) on the payroll were verified through central identity checks, and a majority of public servants were paid through bank accounts. In addition, an ARTF-contracted firm conducted random ex post payroll audits.

Second, soon after the Bonn Agreement, the World Bank recommended establishing an Independent Administrative Reform and Civil Service Commission (IARCSC). Based on the U.K. model, it was empowered to recruit the senior-most civil servants based on a merit-based competitive process—a decision that the cabinet at first resisted, but that ultimately went ahead. Third, since 2001, the public service has undergone two major waves of World Bank–supported administrative and pay reforms: (1) the so-called Priority Reform and Restructuring (PRR) program (2003) and (2) the Pay and Grading (P&G) reform (2008).

It is hard to do justice to the results that these reforms have produced. Lant Pritchett’s stark argument that donor-supported public service reforms in a fragile setting like Afghanistan’s resemble “rearranging the deck chairs on the Titanic” (Pritchett and de Weijer 2011, 5)—that is, can be futile in the face of bigger forces that determine the fate of the public administration—is both right and wrong.

The statement is right in that for most parts of the government, at the time of research, public service reforms had “tinkered at the edges” but had not brought about fundamental change. That the IARCSC was largely conceived as a guardian of merit but by 2014 was perceived by many to be a platform for patronage influences is emblematic of this. Modeled on the Commonwealth-type public service commissions, the IARCSC’s design conflicted with Afghanistan’s patronage politics. The idea of a central regulatory and oversight body was at odds with a tradition in which each ministry had full authority over its public servants.

Similarly, administrative and pay reforms have created a “veneer” of reform in many parts of government. The first World Bank–supported administrative reform program, the PRR, focused on injecting fresh blood into the civil service but was nicknamed the “re-recruitment program” because it often simply meant that the same staff were paid more. Similarly, since 2008, a large-scale P&G reform effort has produced job descriptions for hundreds of thousands of civil servants and has increased their pay—but has entailed little restructuring of ministries, departments, and agencies (MDAs) and renewal of staff. In the words of one TA responsible for P&G:

The civil service has not fundamentally changed. The Russians put advisers into ministries but did not fundamentally change them. The Taliban did not simply abolish ministries and say, “We are not going to have a civil service.” By and large, they let the civil service mechanism run as it had run. So by the time the West comes along, we are doing a third version of this, where there is tinkering at the edges, but no wholesale reform of the civil service. I was dealing with civil servants who had been in the civil service for over 20–25 years. (Interview with a TA responsible for P&G reform, 2015)
But to say that public service reform amounted to rearranging deck chairs is also wrong, in several ways. Certainly, within islands, pay reform efforts have provided an enabling environment for rebuilding functional, better-performing government units. One such example is the MoF’s Treasury Department. Thanks to committed leadership, continuous World Bank support, and increased pay, it is today largely operated by civil servants, with limited TA support.

The aid-financed parallel state has been the most powerful channel of donor influence. It undoubtedly has delivered. Impressive improvements in health and education indicators would be unimaginable without it. Parallel structures have also provided the “scaffolding” that has kept the administration running and, in the ideal case, transferred skills to public servants. But the parallel state also comes at a price. Aid influx has driven up salaries for scarce skills, making it hard for the government to retain and attract qualified staff. While Afghanistan’s core civil service grew only modestly between 2004 and 2014, donor-driven and donor-financed pay increases nearly tripled the civil service wage bill between 2006 and 2015. In the context of “transition,” American troop withdrawal, and declining aid, this raised sustainability concerns.

Both the unprecedentedly large parallel state and an intense public service reform history (with ultimately superficial effects) are in part the product of an interaction between the competing logics of a prototypical fragile “limited access order” (North, Wallis, and Weingast 2009) on the one hand, and development partners’ delivery agenda on the other, fueled by a massive aid influx.

Competition between different fragmented elite factions over the control of the state had shaped Afghanistan’s history until 2001—and in the eyes of many observers, following the U.S. invasion, the Bonn Agreement hardly provided a balanced elite settlement. Rather, it failed to “codify de facto power-sharing” and entailed “the monopolization of power” (Rubin 2002, 155) by the Northern Alliance (NA) factions in a “winner-takes-it-all” logic. This, in turn, “set into motion an internal war between two opposing elite networks,” including over the control of key ministries—between the (mostly Tajik) NA members led by the Jihadi factions and the (Hamid) Karzai-led Western-supported Pashtun faction. Under the Interim Administration, as Sharan documents, the NA dominated most cabinet posts (17 out of 30). But through means of coercion and co-optation, Karzai over time eliminated NA representatives from his cabinet.

For the public service, elite rivalries (at the cabinet level) implied that, in particular, senior appointments served as a key patronage currency. As Sharan (2011) documents, NA ministers used their influence in senior appointments, entailing an overrepresentation of Tajiks in grade 3 and above by 2005—but later rebalancing toward Pashtuns. For the public service, persistent intra-elite conflict backed with threats of violence have had two major implications. First, public service jobs served domestic elites as a key currency for stabilizing a fragile political equilibrium, not primarily as an instrument for delivering services. Second, amid preparations for U.S. withdrawal, the Taliban insurgency dramatically drove up the size of the Afghan National Army and police.
At the same time, massive aid inflows have provided donors with significant bargaining power. Consequently, on the one hand, the parallel state has emerged as a (more or less) ring-fenced sphere of influence of the donor community. On the other hand, public service reform dynamics can be explained largely by the interplay between rivalling domestic patronage and donor performance logics within the core administration—with the typical result being a layering of a “thin veil” of de jure institutions over largely unchanged realities.

However, it would be wrong to dismiss Afghanistan’s public service reform history from 2001–14 as a series of more-or-less ineffective attempts to transplant good practice institutions, square pegs in round holes. Reformers did seek to “work with the grain” in designing reforms, well aware of the complex and conflict-affected context. Afghanistan offers a wealth of answers to the question: Short of doing nothing—or relying entirely on parallel delivery arrangements—what can be done to build public service capacity? While there may be few success stories, reform design ideas do provide valuable lessons learned.

**Public Service Size and Structure**

When the Bonn Agreement was signed in 2001, most parts of the central administration in Kabul had ceased to function. During site visits, the World Bank’s first mission to Afghanistan in early 2002 found that “government records had been destroyed or were lying in piles of dust or in soaked basements. The remaining staff were unpaid and turned up for work irregularly. Most government offices were destroyed or in very poor repair. Significant arrears in the payment of salaries had built up but were not accurately quantified” (Wilson 2015, 151).

The Taliban had made little use of preexisting administrations, to the extent that not even the central Treasury functioned. Nevertheless, many public servants recruited under the Daoud Khan republic (1973–78), and under Soviet occupation (1978–91), remained on the payroll. But in general, government was small, representing less than 1 percent of the population. Early on, the remaining number of civilian public employees was estimated at between 250,000 and 350,000 (or 1.1 and 1.6 percent of the population, respectively). There was “no list of legitimately employed staff (nominal roll), either in Kabul or decentralized in the provinces” (Evans et al. 2004, 38), and the number of staff paid by MDAs varied widely between months. Estimates for 2003 suggest that general government comprised about 387,000 employees on the payroll (see figure A.1).

While in Afghanistan’s unitary system, all employees were part of central government, about two-thirds were based in the provinces, and only one-third in Kabul. Nonsecurity civilian government comprised about 254,000 public servants, the police about 70,000, and the armed forces about 60,000 soldiers. Core civil servants (160,000) made up about two-thirds of nonsecurity
civilian government, teachers (70,000) represented a little less than a third. With 26,000 health employees, the health workforce was small (Evans et al. 2004, 39). Health services had been provided mostly by NGOs during the Taliban period and were mostly contracted out to NGOs since the adoption of the BPHS in 2003.

Joint Assessment Mission (JAM) estimates of 2002 gravely underestimated the growth of Afghanistan’s public workforce (see box A.1). They projected that civilian government would not exceed about 1 percent of the population. Yet, only three years later, by 2005, civilian government already represented about 1.3 percent of the population.

Between 2003 (FY1382) and 2015 (FY1394), general government more than doubled in size (see figures A.1 and A.2), growing from an estimated 386,500 to 852,305 employees. As a result, in 2015, general government represented 2.5 percent of the population, civilian government 1.8 percent, and the core civil service (excluding civil servants in the MoE and the Ministry of Public Health [MoPH]) 0.29 percent. Underlying this overall growth are three distinct patterns.

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**Figure A.1 On-Payroll General Government Size and Composition in Afghanistan, 2003–15**

*Sources*: Evans et al. 2004, 39, for 1382; Ministry of Finance, National Budgets, 1384–94; World Bank World Development Indicators.  
*Note*: Afghan solar years and approximately equivalent Gregorian years are cited here for ease of reference. The source data are reported according to Afghan solar years. The size of the “core civil service” as reported here excludes civil servants working in the Ministries of Education and Health, as these are not easily distinguishable from teaching and medical staff. It thus underestimates the true size of the core civil service. “Police” comprises public employees of the Ministry of Interior and Presidential Protective Service. “Defense” comprises public employees (tashkêel) in the Ministry of Defense, the General Directorate of National Security, and the National Security Council (since 2015). No data were available for 1383 (2004).
Box A.1  Misleading Estimates from the 2002 Joint Assessment Mission to Afghanistan

Remarkably, estimates provided by the Joint Assessment Mission (JAM) to Afghanistan in 2002 gravely underestimated the actual growth of public employment. The JAM projected that the public service would grow from approximately 170,000 employees in 2001 to about 250,000 during recovery and reconstruction, representing 1 percent of the population. This estimate was guided by a “concept of limited but effective government, which translates to a comparatively small but reasonably well-paid government workforce” (ADB, UNDP, and World Bank 2002, 50). The JAM report recognized that limiting public employment to 1 percent of the population was an ambitious target: “A total government workforce of 1 percent of population (including central, provincial, and local governments, but not the military) would be lower than comparable countries in the region, and among the lowest in the developing world.” It also noted that “limiting government employment to 1 percent of population requires, in addition to a policy of limited government, substantial recourse to the private sector, communities, and NGOs [nongovernmental organizations] to deliver public services.” Nevertheless, it used the 1 percent mark for its baseline projections.

Based on this overoptimistic goal of a lean and well-paid public workforce, development partners made projections based on wage levels significantly above regional standards: “An average wage of $100/month is assumed initially, which rises in parallel with the projected increase in per capita GDP to about $140/month on average during years 5–10. Wage levels would therefore be at about 5 times per capita GDP throughout the 10-year period and would compare favorably with other countries in the region and the developing world in general” (ADB, UNDP, and World Bank 2002, 51).

First, the number of teachers grew continuously, at a rate well above population growth since 2003. It was the main contributor to the expansion of non-security civilian government. Second, by contrast, the core civil service (excluding civil servants in the MoE and MoPH) grew only modestly, at a rate at or even below population growth. The health workforce actually slightly shrank in size between 2004 and 2015, in a context of BPHS out-contracting. Third, in the context of the U.S. troop withdrawal, the size of defense and the size of the police more than doubled within a short period, between 2011 and 2015. Previously, defense and police had grown only modestly.

This growth of public employment contributed to rapid general government wage bill growth (see figure A.3). Between 2005 and 2015, the wage bill for police and defense grew nearly sixfold, from Af 15 billion to Af 90 billion (constant 2011 Afghanis). In the same period, it grew about threefold for both civilian government (excluding police) and the core civil service.

The general government wage bill grew from 6.2 percent of gross domestic product (GDP) in 2005 to 12.8 percent in 2015 (see figure A.4). Due to donor financing of salaries (especially for security forces), the general government wage
Figure A.2 General Government and Population Growth in Afghanistan, 2005–15

![Graph showing general government and population growth in Afghanistan, 2005–15.](image)

Sources: Ministry of Finance, National Budgets, 1382–94; World Bank World Development Indicators.

Note: Afghan solar years and approximately equivalent Gregorian years are cited here for ease of reference. The source data are reported according to Afghan solar years. 2005 is chosen as the earliest reference year for this figure because the estimates for 2004 are not sufficiently reliable.

Figure A.3 Wage Bill Evolution in Afghanistan, 2005–15

a. Nonsecurity civilian government (excluding police)

![Bar graph showing wage bill evolution.](image)
bill consistently represented a large share of domestic revenues (excluding grants), increasing from 80 percent in 2006 to 127 percent in 2015. By contrast, the wage bill for nonsecurity civilian government grew at about the same rate as GDP and revenues (excluding grants). It represented 3.7 percent of GDP and 42 percent of revenues in 2006 and 4.3 percent of GDP and 43 percent of revenues in 2015. While the growth of the general government wage bill was primarily fueled by the expanding security and teacher workforce, the more modest wage bill growth for the core civil service was driven mostly by rising salaries (which have on average tripled for core civil servants between 2005 and 2015; see “Pay” section, which follows).

The ongoing conflict with the Taliban and international influence have strongly shaped these patterns in public employment growth. The expansion of and the surge in funding for security forces in 2010 was part of the Obama administration’s plan for withdrawal from Afghanistan—in a context of persistent conflict with the Taliban. It aimed at a rapid scale-up of Afghanistan’s troops by 2011. To attract new recruits, soldiers’ salaries were doubled or
more, with bonuses in volatile provinces such as Helmand (Richburg 2010). As a result, in 2015, about half of the security and defense payroll was aid-financed.

The contrastingly modest growth of civilian government also was subject to strong international influences, through several channels.

First, government could not have sustained civilian employment levels without donor payroll funding, through ARTF and directly. The decision to fund part of the wage bill for nonuniformed staff was made shortly after the Bonn Agreement, in 2002, when the ARTF was established. Resuming salary payments was essential to get public servants to come back to work, and domestic revenues were insufficient to pay them. ARTF, as the major multidonor financing vehicle, previewed that development partners would partly finance salaries for nonsecurity employees through the recurrent cost window. Early on, the wages for nonuniformed staff were largely ARTF-financed, about 66 percent in 2006. This share declined significantly over time, and represented only about 23 percent in 2015.7

Second, lack of fiscal space (in the government’s own recurrent budget) likely constrained public service growth.8 The high wage bill for security forces (probably) crowded out nonsecurity hiring. In addition, a series of donor-supported public pay increases (see next section, “Pay”) have constrained fiscal space.

Third, the fact that many government functions were assumed by parallel donor-funded structures reduced pressures for expanding the public service

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**Figure A.4 Wage Bill as a Share of Revenues and GDP in Afghanistan, 2005–15**

![Graph showing wage bill as a share of revenues and GDP in Afghanistan, 2005–15](image)

**Sources:** Ministry of Finance, National Budgets, 1384–94; World Bank World Development Indicators.

**Note:** Afghan solar years and approximately equivalent Gregorian years are cited here for ease of reference. The source data are reported according to Afghan solar years. Wage bill trends as a share of expenses are omitted in the figure because consistent World Development Indicator time series based on Government Finance Statistics (GFS) data for Afghanistan are not available. GDP = gross domestic product.
workforce (see later section, “Parallel Structures,” for details). In particular, the decision taken in 2003 to out-contract primary health services to NGOs explains why the health workforce remained small and even shrunk. The BPHS, which represents the lion’s share of health services, remained donor-financed in 2015. The remaining on-payroll health workforce comprises only MoPH employees and secondary and tertiary hospital staff, including in provinces.

Fourth, payroll financing enabled development partners, jointly with government, to gradually put into place an interventionist system of relatively tight payroll controls. To limit ghost workers and other irregularities, employee identities were verified through the so-called Verified Payroll Program (VPP), and the payroll was subjected to random ex post audits by the ARTF monitoring agent (see later section, “Wage Bill and Payroll Control”). A well-entrenched system of establishment control through the “tashkeel” (manning tables) enabled the GoA to contain employment growth. Building on the Soviet heritage of tight control through the Office of Administrative Affairs (OAA) within the Presidency was a key asset.

While government remained relatively small as of 2015, the high dependency on aid for financing the wage bill raised growing sustainability concerns. Government was increasingly expected to take on greater responsibility for funding this workforce and for absorbing donor-funded contract staff (World Bank 2013a, 99).

Pay

Evolution

Afghanistan inherited a career-based public service, originating in the 1970 civil service law. A “rank-in-person” system linked grade advancement primarily to seniority, implying that a public servant’s rank was tied to the respective individual, independent of his or her position (Evans et al. 2004, 45).9 It applied uniformly to all public employees, including the police and the armed forces.

This pay system posed several challenges. At the time of the Bonn Agreement, public servants were hardly earning a living wage (see figure A.5, panel a), with total monthly pay ranging between constant 2011 Af 3,944 and Af 4,545, compared to a monthly per capita GDP of Af 1,538 (in 2002). At least de jure, pay compression was extremely high, with all public servants receiving near equal pay. According to the formal pay system, a minister earned only about 1.25 times as much as a blue-collar worker because uniform food and transport allowances had been introduced, which dwarfed the original base pay structure, making up between 78 to 89 percent of total monetary pay. With mounting competition for scarce skills, pay was insufficient for attracting, retaining, or motivating skilled staff. Even at these low salaries, after the 2001 Bonn Agreement, the GoA lacked the funds for paying government employees, and development partners decided to fund salaries through the ARTF and the LOTFA.

From this baseline situation, Afghanistan’s uniquely intense pay reform trajectory was marked by two major waves of asymmetric pay reforms, both strongly
supported by the World Bank. The first wave consisted of immediate postconflict measures under the Interim Administration (IA) (2001–04); the second broadened P&G reform (2007–11).

As a first measure, to pay a living wage, the GoA increased base pay for core civil servants sevenfold, broadly in line with previous JAM recommendations—but only about two years after the Bonn Agreement, in October 2003. This base
pay increase decompressed pay ratios slightly, from 1.15:1 to 2.3:1. It increased total remuneration for most civil servants by about 15 to 60 percent, with higher increases for the higher ranks (see figure A.5, panel b).

The IA also introduced some vertical differentiation in the pay system, with separate salary scales adopted for police officers\(^{11}\) and teachers.\(^{12}\) At the same time, the IA adopted a first asymmetric pay reform scheme, the PRR,\(^{13}\) with World Bank support. In selected priority units and departments, it financed relatively well-paid positions to attract and retain qualified staff. PRR remained limited in scope, covering only a few thousand civil servants.

The World Bank supported more-systematic P&G reforms in 2008, aimed at the entire public service, with the exceptions of the MoD, the MoI, the Administrative Office of the President (AOP), and the Ministry of Foreign Affairs. These were rolled out sequentially to most MDAs. As of 2015, over 300,000, or 90 percent, of civilian government employees were paid on P&G scales.

Alongside these large-scale pay reforms, the World Bank and other donors supported selective schemes aimed at attracting educated members of the Afghan diaspora to fill senior advisory and management positions in the public service. Since 2002, the World Bank supported four such schemes (see later section, “Capacity-Injection Programs”): (1) the Afghan Expatriate Program (AEP, implemented in 2004–10); (2) the Lateral Entry Program (LEP, implemented in 2004–07); (3) the Management Capacity Program (MCP, implemented in 2007–11); and (4) the Capacity Building for Results (CBR) project (under implementation since 2012). Afghanistan thus provides a rich set of experiences with the design of smaller-scale donor-funded capacity-injection schemes for senior public servants.

All of these programs sought to inject competent staff into senior advisory or management positions at competitive salaries, well above regular civil service pay levels. But whereas AEP, LEP, and MCP each injected only a relatively small number of experts (fewer than 200), CBR had a much larger ambition. Designed in the context of American troop withdrawal and a likely reduced international presence in Afghanistan, it sought to reduce the dependency on project staff, who in 2015 often acted in unfilled tashkeel positions, by mainstreaming high-caliber TAs into the civil service. It was also much larger in scope, with a total financing of $150 million. It aimed to fund 1,500 managerial and professional positions. Targeted to a still small but important group of staff, CBR can thus to some extent be considered as a third wave of public service reform.

These three waves of pay reform for the core civil service have significantly increased average pay and decompressed pay levels. They are also largely responsible for the threefold increase in the core civil service wage bill between 2005 and 2015 (but not the general government wage bill, as previously discussed). In constant 2011 Afghani, average core civil service pay increased from about Af 4,098 per month in 2001, to about Af 8,693 by 2008, to about Af 14,401 by 2015.\(^{14}\) While pay levels have stagnated since the adoption of P&G in 2008,
average pay continued to increase after 2008 due to the gradual rollout of P&G to an increasing number of civil servants. The compression ratio of the P&G scale is about 1:6.5, a significant shift compared to the originally highly compressed pay structure. Taking into account exceptional pay levels that apply to only a few hundred staff (such as super-scale and CBR), decompression is drastic, with pay ratios exceeding 1:20. Overall, these pay increases account for most of the core civil service wage bill growth since 2005. Figure A.5 summarizes how pay levels have evolved for different staff groups since 2001.

**Priority Reform and Restructuring (2003)**

The first asymmetric pay reform—PRR—was designed as an interim pragmatic instrument for rapidly enabling selected priority units in MDAs to improve their perceived lack of performance. PRR sought to enable these priority units (1) to restructure, (2) to retain qualified staff in the face of mounting competition from aid jobs, and (3) to inject “fresh blood” into the civil service by opening it to lateral entry.

PRR allowed line-MDAs to apply for funding to recruit staff in selected units or departments that performed critical functions. Civil servants recruited to PRR positions would receive an Interim Additional Allowance (IAA) on one-year renewable contracts. IAAs ranged from constant 2011 Af 3,959 to Af 20,510 and thus almost tripled recipients’ pay packages compared to other civil servants (see figure A.5, panel c). Line-MDAs were eligible for PRR if they developed substantial reform and restructuring proposals for their departments and used merit-based recruitment processes for filling PRR positions. A PRR (Civil Service Reform) fund of $18 million was approved in the budget to finance PRR. The allowances were paid through MDA budgets and payrolls.

The PRR designers—a small group of government and World Bank staff—considered an asymmetric reform approach as the only feasible option, short of doing nothing. It served to (1) retain or inject skilled staff in selected units, in a context (2) where the center of government lacked the authority for any more systematic reform, and (3) the fiscal risks were hard to foresee. PRR was seen as a “necessary, but risky,” “heroic,” and “asymmetric” departure from “conventional approaches to public administration reform that emphasize formality and uniformity” (Hakimi et al. 2004, 3).

Mounting competition for skills, driven by aid influx after the Bonn Agreement, increased the pressure for increasing pay in government. At the time (2003), according to a senior official of the IARCSC, “the salaries in the government were low, and the capacities in the government were being attracted to the donors and the embassies. This became a challenge for the government. So then the government was forced to introduce the PRR system.”

As the cabinet comprised a highly fragmented coalition of former NA members, it was impossible to reach consensus on a comprehensive administrative reform program even within central government, and any reform could happen only with the consent of the respective minister. The PRR designers
concluded that “under such difficult circumstances, the only option, other than total inaction, is to stimulate modest, targeted incremental reforms of key functions within government departments and agencies” (Hakimi et al. 2004, 12). Reformers also chose a selective reform approach to reduce fiscal risk. With unreliable information about the public service’s size and age structure, they argued that the fiscal implications of cross-cutting pay reforms were unpredictable.19

The PRR governance and implementation arrangements were carefully designed in view of providing the reform with political legitimacy while enabling the World Bank to support the process. The World Bank team had realized that it lacked sufficient access for working through established central bodies (in particular the OAA) for implementing PRR. It was therefore decided to expand the IARCSC’s functions to comprise PRR implementation.20

In order to provide the newly established IARCSC with political legitimacy for this role, PRR was overseen by a Ministerial Advisory Committee on Administrative Reform (MAC) comprising ministers from key MDAs.21 Within line-MDAs, PRR task forces were set up in order to develop and help implement the restructuring proposals. These had an “ad hoc nature and temporary membership by senior civil servants” (World Bank 2008b, 26).

MDAs could apply to PRR by submitting proposals for reforming and restructuring critical functions for review by the IARCSC chairman, in consultation with the MAC.22 The proposals had to provide evidence of reform urgency and of the unit’s capacity to participate. The final proposal had to identify the posts recommended for transfer to the IAA scale, evidence that the affected functions had been comprehensively reviewed, and a full costing of the proposed changes and expected improvements in efficiency and cost-effectiveness.

Once MDA had PRR approval, individuals were to be selected based on a standardized recruitment process. The reformers intentionally replaced the inherited 12-grade pay scale with a shortened 7-grade scale, in order to prevent a mechanical transfer of old staff to the new pay scales and to encourage regrading.23

As an exit strategy, it was envisaged that at the conclusion of the PRR program, IAA payment would be replaced by a new P&G structure at similar pay levels. The PRR decree established that posts would be filled through an open, competitive process.24

Overall, PRR results were mixed. PRR implementation was slower than expected. By March 2007, only about 7,800 PRR positions had been filled, even though new job descriptions had been written for more than 43,000 positions (World Bank 2008b, 6). A key reason was the capacity lacking in both the nascent Administrative Reform Secretariat, in the IARCSC itself, and in line-MDAs’ human resource (HR) departments for preparing proposals and for running a meritocratic recruitment process. “Most of the work was done by the Commission staff. [...] There was not much willingness and capacity in the ministry[ies] to do that.”25
The extent of restructuring and the quality of PRR recruits were heterogeneous across MDAs, primarily due to varying levels of buy-in of the respective ministers. For MDAs with reform-oriented leadership, such as some MAC members, PRR provided a vehicle for reorganizing key departments and for attracting qualified staff, and a training incentive for old civil servants (see box A.2 for the example of the Treasury Department within the MoF). Other ministers resisted, partly due to miscommunication, and partly because they objected to

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**Box A.2 The Priority Reform and Restructuring Program in Afghanistan’s Treasury Department**

The Ministry of Finance’s (MoF’s) Treasury Department is a positive example of Priority Reform and Restructuring (PRR) program impact. While most civil servants already working in the Treasury were retained, PRR allowed for the influx of about 30 percent new staff as part of a staff expansion. Basic computer skills (office, data entry) were used as an eligibility condition for being recruited into PRR positions. Combined with training programs, they motivated existing staff to acquire these skills.

Interviews suggest that overall only about 10 to 20 percent of previously employed tashkeel staff left because they failed the PRR process. These often or sometimes moved to other ministries. “Many of the PRR staff in the Treasury […] were previously working in the government during the Taliban regime. PRR hired most of them into the tashkeel.” However, the PRR process allowed for a significant influx of fresh blood to the Treasury.

In addition, the eligibility criteria for PRR provided a useful incentive for civil servants to acquire computer skills. Tashkeel staff were given about six to eight months’ time and offered courses for acquiring these skills. Before then, tashkeel staff’s reluctance to acquire needed computer skills had led to some conflict with the Bearing Point technical assistance staff, who entered payment requests into the Afghanistan Financial Management Information System.

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a. “Through this PRR system more than 70 percent of people came from within this system, and only 20 to 25 or 30 percent came from the outside. But now the composition with the pay and grading has changed, like now we have 40 to 50 percent from outside and 50 percent from inside, so that has changed” (interview with senior government official, Independent Administrative Reform and Civil Service Commission, 2013).

b. “When the PRR started here, they had their own procedures and conditions. The PRR courses had the conditions that before hiring an employee or switching an employee to the PRR position, that employee should be familiar with the computer, [have] office skills, for example, Word, Excel—these beginner skills of computer, data entry. And then there were also some questions related to their position” (interview with senior government official, Treasury Department, MoF, 2013).

c. “Around that time, around 20 people were left out of maybe 150… [In the first time when PRR reform started some of them were not successful, they moved to other ministries]” (interview with senior government official, Treasury Department, MoF, 2013).

d. Interview with government official, Treasury Department, MoF, 2013.

e. “If there were 10 people out of 10, 5 became PRR and 10 more came from outside of the current tashkeel ministry because the requirement of the system was such that we needed more than what was working currently there” (interview with government official, Treasury Department, MoF, 2013).

f. “They really learned the computer skills because PRR gave them about 6 to 8 months’ time. They had to learn computer skills, and there were courses. They were joining those courses and learned data entry skills and computer skills” (interview with government official, Treasury Department, MoF, 2013).

g. “At the start of PRR there were some conflicts between the project and, for example, Bearing Point and government employees because they were saying that they didn’t want, they were not entrusted, to learn computer skills. And then when this condition of PRR started then they had no choice because some of them were failed to become PRR. That is how this process worked” (interview with government official, Treasury Department, MoF, 2013).
outside interference in their respective MDA: “So why should another person come and interfere with the tashkeel [...] and the staff of the ministry?”

PRR only partially succeeded in injecting “fresh blood” into the civil service. Allegedly, many PRR recruits were former civil servants, hence earning PRR the nickname “re-recruitment program.” This was in part due to patronage in recruitment decisions (World Bank 2008b, 6). In addition, several interviewees highlight that PRR overestimated the supply of qualified staff in the market: “At that time you couldn’t find a good officer or manager in the market to absorb, except the low capacity of the civil servants.”

As one manager in the MoPH notes, while initially attractive, the PRR pay levels rapidly became uncompetitive due to aid influx. Expecting to be able to recruit capable candidates, he cut his unit’s staff to less than half—only to find himself having to rerecruit the same staff after PRR was approved, making it difficult to run the unit. “I think PRR was a good decision, but [...] how fast the private market was growing at that time was not taken into consideration when this policy was developed.”

As English and computer literacy were made requirements for many PRR positions, experienced civil servants were sometimes replaced by high school graduates, which did not necessarily improve skills, at least in the eyes of some observers.

PRR also highlights the risk that asymmetric reforms pose. The asymmetric, unit-wise PRR design created intraministerial inequities that led to pressures to generalize PRR pay to other units. Consequently, only about a year after its adoption, PRR was changed to a “ministry-wide program” (World Bank 2008b, 6). Perhaps one of the most controversial PRR impacts was that it layered Afghanistan’s traditional career-based system with a position-based system. This ran diametrically counter to inherited seniority and equity norms, sometimes placing young recruits above long-standing public servants and facilitating politicization (see box A.3).

Box A.3 Implications of Layering Position- and Career-Based Systems in Afghanistan

By opening the civil service to lateral entry, the Priority Reform and Restructuring (PRR) program introduced position-based elements into the traditionally career-based Afghan civil service. This was retained in subsequent reforms (Pay and Grading, Capacity Building for Results; see “Pay and Grading Reforms” section). Lateral opening, in principle, had the benefit of enabling the injection of “fresh blood” into more-senior management and professional positions, but it had a number of problematic consequences. The newly introduced position-based system conflicted with inherited public service norms and thus found little acceptance by
Paths between Peace and Public Service

Pay and Grading Reforms (2008)
In 2004, the World Bank began to support the design of a comprehensive P&G reform. Similar to PRR, the P&G design was initially asymmetric in the sense that it was “not compulsory and [...] depend[ed] on the willingness of the minister/head of agency” (World Bank 2007b, 1). But P&G aimed at renewing organizational structures and job classifications on a much larger scale. The objective of the World Bank project supporting P&G reform (P097030) was that by 2011, “a significant proportion of service delivery ministries will be performing their functions to an acceptable level and can be held accountable for the use of public resources. This will have resulted from core ministries having been reorganized according to functions and civil servants being managed according to clear rules and procedures” (World Bank 2012b, 2). The World Bank team envisaged that the P&G process would “represent a massive undertaking” and would “extend over many years” (World Bank 2007b). Whereas by 2007, less than 10 percent of civil servants were paid PRR Interim Allowances, as of 2014 over 90 percent of civil servants received P&G salaries.

Whereas PRR was an interim measure, P&G was meant to provide a sustainable new foundation for the civil service, rooted in a new Civil Servant Law, which was passed by the first elected government under President Karzai in 2008. P&G sought to reorient the public administration from the old career-based rank-in-person system toward a more merit-oriented and position-based system. Building on the model established by PRR, P&G cemented a de jure
position-based system that, in principle, opened all P&G positions to lateral entry. It was meant to replace the Interim Allowances with a completely new eight-grade pay scale. P&G did not alter PRR pay levels much (see figure A.5, panel d), except for significant increases in managerial pay. P&G was (in part) financed through the ARTF recurrent window. It was supported with TA through the World Bank’s Civil Service Reform Project (P097030), approved in May 2007.

The P&G pay scale was mostly designed by an international consulting firm, financed by the World Bank. To make grading jobs easier for P&G teams, a simplified eight-grade scale was adopted (see table A.1), with only two professional and technical grades. “You had to reduce the differences in the grade structure because there were, in fact, no obvious differences between the jobs themselves,” as they were not based on responsibilities and duties.

The P&G pay levels were driven mainly by affordability considerations (less by outside pay comparators), assuming that employment levels would be preserved. P&G scales ranged from nominal Af 5,000 to Af 32,500 per month (Af 5,099 to Af 33,142 in constant 2011 Afghanis; see table A.1 and figure A.5). P&G pay levels were thus similar to the level of the PRR Interim Allowances, except for significant increases in the senior-most grades. As only a minority of civil servants received PRR, for most civil servants it was a major improvement compared to previous pay levels of about constant 2011 Af 3,996 to Af 9,369 per month.

According to the consulting firm that developed the pay scales, their design was not guided by a clear fiscal envelope. The margin for increasing pay for the middle grades was limited, because the large number of teachers in these grades implied that even minimal pay increases would have a huge fiscal impact. The consulting firm therefore focused on decompressing pay for the senior-most jobs.

Recruitment into P&G positions was to be competitive, with the possibility of lateral entry, with some exceptions for PRR positions. Holders of PRR positions were exempt from competitive recruitment if their job description had changed

<table>
<thead>
<tr>
<th>Approximate grouping</th>
<th>Grade</th>
<th>Typical function</th>
<th>Minimum monthly pay (Af) (Step 1)</th>
<th>Maximum monthly pay (Af) (Step 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial</td>
<td>1</td>
<td>General director</td>
<td>27,200</td>
<td>32,500</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Director</td>
<td>18,400</td>
<td>22,400</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Head</td>
<td>13,000</td>
<td>16,000</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>General manager</td>
<td>9,900</td>
<td>11,900</td>
</tr>
<tr>
<td>Professional/technical</td>
<td>5</td>
<td>Manager</td>
<td>8,000</td>
<td>9,200</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Officer</td>
<td>6,500</td>
<td>7,500</td>
</tr>
<tr>
<td>Clerical</td>
<td>7</td>
<td>Skilled agir (e.g., driver)</td>
<td>5,600</td>
<td>6,200</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Unskilled agir (e.g., cleaner)</td>
<td>5,000</td>
<td>5,400</td>
</tr>
</tbody>
</table>

Source: Civil Servant Law 2008.
no more than 30 percent, among other conditions. If a job description was changed in excess of 30 percent, the position would automatically be reopened and advertised, putting its current holder at risk of losing the position. However, as one international consultant noted: “There was nothing written on how this calculation should happen. […] Later on we developed a very short guidance note.” According to an IARCSC official, “it was purely [the] judgment of individuals […] to say: ‘This job description has changed 30 percent, less than 30 percent, or more than 30 percent.’”

The World Bank had started preparations for P&G reform in 2004, but its implementation only began in 2008, after the new Civil Servant Law had been passed in June 2008 (World Bank 2012b), which laid the foundation for P&G. Without the law’s authority, P&G could not proceed. The law-drafting process was extremely protracted, involving coordination between the World Bank, the IARCSC, and the Ministry of Justice (MoJ), which had ultimate responsibility for the draft. Observers attribute these delays primarily to a lack of buy-in and support at the cabinet level. In addition, a worsening security situation compelled decision makers “to divert much of their attention to addressing security concerns rather than longer term issues, such as reforming the civil service” (World Bank 2012b, 11). Not least, the proposal, seen as a lower-priority technocratic reform, received little or no political/diplomatic support by influential stakeholders, in particular by the United States or the United Kingdom, in the face of growing security concerns. P&G thus remained supported mainly by the World Bank, which “invested a lot of time and energy into the drafting of the Civil Servant Law.”

Possibly due to a lack of early engagement of the MoJ in the law-drafting process, it ultimately passed an overly detailed and specific version of the law, against the World Bank’s and consultants’ explicit advice to delegate such detail to secondary regulation. Specifically, the law contained the eight-grade pay scale. While this may have abbreviated the already lengthy regulatory process, it hindered later pay changes. When later it was realized that the eight-grade scale was insufficiently differentiated, only comprising two professional grades, it was impossible to change. This led to severe resentment, in particular in the health sector, where hospital managers and nurses would be only a grade or two apart: “The total number of professional positions […] in the health sector] reached [up] to 700 professional categories. Grading all these 700 categories […] in four grades […] was next to impossible.”

Between 2008 and 2014 P&G was rolled out to almost all MDAs, covering over 90 percent of civil servants as of 2011. Even though P&G implementation took about twice as long as anticipated, this makes it the sole case of a systematic pay reform within the five case study countries that ultimately was nearly comprehensively implemented.

While views differ, several stakeholders interviewed questioned whether the limited benefits of P&G justified its enormous transaction and financial costs. Interviewees noted positively that P&G for the first time established the forms
of a merit-based pay system in Afghanistan, and formally tied access to higher-grade positions to a competitive selection process, rather than seniority.43 “For the first time, each single position had terms of reference. That was helping employees know what’s expected from them.”44 Others, however, including the consultant who originally designed the P&G reform, call into question the performance effects of the pay increase: “If you like, it was a veneer of reform, it was skin deep, and in my view, ultimately pointless. I think the performance of the government, if anything, got worse.”45

The idea of injecting fresh blood worked only partially and in selected MDAs. In the words of one IARCSC director: “To be honest, if in a ministry 90 percent of the total civil servants were taken out of the system as part of pay and grading reform in [the] initial phase, in all the cases more than 60 percent have come back.”46 However, interviews suggest that the increased pay levels offered by P&G have helped government attract more qualified university graduates, who would not have applied for government jobs previously.47

MDAs’ initial reluctance to undergo the P&G process was overcome mainly because the reform was backed with the authority of the new Civil Servant Law and because the incentive of increasing their staffs’ pay outweighed the perceived risks.

“When P&G was started there were few agencies who were willing to […] be the first agencies. So […] there was a high level of […] challenging the process.”48 This initial resistance was driven in part by fears of job losses, in particular because those positions which changed by more than 30 percent would be readvertised. “So people were asking if they are losing their job, and that was creating some level of resistance to our P&G implementation.”49 MDA leadership was also concerned about the reorganization involved, as the reattribution of functions risked upsetting the existing MDA-internal power distribution.50 Consequently, MDAs rarely played the leadership role envisaged for them, and the IARCSC Civil Service Management Department (CSMD) remained the key driver of reform.51

To enable line-MDAs to drive the P&G process, their mostly weak HR departments were to be supported and trained by so-called Reform Implementation Management Units (RIMUs), staffed with consultants, a lesson learned from PRR. Line-MDAs were required to prepare organizational charts, corresponding job descriptions, and grade them in the new scale. However, RIMUs were only “partially effective” (World Bank 2012b, 26), in particular due to the high turnover rate of RIMU consultants. “In the majority of cases the HR departments [had] inadequate capacity to properly implement the P&G proposals, resulting in slow progress to the new system” (Public Administration International 2011, 19). In turn, the team of civil servants tasked with assisting MDAs in P&G overseen by the CSMD also lacked capacity, a problem that had not sufficiently been anticipated in reform design (World Bank 2012b, 19),52 and that further rendered P&G implementation difficult.
In time, these odds were overcome, in part, because the newly adopted Civil Servant Law provided the process with authority and because increasing pay was attractive. “There was the law, which was the legal framework into which the ministry, whether it liked it or not, had been placed. For example, there were only eight grades, and that is all they could have.” And MDAs realized that it was in their interest not to make difficulties and delay the process—“eventually, the ministries were fairly anxious to get the process completed, because the carrot at the end of this process was higher pay for their staff.”

Whereas P&G offered the opportunity to all ministries “to have a clear functional review,” the Implementation Completion and Results Report for the project highlights that in fact “the pay and re-grading exercise occurred without a major overhaul of ministry functions and structures” (World Bank 2012b, 15), reducing its value as “a tool for administrative reforms.”

The quality of the P&G job reclassification process was, above all, undermined by the endeavor’s sheer magnitude, such that the center lost control of the process. By contrast, “PRR was, for all its faults, dealing with manageable numbers” and applied relatively clear and straightforward performance criteria, making it possible to determine “whether they were actually earning the increased money they were getting. The moment the thing was extended to comprise the entire civil service, the performance criteria essentially went out of the window.”

Further, with weak central oversight, MDAs and CSMD P&G teams may also have had incentives to collude in getting P&G implemented. RIMUs and P&G implementation teams both had incentives to rapidly fill P&G positions, and the center had little control, calling into question to what extent merit played a role in recruitments to P&G positions. Where young applicants were recruited, they often had difficulty finding acceptance among more-senior civil servants.

Further, P&G contained no effective provisions for what would happen to civil servants not recruited to P&G. They were to continue at the much lower previous pay levels, or retire. This generated pressures to absorb everyone into the new scheme. “An alternative for people who are losing their job needed to be thought of. […] If the majority of civil servants, if 90 percent of people from the Ministry of Transport were supposed to be sent back to the market or into retirement, an alternative program needs to be in place for those people. Otherwise, in a postconflict environment it can create instability.”

Overall, the P&G reform effort fell far short of its objectives, due to severe design and implementation flaws and a challenging context. It effectively introduced a new pay structure and helped attract some new staff to the public service. However, it led to little substantial structural or staffing renewal in most line-departments, largely because it lacked support from senior leadership and because the scope of reform, combined with severe capacity gaps, made meaningful implementation challenging.
Capacity-Injection Programs

Besides seeking to make public jobs more attractive through broader pay reform, the World Bank and other donors designed a series of well-paid capacity-injection programs aimed at attracting qualified Afghans into public jobs. Since 2004, the World Bank designed four such programs, including the AEP, LEP, MCP, and, most recently, the CBR. This sequence of programs provided significant learning opportunities, with subsequent schemes seeking to draw lessons from their predecessors. Table A.2 provides an overview of how key design features and results of these programs have evolved.

| Table A.2 Comparative Overview of World Bank–Managed Capacity-Injection Programs in Afghanistan |
|---|---|---|---|---|
| **Design features/results** | **Afghan Expatriate Program (AEP)** | **Lateral Entry Program (LEP)** | **Management Capacity Program (MCP)** | **Capacity Building for Results (CBR)** |
| **Size** | 60 | 1,500 | 175 | 1,500 |
| Number of planned recruitments | 98 | 138 | 153 | 680 (as of August 2017) |
| Number of actual recruitments |  |  |  |  |
| **Targeting/MDA selection** |  |  |  |  |
| Types of positions | Advisory | Line | Line | Line |
| Eligible grade ranks | n.a. | Managerial only (grades 2–4) | Managerial only (grades 1–3) | Managerial and professional (grades 1–5) |
| Eligible MDAs | All | All | Initially all; later, priority MDAs identified | All |
| MDA selection process | Self-selection, unconditional | Self-selection, initially self-selection, then top-down targeting | Self-selection, requiring results-oriented reform proposals; top-down targeting envisaged in 2015 |  |
| **Individual selection mechanism** |  |  |  |  |
| Selecting body | Originally MAC; later, Executive Committee | IARCSC IAB | IARCSC IAB | Line-ministries, with quality assurance by HR firm and IARCSC oversight |
| **Contract conditions** |  |  |  |  |
| Pay levels | Discretionary | Discretionary | Discretionary | Based on harmonized pay scale |
| Duration of contracts | Up to 2 years | Up to 2 years | Some contracts extended under CBR | Ongoing |
| **Monitoring and evaluation** |  |  |  |  |
| M&E strategy | None | — | Intent to measure performance, but failed | Institutional oversight through CSC senior management |

Sources: IARCSC 2010; Michailof 2006a, 2006b; World Bank 2012a; CBR program document.

Note: CSC = Civil Service Commission; HR = human resource; IAB = Independent Appointment Board; IARCSC = Independent Administrative Reform and Civil Service Commission; M&E = monitoring and evaluation; MAC = Ministerial Advisory Committee on Administrative Reform; MDA = ministries, departments, and agencies; n.a. = not applicable; — = not available.
The Afghan Expatriate Program

The AEP was designed immediately after the Bonn Agreement in 2002 and was “conceived as an instrument to bring back to Afghanistan some of the Afghan highly skilled experts living in the U.S. and Europe” (Michailof 2006a, 2). It “aimed at enabling government to compete for scarce Afghan capacity by funding (at competitive rates of pay) and placing highly qualified Afghans in advisory positions” (World Bank 2011b, 1). Initially envisaged as a temporary solution during the reconstruction phase, it sought to inject 60 qualified diaspora Afghans into advisory positions on short-term contracts. AEP was funded by the ARTF.

AEP implementation was almost two years delayed, in part out of government concern over the political acceptability of a large wage differential between AEP experts and civil servants. Between 2004 and 2010, a total of 98 staff were recruited through AEP, with salaries ranging between $500 and $7,000 (IARCSC 2010, 2). These staff were thinly spread over 19 ministries, with some concentration in the Presidency, which had 13 AEP advisers (IARCSC 2010, 5). The age profile of AEP recruits pointed to a supply problem in attracting suitable diaspora returnees. Over 40 percent of AEP recruits were aged over 60. This suggests that retirees and junior professionals were easy to attract, whereas making mid-career professionals return to Afghanistan was much more difficult.

According to the formal completion report for the AEP project (World Bank 2011b, 15), AEP’s main positive impact was that it injected skilled individuals into the public service, many of whom made individual contributions and “rapidly moved into important managerial and political positions across Government at the end of their contracts.” However, “there is no evidence that AEPs made a measurable contribution to capacity development of civil servants in the ministries to which they were assigned” (World Bank 2011b, 14).

Observers criticized poor targeting of AEP positions as a key flaw in the program’s design. First, the skills needed were often poorly specified, leaving it unclear whether a position required managerial or specific technical skills. Second, the advisory positions were seen to be distributed almost randomly across MDAs (Michailof 2006a, 4), many of which lacked leadership and reform intent. Consequently, while a number of AEP experts were “trying to meet managerial needs in temporary acting positions” (Michailof 2006a, 4), others were sidelined in advisory roles with little influence.

At least toward the end of the program, there also were significant concerns about political interference in some recruitment decisions. The recruitment for AEP positions was originally supposed to be overseen by the MAC, which would have ensured some government control and buy-in into the process. But after the MAC was dissolved in 2005, it was decided to establish an Executive Committee (EC), composed of six high-caliber and highly respected AEP recruits, which would oversee recruitments. This arrangement was seen as “highly unorthodox” (and implied a potential conflict of interest). But it enabled the EC to resist
“constant pressures coming from officials in ministries and public institutions for recruitment of AEP staff based on patronage, ethnic and political affiliation”⁶³ and maintain a high degree of integrity in these selections. As an important exception, that EC failed to resist pressures from the President’s Office (PO), to make recruitments to the PO based on political affiliation and disrespecting competitive recruitment procedures, “tarnishing the global credibility of the program” (Michailof 2006a, 5). Concerns over the selection process were one reason why the World Bank got involved in micromanaging recruitments (Michailof 2006a, 7), de facto transferring managerial responsibility to the World Bank.

The Lateral Entry Program

The LEP complemented the AEP. It aimed to attract Afghan professionals from national and regional markets (rather than international) to enter laterally into senior- and middle-management positions (grades 2–4). In a context of skyrocketing salaries driven up by donor competition for skills, it aimed to offer at least somewhat competitive salaries for senior civil service positions, up to $2,000 per month, on two-year contracts. “The LEP’s target was to tap into the reservoir of well-qualified, experienced and competent Afghans from the NGO, UN [United Nations] Agencies and donor-funded program communities” (IARCSC 2010, 3).

The LEP originally intended to recruit a total of 1,500 staff into management positions over a two- to three-year period (after a six-month pilot phase with 100 recruits). The IARCSC Independent Appointment Board (IAB) was to conduct or oversee these recruitments, not the EC as for AEP.

While the LEP succeeded in attracting some highly qualified Afghans into line-positions, it was cut short in 2007 and transformed into the MCP (see the next section). By then, only 138 candidates had been recruited. A significant number of them came from the diaspora. Most of the recruits were retained in the MCP.

The decision to end LEP prematurely was in part made to reduce confusion about the purpose and complementarity between PRR, AEP, and LEP, as well as similar capacity-injection schemes by other donors which were all implemented in parallel. Specifically, LEP unintentionally discouraged MDAs from implementing PRR reforms, offering funding for senior positions without the condition of restructuring.⁶⁴ There also were concerns about the IAB’s capacity to conduct such a large number of recruitments, in particular as it also had responsibility for recruitments under the envisaged P&G reform.⁶⁵ Not least, LEP was criticized for design flaws similar to those of AEP. It was not guided by systematic needs assessments or targeting, there were concerns about the integrity of recruitments and micromanagement by the World Bank, and the program lacked a monitoring and evaluation (M&E) framework (IARCSC 2010, 10).

The Management Capacity Program

The MCP “was designed with a view to improve upon the shortcomings of AEP and LEP” (World Bank 2012a, 4). While it did not target specific ministries, it focused on filling positions in “common operational functions,”⁶⁶ so that MCP
Recruits were placed in units concerned with “operating requirements (not investment) that donors are less likely to support” (World Bank 2007a, 6). It also included a target to make 20 percent of appointments at the provincial level. As its predecessors, targeting of MCP recruits was to be driven by MDA demand.

Between 2008 and 2011, 153 appointments were made under MCP, spread over 28 MDAs (World Bank 2012a, 10). The number of MCP recruits by MDAs varied largely, ranging from ten in the MoF to only one or two in the MoJ or MRRD. Delays in World Bank no-objections often caused delays in recruitment and explain the small number of recruits. A large number of recruits were seen as well-qualified and “anecdotally, appear to have raised the standard of management in their Ministries” (World Bank 2012a, 11).

Recruited MCP experts themselves expressed concern about the lack of skilled lower-level staff to support them. A majority of MCP experts had grievances about the individualized determination of their pay levels, which was based on their own pay history rather than on the demands of the position, resulting in inequities. They also expressed the need for on-the-job training.

The MCP Implementation Completion and Results Report primarily criticized the MCP’s “scattergun” approach (World Bank 2012a, 14). It highlighted that management of those MDAs supported by a cluster of MCP recruits improved disproportionately more than those with few MCPs. It therefore recommended concentrating injected skills in clusters of several recruits, focusing support on MDAs with a clear reform plan and tying them to a “wider reform process.” As for the AEP and LEP, it highlighted the difficulty of measuring the link between capacity inputs and improvements in MDA management and outputs.

**Capacity Building for Results**

The CBR program, approved in 2011, deserves attention as the only systematic attempt made to exit from parallel structures in the five case study countries, by mainstreaming them into the civil service. It originally aimed to inject capacity into a total of 2,500 managerial and senior professional positions, making the Afghan government less dependent on project staff. Like PRR, CBR had an asymmetric design, targeting MDAs selectively.

CBR sought to reflect the lessons learned from its predecessors, in particular the MCP, but also PRR, in several ways, anchored around the principle that “capacity-building programs must be demand-driven, results focused, and fully owned by the government” (World Bank 2011a, 17). Its design resulted from a year-long engagement process with the key government stakeholders, in particular including line-MDAs.

CBR sought to carefully balance the need to “cluster” support in selected reform-oriented ministries with giving some support to all MDAs to reduce resistance to an asymmetric reform approach. It was central to the demand-driven design that MDAs would develop CBR proposals to apply to CBR support. Based on their CBR proposals, applicant MDAs were classified into three “tiers” of support, based on a set of eligibility criteria. The highest tier 3 provided support for a much larger number of positions than the lowest tier 1.
Offering all (23) eligible MDAs some level of funding under tier 1 served “to create buy in and mitigate resistance to reforms” (World Bank 2011a, 12). At the same time, most resources could be concentrated in selected tier 2 and 3 MDAs. At design, it was expected that CBR would be able to offer tier 3 support to maximally eight MDAs (World Bank 2011a, 31).

CBR’s asymmetric design put a lot of weight on defining transparent and measurable eligibility criteria for tiers 2 and 3, which MDAs would accept. The eligibility criteria in particular reflected the criticism the MCP had received. They sought to balance (1) the respective MDA’s functional relevance for the government’s overall development strategy,68 (2) the existence of a credible strategic vision and reform plans, (3) measures of the MDA’s current capacity and postreform track record,69 and (4) a results framework including measurable baseline data that would enable monitoring and evaluating CBR impact. MDAs were required to prepare their CBR proposals based on a detailed application form, which served as a basis for evaluation by sector experts and the CBR Steering Committee,70 based on a weighted point score. While the application criteria were meant to transparently justify the differential treatment of MDAs, some flexibility for accommodating MDAs in the three tiers was envisaged from the start.71

CBR recruits are paid based on a standardized pay scale, designed to facilitate long-term absorption into the government pay system and to avoid individualized and inequitable pay, as under MCP. While CBR pay levels were set at levels unaffordable to government in the medium term, as a longer-term exit strategy it was envisaged that declining competition for skilled staff (due to donor withdrawal), harmonization of CBR and NTA salaries, and increasing government revenues would gradually permit government to take over.

As a key complement to CBR, the team established a coherent harmonized salary scale for World Bank national TA project staff, in order to “bring remuneration packages progressively more in line with what Government offers,”72 in view of mainstreaming project structures in the longer term. In 2016, government and development partners agreed on a harmonized salary scale, which would apply equally to CBR recruits and NTA, in view of ensuring alignment between CBR grades and pay levels and project positions. By June 2016, all World Bank NTA project staff had been migrated to the new pay scale, but implementation by other development partners was still under way. This harmonization was a major step forward toward mainstreaming NTA. Yet, the challenge of up to tenfold pay differences between the vast majority of civil servants who receive P&G salaries and the small number of CBR staff remains (see figure A.6).

However, during the first three years (2012–15), CBR suffered from major implementation and disbursement delays, leading to the project’s restructuring in April 2016.73 As of spring 2014, 15 out of 23 eligible MDAs had applied for CBR support, but by February 2015 only 4 ministries had been approved,74 and only 54 senior management positions had been filled with new CBR recruits.75

These delays have been caused primarily by (1) lack of high-level political support for CBR in a difficult political economy environment, (2) contestation
around the eligibility criteria for MDAs, and (3) concerns about the integrity of CBR recruitments. The requirement to present strategic, results-oriented plans imposed significant red tape on applicant MDAs and was a bottleneck in implementation.

Observers note that political interference in CBR recruitments was intense “because now the salaries are so attractive.” This caused fears among competent project staff that they would not be reselected for their current (project-financed) jobs. Concerns over the integrity of recruitments, initially (until 2014) prompted the World Bank team to micromanage them, checking whether applicants met minimal qualification requirements.

Responding to these concerns, and following the election of President Ashraf Ghani in September 2014, CBR was redesigned significantly during its restructuring. The restructuring, completed by April 2016, benefitted from the president’s strong personal support for the program. The main thrust of the restructuring was to enable more rapid CBR implementation: (1) The MDA selection process was simplified, through an up-front high-level decision that identified 13 priority MDAs that would be eligible for full CBR support, based on a set of criteria. In addition, the MDA application process
for CBR was simplified, and practically all MDAs (a total of 39) were declared eligible for “basic” CBR support, in effect removing the three-tier structure. (2) Recruitment of individual applicants into CBR positions was streamlined, by delegating all recruitment responsibility to line-MDAs (including for grades 1 and 2), and by contracting a specialized HR firm that provides quality assurance by carrying out real-time reviews of recruitment decisions, prior to contract signing. (3) The program was also significantly downscaled, from an original target of filling 2,500 CBR positions to 1,500 and from a financing volume of $350 million to $150 million. (4) After a number of changes in implementation arrangements, since June 2017 IARCSC assumed the sole management responsibility for CBR, with operational oversight by its Board of Commissioners and strategic-level oversight by the High Council for Good Governance and Administrative Reforms.

This redesign significantly accelerated program implementation, but concerns over the quality of recruitments and over political interference in the process continue to loom large. As of the end of August 2017, out of a total of 1,500 approved positions, 1,127 initial selection processes had been conducted, and 680 contracts had been signed. One symptom of quality concerns was that the HR firm has so far rejected on average 31 percent of candidates proposed for recruitment by line-MDAs because of noncompliance with the official recruitment procedures (World Bank 2017, 5). Forty-two percent of contracted positions had been filled by incumbent staff or staff from the same department, suggesting that insiders are favored and limiting the influx of potentially more-qualified outside candidates. These and other symptoms of interference, such as scoring manipulation, giving preferred candidates access to model answer sheets, and attendance of ministers and members of parliament in interviews, led to discussions on additional measures for mitigating transparency and quality risks in the recruitment process.

Public Service Management Bodies

Public service management in Afghanistan has a complex pre-2001 history. During Zahir Shah’s constitutional monarchy (1964–73) and Daoud Khan’s republic (1973–78), there was a Civil Service Commission. At least in form, it represented a historical precedent for the post-2001 IARCSC. Under the Soviet occupation (1978–91), recruitment authority was relocated to the OAA in the Presidency. During the Taliban period (1996–2001), while some of these prior administrative arrangements continued to exist (such as the OAA), they fell into disarray.

When the Bonn Agreement was signed, no single agency or ministry had responsibility for managing Afghanistan’s public service (Evans et al. 2004, 25). Each line-ministry had significant authority to manage its own staff, including recruitment, promotion, and staff placement. The establishment control function
was exercised by the OAA in the Presidency, jointly with the Ministry of Labor and Social Affairs, the MoF, the IARCSC, as well as the Independent Directorate for Local Governance and the Ministry of Economy (all members of the so-called “Tashkeelat” Committee). "Other functions, such as organizational restructuring and public administration reform were not performed at all" (Evans et al. 2004, 25).

There were three main administrative legacies from Afghanistan’s government prior to 2001: (1) high de jure centralization of recruitment/appointment authority and a single public service law covering all personnel, which stands in tension with significant de facto decentralization; (2) an establishment control function that was quite effectively centralized, both in the MoF or the OAA; and (3) the strong influence of Soviet administrative models, manifest in the powerful OAA.

The IARCSC, envisaged in the Bonn Agreement of December 2001 and established in 2002, strongly shaped the postconflict evolution of public service management bodies, as its major new protagonist. Its role was subject to intense contestation between development partners and the Afghan leadership. Development partners sought to establish a "guardian of merit" and modeled the IARCSC on Commonwealth-type public service commissions, with a strong mandate for overseeing senior appointments. They also needed a central agent for driving public service reform.

But the IARCSC’s design conflicted both with Afghanistan’s institutional legacy and with elite interests, making it an “isomorphic implant,” in the language of DiMaggio and Powell (1983). The idea of a central regulatory, oversight, and reform body was at odds with MDAs’ far-reaching authority over their public servants. The merit principle was at odds with the political elite’s needs to use appointments for balancing a fragile coalition. Consequently, the IARCSC’s establishment was mainly a concession to donors, and it lacked backing from an influential domestic reform coalition.

Political backing for the IARCSC was strongest during the IA. In June 2003, jointly with the IARCSC, the MAC was created “in order to have political buy-in.” But the election of President Karzai in 2004 and the arrival of a politically motivated cabinet resulted in the demise of the MAC. This “is cited by a number of reports and by interviewees […] as instrumental in losing the minimal political consensus that the MAC generated” (Wilson 2015, 156).

The IARCSC was consequently seen as a donor implant with little standing of its own. By 2014, it had gained little credibility as a guardian of merit, and both line-MDAs and donors perceived the recruitment process to be bureaucratic, highly vulnerable to political interference, and little suited to identifying the best candidates.

By contrast, Afghanistan has arguably been relatively successful in controlling the size of the public service, building on and complementing existing institutions. In 2014, establishment control continued to be exercised similarly to the pre-2002 arrangements, primarily by the Tashkeelat Office led by the OAA in the Presidency. The MoF played an important role in finding innovative forms
of strengthening payroll controls. Overall, while the GoA remains unable to map individuals to established positions, it was able to control the overall size of public employment and the integrity of the payroll comparatively well.

**Merit Protection**

While the international community recommended an “independent Civil Service Commission” in the Bonn Agreement in view of protecting merit, the agreement envisaged a remarkably modest advisory role for the future Civil Service Commission (CSC). The commission was to oversee “key posts in the administrative departments, as well as those of governors and uluswals [judges], in order to ensure their competence and integrity.” But its mandate was worded cautiously as “to provide the Interim Authority and the future Transitional Authority with shortlists of candidates.” The Bonn Agreement did not specify that the shortlisting should follow a competitive recruitment process, leaving room for political influences in making the final appointment decision.

However, this initial vision for the IARCSC’s role was substantially changed through intense and protracted negotiations after the Bonn Agreement. Even though the CSC was (legally) established about half a year later by Decree Nr. 257 of May 23, 2002 (03/02/1381) for a year, there remained a “considerable period of uncertainty about its role and responsibilities” (Evans et al. 2004, 7). This period ended, and the IARCSC’s responsibilities were firmly established by June 10, 2003, with Decree Nr. 25 (03/20/1382) and the associated regulation in the form of Decree Nr. 26.

Decrees Nr. 25 and 26 authorized the IARCSC to conduct a meritocratic and competitive selection process for senior civil servants. This contested proposition was contrary to the original recommendations of an expert group. The decrees established an Independent Appointment Board as part of IARCSC, tasked to “identify and propose senior level civil servants to the President, based on impartiality, merit and competence.” In addition, the IAB was to “monitor appointments of lower level staff by Ministries and government agencies” (category 3 and below). The president had authority to appoint the members of both the IAB and an Independent Appeals Board at his discretion for one to three years.

The drafting of Decrees Nr. 25 and 26 was supported by the World Bank and an international TA financed by the World Bank. The TA worked with a small group of employees of the nascent IARCSC, headed by Mr. Hedayat Amin Arsala, vice president and minister of finance. However, the proposals met with fierce opposition in the cabinet, as ministers did not want to see their ability to make senior appointments restricted. “Except the president no one, [not] the vice president, [not] the ministers, [not] the members of the parliament, and [not] the governors, no one likes this system [of merit-based recruitment].” Under pressure from the international community and despite widespread resistance, President Karzai ultimately pushed the decree through the cabinet. “In the next cabinet meeting the president told [the cabinet]: ‘If we don’t approve this regulation and other decrees the international community will not continue supporting [us].’ Then they were forced to approve it.”
While development partners recognized that merit-based recruitment was a foreign concept, they had strong pragmatic reasons for pushing for meritocratic recruitment under the IA. A legitimate authority was needed to select candidates for the PRR scheme, which was the key vehicle for rebuilding government capacity. Meritocratic recruitment also provided a signal of confidence for mobilizing and sustaining ARTF salary funding. Not least, the IA comprised a number of reformist ministers who, as part of the MAC, provided at least some backing for reform.

Since 2003, the Appointment Board’s strong mandate provoked a range of strategies for resisting and evading its influence over senior civil service appointments. From the beginning, President Karzai’s choice to appoint a weak coalition member as IARCSC chairman limited the IARCSC’s authority and its ability to live up to its ambitious mandate. While it is not clear whether this was deliberate, weak leadership certainly was one of the factors hampering the IARCSC’s influence.

An additional early challenge for the Appointment Board was “to build the car while driving.” As Wilson (2015, 157) notes, “The early days of the Commission, for the first 18 months or so, were spent necessarily appointing the ‘independent commissioners and staff.’” Yet, as the PRR decree was passed shortly after Decrees Nr. 25 and 26 in July 2003, the Appointment Board members also needed to start conducting recruitments for PRR positions. After the board positions had been filled by the end of 1382 (about December 2003 to March 2004), it recruited about 600 candidates. While the board only gradually gained in influence, observers see its early recruitments for PRR positions as comparatively meritocratic.

An early blow to the IARCSC political backing was the demise of the MAC in August 2005, after President Karzai had replaced the more technocratic cabinet of the IA by a more politically motivated set of ministers. As Wilson (2015, 156) notes, the “demise of the MAC in August 2005 is cited by a number of reports and by interviewees […] as instrumental in losing the minimal political consensus that the MAC generated.”

In the first years after its establishment, the Appointment Board became the target of hefty criticism from most other parts of government, including the Presidency, OAA, MoF, and key line-ministries. “During this period, the ministers were very upset [with the recruitment process].” The criticism primarily targeted (1) bureaucratic and inadequate appointment procedures and lack of respect for them; (2) the lack of competency and experience of the commissioners; and (3) ethnic and political biases favoring Tajiks and representatives of the NA. “This very serious allegation questions the whole ‘fairness’ of the merit-based appointment process” (Michailof 2006b, 16).

Attempts at political interference in the board’s decisions were frequent. The final approval process in the president’s office itself was seen as a source of political interference, involving about six signatures (Michailof 2006b, 14). In some instances, the IARCSC was simply bypassed, regardless of its mandate. This was the case, for example, for the appointment of 132 district governors, prior to 2006.
After the IARCSC had already advertised widely and begun processing 1,150 applications, “the Minister of Interior decided to bypass IAB and to get direct appointment decisions out of its own list from the president. IAB and IARCSC were justifiably outraged” (Michailof 2006b, 16).

Soon after the presidential election of 2004, line-MDAs reclaimed influence over senior appointments to some extent, by ensuring their formal involvement in the final selection decision. Article 15 of the Civil Service Law passed in September 2005, which replaced Decrees Nr. 257, 25, and 26, specified that the “final selection panel consists of two members from the Appointment Board and the authorized representative from the relevant Ministry or Government Agency.”[^102] This decision amounted to a—at least partial—formal repoliticization of the appointment process, especially as line-ministries have typically been represented by deputy ministers, themselves political appointees selected with strong influence of parliament. It helped rebalance the competing patronage interests of different political elites. At least according to a CSC member, this decision appears to have deflected some of the previous criticism. “Now the ministries are happy, and we are also satisfied with this.”[^101] Some of the measures taken to reduce discretion and strengthen merit in the recruitment process were self-defeating and may merely have provided a facade of legitimacy. Most obviously, interview questions were standardized to reduce discretion, but this led to “generic” and legalistic questions[^102] little suited to test the applicant’s managerial or technical competencies[^103]. As there were also “concerns as to whether questions are leaked in advance of interviews” (Michailof 2006b, 8), standard questions in fact made it easy to favor politically preselected candidates in the interview process.

Observers note a marked deterioration of the integrity of appointments made by the IARCSC under Karzai’s second cabinet: “I think that in the past four or five years, year by year, the situation gets worse because of the influences from every direction. […] My worry is that these types of things, unfortunately the reaction of the public, the general public, is smaller and smaller to this. Because they’re becoming common or routine, nepotism, probably corruption, in terms of not the right person to do the job.”[^104]

Toward the end of his presidency, Karzai attempted to introduce a concours-type entrance examination for professional and middle-management positions (see earlier “Priority Reform and Restructuring (2003)” section). But this generated strong opposition from the Wolesi Jirga (the lower house of parliament) and entailed threats to disestablish the IARCSC. In March 2013, the Wolesi Jirga debated whether to abolish the IARCSC. The Special Investigation Commission’s secretary, Abdul Hafiz Mansur, said in his parliamentary report that “though the commission had made some achievements, it had been a source of corruption.”[^105] The politicization of IARCSC appointments toward the end of the Karzai presidency was also visible under the CBR project. The World Bank team had to oversee individual appointment decisions by the IARCSC in detail, to ensure the selection of candidates that met the required qualifications.
In sum, development partners’ attempt to institutionalize merit-based appointments through the IAB largely failed. While attempts to depoliticize appointments necessarily entail contestation, it is hard to argue that the IAB gained or held ground in protecting merit in senior appointments. Rather, weak leadership, growing informal interference and bypassing, formal reclaiming of influence by line-MDAs, and ultimately the Wolesi Jirga’s threat to disestablish the IARSC suggest that it had lost influence over time. As of 2014, its credibility was low.

Wage Bill and Payroll Control

The GoA was largely successful in containing the size of the public service and in improving payroll integrity. It achieved this against the odds. Given the traditionally weak de facto control of central government over the provinces, provincial governors could have exploited control weakness for diverting salaries to political clients. As of 2014, the payroll was managed decentrally and not integrated with a personnel database, which is normally seen as a key means of preventing ghost workers and other irregularities in the payroll.

Two institutional factors explain this success, besides lack of fiscal space due to rapidly growing security forces and teachers (see earlier “Public Service Size and Structure” section). First, the current establishment control system retained its strength by continuing the Soviet heritage of tight control through the OAA within the Presidency (up to late 2017 when establishment control was moved to IARCSC). Second, early donor interventions supported an inventive work-around approach to payroll controls, the so-called Verified Payroll Program. By requiring identity checks as part of the monthly payment process for a growing number of employees, the VPP established a high degree of control without integrating the payroll with the nominal roll.

Retaining the Inherited Establishment Control Systems

Prior to the war, Afghanistan had a functioning model of establishment control, which ensured that ministries (budgetary units) did not exceed their allotted staffing ceilings (“lid function”). It relied on a combination of manning tables (“tashkeel”) and the corresponding staff allotment (“takhsis”). As part of the annual budget process, ministries prepared the tashkeels, that is, their proposed organizational charts detailing staffing positions and levels, and submitted them for approval to the MoF, authorized “to make some reasonable modifications.”106 Provincial departments and district offices would receive their tashkeel and takhsis (the latter on a quarterly basis) from their respective ministries” (Evans et al. 2004, 38).

The organizational location of the central authority for reviewing and approving the tashkeels had shifted over time. Prior to 1979, “we had a department in the prime minister’s office which was overseeing the tashkeel of the ministries. One of the important reasons for why in Afghanistan the tashkeel didn’t grow very drastically was a very high control of the number of civil service which is
given to each and every ministry.” Historically, ministries submitted their tashkeels to the Civil Servant Organization Department in the MoF. During the mujahideen period, this responsibility was moved to a department (Tashkeelat) in the OAA, which is part of the President’s Office, where it remained during the Taliban period (1996–2001).

When the Interim Administration took power, this establishment control system had largely stopped functioning and resumed only gradually. In 1381 (2002/03), no tashkeels were issued, and the tashkeels for 1382 were issued late. Tashkeel (staffing establishment) and takhsis (salary allotment) “did not necessarily match for individual provincial departments, as they had in the past” (Evans et al. 2004, 31). Or salary allotments came late, forcing provincial departments to ration salaries among their employees.

The establishment control process relatively quickly restarted functioning in the following years and essentially remained unchanged. Until today, the establishment control function rests with the Tashkeelat Committee previously led by the OAA in the Presidency and led by IARCSC as of late 2017. As part of the annual budget process, all MDAs covered by public service legislation have to submit their tashkeel for review to the Tashkeelat for approval. The Tashkeelat coordinates with the MoF to ensure that the salary costs do not exceed payroll budget allocations (takhsis). This mechanism helped control the establishment in Afghanistan.

The only significant change between 2001 and 2014 was the attempt to give the IARCSC’s Civil Service Management Department a more influential role in reviewing the tashkeel for line-MDAs. A stronger IARCSC involvement was logical, given the role it played in reviewing the organizational structures of line-MDAs during PRR and P&G reform (see earlier “Pay” section). At least until 2008, “the Ministry of Finance agree[d] each line ministry’s tashkeel only with inputs from the Tashkeelat Directorate in the Office of Administrative Affairs but leaving the Commission out” (World Bank 2008b, 27). More recently, according to one member of the IARCSC, first the tashkeel “comes to us, once we agree […], it goes to the Tashkeelat in the OAA, which submits it to the president for final approval.”

It is important to recognize the limits of control exercised through the tashkeel. The Tashkeelat was successful in enforcing ceilings on the aggregate head counts of budgetary units (i.e., the number of positions per grade). But it had no actual control over the structure and organization of this workforce, lacking the ability to map individuals to positions in the establishment. “The system was never organized in a way such that you could tie individuals directly to jobs—and you could not tie those jobs directly to the organization.” Observers note frankly that the tashkeels prepared did not necessarily correspond to the real organization of the respective MDA. This made it impossible to verify the number of vacancies by MDA. “You will never see a document that shows the vacancies, post by post in each ministry, because the system could not produce such a document.”

The reason for this failure was fairly clear. In particular, in a context of decentralized personnel record and payroll management, it was and, as of 2015, remained beyond GoA’s information-processing capacity to map individual public servants
to positions. In the words of one observer: “It is a massively difficult job to establish those connections. And it is the maintenance that is the problem.”¹¹⁶

**Payroll Control Systems**

Afghanistan traditionally employed a deconcentrated system for managing the payroll, implying a high fragmentation of payroll data. Personnel records, nominal rolls, and the payroll were kept by line-MDAs in Kabul and their provincial dependencies. Each month, mustoufiats (the MoF’s deconcentrated agents) had to consolidate provincial payrolls from many separate payrolls (about 300 in each province) kept by (secondary) budget units. Mustoufiats had the authority to authorize payments in their respective province (Evans 2004 et al., 32). Kabul ministries’ payrolls were directly processed by the MoF. All budget units were required to have a tashkeel and takhsis at the beginning of the fiscal year, in order to recruit staff and request salary payments.

At the end of conflict there were major concerns about the integrity and timeliness of payroll management. As payroll sheets were prepared decentrally and mostly manually, they could easily comprise errors and ghost employees (World Bank 2013a, 48). Whereas line-MDAs had traditionally kept records for their employees, these were no longer maintained.¹¹⁷ The MoF’s or mustoufiats’ review of payroll submissions was limited to verifying whether the payroll corresponded to the respective unit’s tashkeel and takhsis, but did not “extend to underlying records” (World Bank 2005).

In the absence of a banking system (beyond the Central Bank), salaries had to be paid in cash, further undermining control. A bonded trustee “would take a check from the Treasury, go to the Central Bank and collect all the cash. It would take him four hours to count and collect six, seven million Afghanis. Then he would put them in a sack and would take the sack for distribution.”¹¹⁸ This made it impossible to know or control whether employees were paid on time, in full, or whether the salaries actually reached the entitled individual. “Now, how much he distributed no one knows. […] Normally, for every Af 100 he would give, Af 20 would belong to him, because he was doing the risky job of carrying the cash.”¹¹⁹ This resulted in complaints by public servants that they never received their salaries.

Delays in payroll processing also were a major concern and source of frustration for employees.¹²⁰ One reason was that the centralization of payroll processing in 2002 in the MoF’s Treasury created bottlenecks.¹²¹

In 2004, the MoF, at the time headed by Ashraf Ghani, today’s president of Afghanistan and a former World Bank employee, adopted a two-pronged approach for improving the integrity and timeliness of payroll processing. First, to reduce payment delays for provincial payrolls, their processing was redecentralized to mustoufiats in March 2004—at the price of weak central control over the use of the funds (World Bank 2013a, 48). Second, in December 2004, the VPP was piloted for 13 ministries in Kabul. It essentially required each employee to appear in person before a representative of the MoF, of the disbursing bank, and of the respective line-department to collect his or her monthly salary. These three supervisors would verify the recipient’s identity (against the payroll).
Since 2004, the VPP grew rapidly in coverage and became increasingly automatized. By the end of 2012, it comprised 504,000 out of 666,000 general government employees, or about 75 percent. It was rolled out in three stages. The first stage simply consisted of independent staff witnessing the monthly payroll distribution. In a second stage, employees’ identity and employment were verified, and employees received identity cards and were registered in a centralized identity card database maintained in the MoF (the so-called Afghan Registry Authority [ARA]). In the third stage, bank accounts were opened for government employees, first only in the Central Bank (which acted as a retail bank), and starting in 2006, in private banks. From an initial set of 50,000 bank accounts opened in 2006, the number of employees paid through bank accounts rapidly expanded (see figure A.7). The verified payroll was kept up-to-date and accurate by limiting additions to the payroll system (the so-called Computerized Payroll System) to staff who were duly vetted and entered into the ARA database. It is, however, important to note the limited coverage of the VPP mechanism. For teachers, police, and the armed forces, equivalent databases existed under the control of the head offices of the MoE, MoI, and MoD (World Bank 2013b, 66). For these, the identity checks were apparently less systematic. For example, as of 2015, only 50,000 out of 263,961 employees in the MoE were registered in the ARA.

The ex ante control exercised through the VPP was complemented by independent ex post external payroll audits, exercised by the ARTF Monitoring Agent, a contracted audit firm. The ex post audit “relates the payroll sheet entry

Figure A.7  Number of Public Servants in Afghanistan Paid through Bank Accounts Relative to General Government Employment, 2006–12

![Graph](image-url)

**Sources:** Interview with senior technical adviser, Ministry of Finance, Government of Afghanistan, 2013; World Bank 2013b; Ministry of Finance, National Budgets, 1384–94.
back to the accounting entries and to personnel and attendance records. It also included witnessing individuals who are in the payroll records” (World Bank 2005, 32). While the record of compliance has been high (95 percent), this ex post review could not determine if the individual receives his full payroll or if his attendance records represent time at work. It also only comprised spot checks for a sample of payroll transactions.

By conditioning salary payments on identity checks, the VPP successfully enabled the MoF to enforce establishment ceilings and ensure payroll integrity in the absence of a centralized nominal roll that is connected to the payroll. As Afghanistan’s Public Expenditure and Financial Accountability (PEFA) assessment of 2013 notes, until 2013, “nowhere in the government [was] payroll preparation properly integrated with personnel files” (World Bank 2013b, 66). Personnel and attendance records continue to frequently be maintained by the individual payroll processing units, and (besides the payroll consolidated by the ARTF monitoring agent) there is no centralized personnel database.

Nevertheless, thanks to the VPP work-around system, the integrity of the payroll could be ensured for a growing share of public employees. This is also reflected in improving PEFA ratings for the effectiveness of payroll controls (PI-18), which improved from a score of C in 2005 to B in 2013 (see table A.3).

### Table A.3 PEFA Scores for the Effectiveness of Payroll Controls in Afghanistan, 2005, 2008, and 2013

<table>
<thead>
<tr>
<th></th>
<th>2005a</th>
<th>2008</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness of payroll controls (PI-18 aggregate score)</td>
<td>C</td>
<td>C+</td>
<td>B</td>
</tr>
<tr>
<td>PI-18 (i) Degree of integration and reconciliation between personnel records and payroll data</td>
<td>B</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>PI-18 (ii) Timeliness of changes to personnel records and the payroll</td>
<td>B</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>PI-18 (iii) Internal controls of changes to personnel records and the payroll</td>
<td>B</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>PI-18 (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers</td>
<td>C</td>
<td>B</td>
<td>B</td>
</tr>
</tbody>
</table>


Note: PEFA = Public Expenditure and Financial Accountability.

a. The 2005 PEFA assessment reported only aggregate scores for PI-18; hence, disaggregated scores for 2005 are missing.

### Parallel Structures

Afghanistan’s Treasury and Budget Departments offer an interesting contrast (Pattanayak 2009). Whereas the Treasury had successfully reduced reliance on TA by 2014, the Budget Department continued to rely heavily on national TA. This section briefly documents each department’s evolution and highlights key factors that influenced it.

### Treasury Department

The Treasury Department’s path of gradual capacity transfer to tashkeel staff was facilitated by two early choices. First, early on during the ARTF design, an
explicit decision was made to channel both ARTF investment projects and budget aid through the government treasury—and in turn build its capacity for managing these funds, rather than create a central project public financial management (PFM) unit or independent PFM units for each project. The key motivation was to build the Treasury’s capacity by channeling aid funds through it. The associated fiduciary risks were considered acceptable because (1) Afghanistan’s first minister of finance, today’s President Ghani, was a well-respected technocrat and former World Bank staff. Further, donor confidence was strengthened (2) by contracting out TA to the Treasury, primarily tasked with setting up and rolling out the FreeBalance financial management information system (FMIS); and (3) by hiring an external Monitoring Agent to review disbursements to the government under the ARTF recurrent cost window. This decision is cited by some observers as the single most important contribution donors have made to state building in Afghanistan.

Second, the design of the Afghanistan Financial Management Information System (AFMIS) in Afghanistan’s Treasury built on preexisting systems by digitizing the chart of accounts and manual payment systems that had been introduced by the U.S Agency for International Development in the 1960s and that civil servants in the Treasury were well familiar with: “There is no question that in the case of Afghanistan, at the beginning of the reconstruction phase, we took advantage of and employed the existing system, which was not bad. . . . The AFMIS is merely the automation of this.” While learning how to use the FreeBalance system in English still represented a significant hurdle, this continuity made it easier for civil servants familiar with the old accounting system to transition to the electronic system: “If you look at our payment units, [there are] all old people working there. . . . They have the same knowledge, how to record, how to classify, how to process, but the difference was that it was manually, right now [it] is computer-based.”

From this starting point, Afghanistan’s Treasury gradually improved its performance and sustainability to good levels by 2013. While the Treasury still benefitted from out-contracted TA, TA had been scaled back significantly relative to the number of civil servants. Whereas initially NTA entered all payments into the FMIS, by 2013, civil servants were using the system largely independently, and NTA mainly maintain it and solve complex cases.

Several factors contributed to this successful capacity transfer. One was that the Treasury directors were civil servants themselves, committed to capacity transfer. The leadership pushed for training of civil servants (on-the-job and duty-specific training, computer literacy, etc.) by the out-contracted TA and emphasized it in the contract.

The Treasury, with support from the World Bank, invested in training its civil servants and sought to attract qualified university graduates by offering them attractive training opportunities: “We hire the new applicants graduated from high school or university, we give them training, we send them to the line-ministry, we send them to all provinces, all mustoufiats, and we keep them in the central Treasury.” The Treasury, like the Budget Department (BD),
faced the problem of uncompetitive salaries, and could typically not retain capable (economics) graduates for longer than a year or two, when they would find well-paying positions as project TAs elsewhere. However, the training it offered made the Treasury attractive to graduates as a jumping board to TA jobs—and the Treasury benefitted from these young and fast-learning staff.

Further, since 2002, the Treasury benefitted from a high degree of continuity in World Bank and TA support. Except for a short break, it benefitted from uninterrupted funding from a series of five World Bank projects managed by the same task team leader. Whereas between 2002 and 2014, TA was provided under four different contracts and by three different firms, turnover of NTAs working in the Treasury has been limited. This has been the case in part because the same contractor re-won the contract twice, and because certain TAs who had worked on prior contracts were rerecruited as firms changed. This continuity (1) retained key institutional memory, (2) built a strong sense of belonging of NTAs, and (3) facilitated the pursuit of a long-term exit strategy.

**Budget Department**

The Budget Department’s beginnings were marked by renewal—in terms of institutional structure, personnel, and systems. It was newly created in the MoF under Ashraf Ghani, then minister of finance and today’s president of Afghanistan. The Ministry of the Economy had originally assumed the investment planning function, but was seen as a Soviet plan economy legacy by donors. Starting in 2002, an Aid-Coordination Unit in the MoF therefore assumed responsibility for preparing the development budget. In March 2006, it was merged with the operating budget department (Curtis 2010, 2), to shape the Budget Department. The BD was initially run by a team of international advisers, without involvement of civil servants. The advisers sought to integrate operating and development budgets, standardized budgetary forms and processes in English, and introduced program-based budgeting on a pilot basis in 2006 (Curtis 2010, 2).

The major motivation for this renewal was to create a body that could effectively interface with donors, given the BD’s central role in aid coordination. “The real driving factor here are the donors. Anybody who can interface with the donors.” Staffing with international TA helped the BD in meeting donors’ performance expectations and in providing them with budget documents in English.

While, with hindsight, World Bank staff consider the renewal of the BD as the right choice, the initial reliance on international TA, together with the adoption of program budgeting in English, set the BD on a trajectory of TA dependency. It was unrealistic to provide inherited civil servants with the English, information technology, and program budgeting skills required to manage the new budgeting system, which most of them lacked: “Training was a big problem, because [of] the knowledge [gap] between the local civil servants and the experts here. The civil servants knew things which were
probably updated in the 1960s, but [the international TA] knew something of the 21st century. Even if the language was not a problem, […] these two somehow did not know what each other was talking about.” In addition, the international TAs were focused on managing the department, rather than on transferring capacity.

In part because of this large capacity gap, in 2005, the BD, supported by the United Nations Development Programme (UNDP) Making Budgets and Aid Work (MBAW) project, started recruiting National TA into the department’s line positions, on individual contracts with competitive salaries mostly financed by the MBAW project. As of 2007, 76 of the BD’s staff were MBAW-financed, and only 40 were directly employed by the GoA as tashkeel staff. According to a former MBAW project manager, recruiting the NTA, many of whom “had worked in the UN, worked with NGOs, at least they were familiar with the latest technology and also the basics of public finance . . . . helped us a lot in taking over from the expats. . . Gradually they took over and now [in 2013] we can say that almost 99 percent of the budget is done by them, but at that time it was 95 percent by expats.”

At the time of research, the BD continued to heavily rely on National TA and on financing through the MBAW project. As of 2013, three-fourths of the BD’s staff were NTA, and only one-fourth civil servants. Prior attempts to transition out of dependence on NTA had remained unsuccessful. A proposed “exit strategy” launched in 2007 was to gradually replace UNDP NTA staff by recruiting and training talented graduates from the economics faculty through the MBAW’s “young graduate recruitment program” (Curtis 2010, iv). NTAs’ disincentives to pass on knowledge to graduates and “make themselves superfluous” were to be managed by promising them that they would be employed on another UNDP project, giving them job security. But the strategy failed and was discontinued because the BD was not able to retain the graduates because of the uncompetitive pay in tashkeel positions, in the context of a highly competitive market for public financial management capacity. A mid-term evaluation of the MBAW project (Curtis 2010, iv) found that, as of December 2010, only 3 out of 50 graduates recruited in four rounds remained with the BD, on MBAW-financed salaries.

The BD’s continued dependency on NTA remained a subject of controversial discussion between government and the donor community for several years (Dung 2013). On the one hand, the near exclusive reliance of the country’s BD on project-financed staff was sharply criticized as a major sustainability threat for the government’s overall functioning (see, e.g., Curtis 2010). On the other hand, reliance on NTA was critical in enabling the department’s performance, which is seen as satisfactory by many observers. Continuous support to the BD by a series of UNDP projects helped ensure cohesive management of NTA, reduce NTA turnover, and preserve institutional memory. In an interview, an NTA in the BD highlighted that he identifies as an employee of the MoF, rather than as part of an aid project, and takes pride in working for his government. Further, some observers emphasized that a less competitive labor market in a context of declining aid influx would make it more realistic for government to absorb TA at lower than current salaries.
With the end of the MBAW project in 2016, a significant number of former NTA indeed transitioned into different types of contracts. Some had been moved from project employees to direct government contractors since 2010, and a significant number assumed CBR-funded positions.

**Notes**

1. More drastically, Goodhand and Sedra (2010, S82) have characterized the Bonn Agreement as a “grand bargain,” an “externally driven division of the spoils among a hand-picked group of stakeholders who were on the right side of the War on Terror.”

2. “The Jihadis, in particular the Panjsheris in Shura-yi Nezar of Jamiat Tanzim, who controlled most of the security ministries in the government and whose power emanated from their regional bases, and the newly formed Western technocrats around President [Hamid] Karzai whose power was limited to Kabul” (Sharan 2011, 1110).

3. “Karzai was surrounded in his own cabinet by powerful NA political elites, who made sure that his authority remained weak and circumscribed” (Sharan 2011, 1117).

4. These early estimates were subject to significant uncertainty, and the actual size of general government could have been significantly smaller. As Evans et al. (2004, 38) note, “reasonable estimates put the total general civilian government employment anywhere between 250,000 and 350,000 people.” The uncertainty over numbers arose because a central staff list was lacking and because of month-to-month variation in the number of employees on the payroll.

5. The only exception was a small number of about 3,000 municipal staff.

6. To obtain consistent time series, public employment and wage bill data reported in this case study are based on planned expenditures as per the National Budgets published by the Ministry of Finance for 1384–93. Actual expenditures can deviate.

7. This estimation assumes that all disbursements from the ARTF recurrent window for wages, the incentive program, and ad hoc payments were used for wages. ARTF disbursements used for other recurrent expenditures would lower the ARTF financing share.

8. A 2013 World Bank report suggests that the contained public service growth “may reflect both the government’s narrow fiscal space once it has paid for the very large security sector and its heavy reliance on non–civil servants to deliver services, rather than any overt desire to cap civil servant numbers” (World Bank 2013a).

9. Career public servants were promoted every three years, assuming good performance and attendance, adequate educational qualifications, and the agreement of the manager. As a result of this seniority-based promotion system, it was possible, even common, for staff in lower positions to be ranked more highly than their managers.

10. The JAM report of January 2002 emphasized that “one precondition for effective action across the board in the first year will be the establishment of an initial structure of salaries that provides a living wage and adequate incentives for good performance without leading to an unsustainable eventual burden on Afghanistan’s future public finances” (ADB, UNDP, and World Bank 2002, 16). Based on international comparators, and wrongly assuming that the Afghan public service would not grow beyond 250,000 employees, JAM had recommended raising pay to about four times per capita GDP.
11. A new salary scale was proposed by the MoI for police officers and sergeants and approved by the cabinet in early 1382, effective from Jawza 1382 (May 22, 2003).

12. Teachers’ pay was increased through a dedicated professional education qualification allowance in 1382, ranging from Af 800 to Af 1,500, whereas previously teachers had been paid in line with other civilian government staff.

13. Regulated in Decree Nr. 25 of 2003 ("Decree of the President of the Transitional Islamic State of Afghanistan on Priority Reform and Restructuring within Ministries and Government Agencies").

14. The averages for 2008 and 2015 are calculated by dividing the total wage bill for the core civil service by the total number of core civil servants, based on annual MoF Budget Reports. The average for 2001 corresponds to the total remuneration package of a grade 6 civil servant, as reliable wage bill data are missing.

15. Decree Nr. 26 (Decree of the President of the Transitional Islamic State of Afghanistan: Regulation on the Functions and Activities of the Independent Administrative Reforms and Civil Service Commission), Article 22 (i), states: “Employees appointed to posts within the Interim Additional Allowance scale will be placed on a fixed-term 1-year contract with an initial 3-month probationary period. At the end of the probationary period, and subject to satisfactory performance, the appointment will be confirmed for the remaining 9 months. At the end of the 12 months, subject to satisfactory performance, the contract may be renewed for further 6-month periods.”

16. See Section 10 of the 1382 budget decree and Section 11 of the 1383 budget decree.

17. Decree Nr. 26, Article 20, states: “Payments under the interim salary scale will be wholly funded from the relevant Ministry’s budget and paid through the government payroll.”

18. Interview with a senior government official, IARCSC, 2013.

19. “A key problem in Afghanistan is that it is seemingly impossible to quantify the financing package necessary to fund any administrative reforms. For example, precise staffing numbers are very difficult to determine and even the most basic information about civil servants, such as age and length of service, is not consistently available. Under such circumstances, it is prudent to commence only those administrative reforms whose upfront financial implications can be quantified with some certainty” (Hakimi et al. 2004, 11).

20. The IARCSC’s so-called Administrative Reform Secretariat (ARS) was tasked with coordinating and managing PRR implementation.

21. “Membership of the MAC includes all the core central Ministries and, on a rotating basis, line ministries at the forefront of reform. […] The MAC was in turn advised by the Public Administration Reform Consultative Group (PAR-CG), which included donors. In addition, focal points in ministries were identified to help facilitate the collection and dissemination of information about the PRR” (Hakimi et al. 2004, 7).

22. Article 1 of Decree Nr. 25 (page 1) previews that “Ministries and government agencies should develop proposals to reform and restructure critical functions; either for the entire Ministry/agency or department/s within the Ministry/agency; and should submit proposals for these functions to be granted Priority Reform & Restructuring (PRR) status to the Independent Administrative Reform & Civil Service Commission.”

23. This was “intentionally designed to deter simplistic transfers of existing staff from the current 12 grades onto the new grades without consideration of their responsibilities. In effect, staff are regraded as they are moved into the new positions created when a department is awarded PRR status” (Hakimi et al. 2004, 14).
24. Decree Nr. 26, Article 25.
26. World Bank (2008b) notes that “There is little doubt that ministries that have gone through a serious PRR process, such as the Ministry of Public Health (MoPH) and the Ministry of Rural Rehabilitation and Development (MRRD), have benefited in terms of higher pay and better performance.”
27. Interview with senior government official, IARCSC, 2013.
29. World Bank (2008b, 6) notes that “the merit-based selection process, managed by IARCSC, has been criticized for being both slow and subject to political bias and patronage.”
32. Interview with senior government official, MoPH, 2013.
33. Interview with international TA working on P&G, 2015.
34. Other conditions for exemptions included that PRR position holders (1) had previously been recruited competitively, and (2) had received at least “satisfactory” performance ratings.
35. Interview with an international TA working on P&G, 2015.
36. Interview with senior government official, IARCSC, 2013.
37. Interview with international TA working on P&G, 2015.
38. “There was too much detail in the law. We knew that was wrong, but we could not convince the MoJ” (interview with international TA working on P&G, 2015).
39. “We defined salaries in the law when the pay and grading legal document was passed. So it was impossible for us to make a decision on salaries because it had to go through all bureaucratic processes. In postconflict environments normally the political stability is not there, so [that] making any change which needs involvement of the parliamentarians as well as executive is very tough. So things like salary should not be reflected in any legal document, or any law at least” (interview with senior government official, IARCSC, 2013).
40. “The pay and grading system was […] selected based on its simplicity. […] There are only eight grades—two for support functions and six grades for employees. This was mainly based on managerial criteria. Professional categories were not thought about, from my perspective, in the time pay and grading was designed. So that’s why when P&G was introduced in technical and professional ministries, like health, mining, and agriculture, we were really facing [the question of] how to grade employees within these six grades. At least two grades [of the new pay scale]—the first and second grades—were for director and general director positions, [so that] we have had only four grades for the technical positions, while the technical fields in some cases were more than 100 grades [previously]. Maintaining a logical grading system was [therefore] very tough” (interview with senior government official, IARCSC, 2013).
41. Interview with senior government official, IARCSC, 2013.
42. According to the progress report prepared by the consulting firm supporting P&G implementation (Public Administration International 2011, 4), as of July 2011, P&G had been completed in 26 MDAs comprising 325,499 public servants, and was
in progress for another 7 MDAs comprising 16,943 public servants. It remained to be started for 24 smaller MDAs, comprising 27,497 public servants. By 2015, almost all ministries, except for the Office of the President, the Ministry of Foreign Affairs, and the Attorney General’s Office, were under P&G pay scales.

43. “From my perspective, the strengths [were that] for the first time, a merit-based system was introduced to Afghanistan because we haven’t had merit-based recruitment throughout our history, always it was appointment by someone’s discretion. That was the first strength. The second, it introduced a more comprehensive performance-appraisal system for civil servants. The system automatically encouraged the people for better performance because their entitlement, their promotion in the state, are linked to their performance, which we haven’t had in Afghanistan” (interview with senior government official, IARCSC, 2013).

44. Interview with senior government official, IARCSC, 2013.

45. Interview with international TA working on P&G, 2015.

46. Interview with senior government official, IARCSC, 2013.

47. Systematic data on the number of P&G positions that were filled with candidates from outside the public service could not be obtained for this study.

48. Interview with senior government official, IARCSC, 2013.

49. Interview with senior government official, IARCSC, 2013.

50. “If you are working on the tashkeelat you’re playing with power politics, i.e., who should receive how much […] authority to make decisions. So even at leadership level of ministries and agencies this hidden conflict was happening. Which deputy minister should hold how much power?” (interview with senior government official, IARCSC, 2013).

51. “The ministries—on paper—were supposed to lead the process of reform. The civil service commission was supposed to provide technical assistance to ministries and agencies. But in reality these roles were a little bit reversed” (interview with senior government official, IARCSC, 2013).

52. “Had the extent of the capacity problem been fully understood from the outset, steps could have been taken to address the problem by scaling down the PDO [project development objective], creating an empowered PMU [project management unit], trimming the components, and engaging in more intensive implementation support” (World Bank 2012b, 19).

53. Interview with international TA working on P&G, 2015.

54. Interview with international TA working on P&G, 2015.

55. Interview with senior government official, IARCSC, 2013.

56. Interview with international TA working on P&G, 2015.

57. Interview with international TA working on P&G, 2015.

58. Interview with senior government official, IARCSC, 2013.

59. This section focuses on the programs designed by the World Bank. It is, however, important to note that other donors, for example the European Union and the U.S. Agency for International Development, designed similar schemes.

60. This section draws heavily on Michailof (2006a) and World Bank (2011b).

61. AEP received a total of $10 million in ARTF funding, in two installments—one in 2003, and one in 2006.
62. “The delay in project initiation stemmed from debate over the sensitivity surrounding the appropriateness of the program’s approach in that Afghan experts recruited through the program would be paid salaries considerably higher than those paid to their routinely-recruited colleagues” (IARCSC 2010, 2).

63. “The project governance structure has apparently been able to generally resist to standard but constant pressures coming from officials in ministries and public institutions for recruitment of AEP staff based on patronage, ethnic and political affiliation. Collective resistance, its capacity sometime to call the [World] Bank for help and the fact that several of its members have no more carrier ambitions, has made this possible and this is not a small achievement” (Michailof 2006a, 4).

64. It “had the unintended negative effect of encouraging line ministries to avoid the implementation of other on-going civil service reforms such as PRR” (World Bank 2012a, 4).

65. “The feasibility of hiring significant numbers through the Appointment Board of IARCSC has also become an issue given the Board’s difficulties in meeting the expected demands on its services, particularly with the imminent implementation of the new pay and grading reform” (World Bank 2007a, 5).

66. These comprise financial management, human resources, policy and regulatory management, project management, and business administration.

67. By default all (23) eligible MDAs were entitled to receive tier 1 funding. But this was limited to a few CBR experts supporting common functions (alike MCP). Beyond common functions, MDAs selected for tier 2 were to receive funding for injecting experts in some senior management positions. Tier 3 MDAs receive the full package of support, that is, funding for common functions, senior management positions, and for professional (grade 4) positions.

68. “In line with government objectives, priority will be given to ministries managing large development budgets, and with key service delivery or revenue generation functions, when other criteria are met” (World Bank 2011a, 31).

69. These included (1) the share of positions already transferred to P&G, (2) the average development budget execution rate, and (3) a functional HR department.

70. The CBR Steering Committee (SC) comprised the minister of finance and the chairman of the IARCSC. Before review by the SC, it was envisaged that a small expert group (recommended by the relevant line-ministry and the project implementation unit to the SC) would conduct an independent assessment of the CBR proposals (World Bank 2011a, 21).

71. “The facility is designed to be flexible and accommodate the graduation of some ministries from Tier 2 to Tier 1 without diluting the criteria” (World Bank 2011a, 30).


73. As of February 2015, only $13.6 million out of the $100 million project funding had been disbursed (World Bank 2015, 2). In view of slow disbursement, the funding volume for the project was reduced from $350 million to $100 million in February 2014.

74. Ministries of Agriculture, Irrigation and Livestock (MAIL); Communication and Information Technology (MoCIT); Mines and Petroleum (MoMP); and Labor, Social Affairs, Martyrs and Disabled (MoLSAMD) (World Bank 2015, 2).

75. In addition, 48 positions were filled with extended contracts for experts recruited under MCP (World Bank 2015, 2).

76. Interview with senior government official, MoPH, 2013.
77. The following is based on World Bank (2015).
78. These criteria comprised the respective MDA’s (1) service delivery responsibility; (2) revenue-generation potential; (3) employment-generation potential; (4) a high development budget share; and/or (5) a high ratio of externally funded staff (World Bank Restructuring Paper, April 22, 2016).
79. This followed from Presidential Decree Nr. 82 of September 2016.
80. The World Bank’s review role changed from ex priori review to quarterly ex post reviews.
81. The High Council for Good Governance and Administrative Reforms is chaired by the president and comprises IARCSC, MoF, and other key ministers.
82. “In order to assist the chairman in the exercise of his responsibilities, he will be supported and advised by a Ministerial Advisory Committee on Administrative Reform” (Article 39, Paragraph 2 of Decree Nr. 26). “Members of the Ministerial Advisory Committee will include the Ministers of Foreign Affairs, Interior, Finance, Justice, Labour & Social Affairs, and up to three other Ministries on an annual rotating basis, appointed for 1 year” (Article 40, Paragraph 1).
83. Interview with senior government official, IARCSC, 2013. The MAC was chaired by Vice President Hedayat Amin Arsala, a former World Bank employee, and comprised seven influential ministers, including the minister of finance, the minister of foreign affairs, the minister of justice, and the minister of economy.
84. In late 2017, the establishment control function was transferred to the IARCSC.
85. The Bonn Agreement specified that the Afghanistan Interim Administration “shall establish, with the assistance of the United Nations, an independent Civil Service Commission to provide the Interim Authority and the future Transitional Authority with shortlists of candidates for key posts in the administrative departments, as well as those of governors and uluswals [judges], in order to ensure their competence and integrity.”
86. According to one interviewee, in this initial decree the commission was primarily given a limited consultative or advisory role to the government on public service matters. Its role was to identify “professionally experienced people” for senior positions in government, including, for example, the governors’ offices, district heads, and directors (interview with senior government official, IARCSC, 2013).
87. Decree Nr. 257 largely followed the principles established in the Bonn Agreement. It had been drafted based on the recommendations by an “Expert Group appointed by the Interim Authority for the Preparation for the Establishment of the Civil Service Commission.” The expert group comprised “a mix of international officials and Afghan officials” (Wilson 2015, 155). It proposed to make the “Independent Appeals Board” (and Appointment) fully independent, once a National Assembly would be elected (Wilson 2015, 156).
88. Decree Nr. 26, Decree of the President of the Transitional Islamic State of Afghanistan: Regulation on the Functions and Activities of the Independent Administrative Reforms and Civil Service Commission.
89. Decree Nr. 26, Segment 1: “Posts will be filled through a competitive, documented process which results in the selection of the most suitable candidate for appointment.”
90. Decree Nr. 26, Section 3.ii. According to Decree Nr. 26, Article 17, this comprised the senior-most civil servants at Director level (category 2) and above.
91. Decree Nr. 26, Section 3.iv.
92. Decree Nr. 26 previewed the possibility of extending these appointments for another three years. Appointments were subject to the following requirements: (i) the composition of the Boards was to reflect all sections of Afghan society, including women (Article 12i, Section 4) and the (ii) criteria for appointment of Board members were to include: “experience in public administration; familiarity with international good practice in public administration; not affiliated with a political party; persons of good morals, character and reputation; commitment to building an ethical, politically impartial, efficient and effective Civil Service dedicated to serving the people of Afghanistan” (Article 12ii, Section 4).
93. Diana Goldworthy was an international expert who worked with the government on the drafting of Decrees Nr. 25 and 26. “The proposals [for the system you see today, in particular the competitive recruitment process] were the concepts of Diana [Goldworthy]; she had worked on this” (interview with senior government official, IARCSC, 2013).
94. Interview with senior government official, IARCSC, 2013.
95. Interview with senior government official, IARCSC, 2013.
96. In the words of a World Bank staff member: “We talked about merit-based recruitment over there. None of it made any sense to them. [In the end], they said those words to us because they knew that is what we wanted to hear, but it was so alien to the whole system” (interview with World Bank project manager, 2013).
97. Interview with World Bank project manager, 2013.
98. Interview with senior government official, IARCSC, 2013.
99. A confidential report of 2006 notes that “the IARCSC is rightly or wrongly perceived by many reliable interlocutors first as a political institution riddled by nepotism, politically and ethnically biased to favor Tajiks and representatives of the Northern Alliance” (Michailof 2006b, 11). This bias was seen to apply in particular to the IARCSC’s own staff.
100. Civil Service Law, unofficial translation, August 8, 2005.
101. Interview with senior government official, 2013.
102. “And also they are just asking these generic questions. [...] [to pass the interview], some of the civil service have memorized all these laws in their minds, so they are like, ‘page 25, section 28, bullet number 5 says this, this, this,’ because that is good for their scores” (interview with senior government official, MoE, 2013).
103. In the words of one manager from the MoE: “So I was expecting that [the interview] will be about a lot of things related to my job [and] to my task. But I think I would have come out equal to anybody without any experience or expertise in teacher training based on the question which they asked” (interview with senior government official, MoE, 2013).
104. Interview with senior government official, MoF, 2013.
106. In Afghanistan’s unitary system, MDAs prepared the tashkeel based on submissions from districts and provinces.
107. Interview with senior government official, IARCSC, 2013.
108. “The Ministry of Finance was authorized to make some reasonable modifications. Preparation of the tashkeels was regarded as one element of preparing the overall budget” (Evans et al. 2004, 38).
Interview with senior government official, IARCSC, 2013.

Close budget management has helped control the establishment in Afghanistan. During every budget’s preparation, the staffing demand of each ministry and department is examined and approved, often with reductions, during the budget formulation process. The salary bill is released according to this approved tashkeel, and ad hoc, midyear increases are not easy to extract from the MoF (World Bank 2008d, 21).

Not all tashkeels are subject to review by the IARCSC. The IARCSC does not review tashkeels of non–public service organizations, including the Supreme Court, the MoD, the MoI, and the Security Department.

Interview with senior government official, IARCSC, 2013.

Interview with a TA responsible for P&G reform, February 2015.

“The Taaschkeelat and the CSC produced organization charts, which I am sure were not correct because they simply could not capture the level of detail that was necessary” (interview with a TA responsible for P&G reform, February 2015). “We have two structures I will tell you. One is a structure approved by the civil service—you may see it very strange because it is very difficult to get the structures approved by the CSC. […] We have a ‘shadow structure’ as well because […] our work and our jobs they have to be taken forward. We cannot wait for a year or something for the CSC so they can get us approved” (interview with senior government official, MoF, 2013).

Interview with a TA responsible for P&G reform, February 2015.

Interview with senior technical adviser, MoF, 2013.

In early 1381 (2002/03), monthly payments were 100 to 200 days late (Evans et al. 2004).

Under the Taliban, salaries had been paid decentrally (from local revenues), and the central Treasury had stopped working.

As of 2015, there were 190,000 employees registered in the ARA database.

“[These] may be the Head Office Administrative Department, Provincial Line Department of a Ministry, or even individual service delivery units—although Mustonfiats or provincial line departments may prepare payroll for many of the provincial offices or service delivery units” (World Bank 2013b, 66).

“The link between the payroll and the nominal roll is a key control which is decentralized to the operating units and is not closely supervised, but […] payroll integrity is not undermined due to the existence of other controls. Hence although manual personnel records may be incomplete, and there may be delays in processing of payroll changes, the rating is ‘2’” (World Bank 2005).

Interview with World Bank project manager, 2013.

Interview with senior government official, MoF, 2013.

Interview with senior government official, MoF, 2013.

Interview with senior government official, MoF, 2013.
130. “So when I came in June 2005, I had 12 [expat] advisers in the Budget Department. They were doing a good job. […] But the problem was that they were doing the job, for three simple reasons. First, the leadership just wanted to have quality work. The advisers were much better than the civil servants. Second, the advisers were doing the work in English, which is what the donors wanted. […] Third, the advisers didn’t have many friends here and families, and they were working day and night. So for these three simple reasons they always used to do the work rather than giving them the opportunity to train people” (interview with senior government official, MoF, 2013).

131. “I think they took the right decision, and it would just have been painful and counterproductive to try and bring along the Ministry of Economy” (interview with World Bank project manager, 2013).


133. The BD was supported by a series of UNDP projects, including the Making Aid Work project (2002–04), the Making Budgets Work project (2005–07), and the MBAW project (2007–16).

134. Interview with senior government official, MoF, 2013.

135. Dung (2013) reports that there were 25 civil servants and 76 project staff in the BD as of 2013.

136. “Another issue […] which was very important here [in the Budget Department] was the TA management. In many departments, if the head of the department didn’t manage the TA, then the TA managed the department. And if TAs changed, everything changed. [Often] what the TA is providing is not relevant, of poor quality, or not aligned with the policies or systems. Also, there was a lack of harmonization within that expats of the same team and between different TA providers. That is very important. The big reason why ministries were successful was that they managed the TAs very well” (interview with senior government official, MoF, 2013).

137. Interview with senior TA, MoF, 2013.


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Overview

At the time of the Accra Comprehensive Peace Agreement (ACPA), which ended the Second Liberian Civil War in August 2003, the capacity of Liberia’s public service had been decimated by over a decade of conflict. Many qualified staff had left the country,\(^1\) resulting in a public service bloated with unskilled workers.

The decline in the administrative capacity of the Liberian public service began before the two Liberian civil wars, with Samuel Doe’s 1980 coup. Before Doe came to power, the public service had been dominated by descendants of the country’s African American settlers, a minority that had effectively ruled Liberia for 130 years. Liberia experienced one of the world’s highest rates of economic growth in the mid-20th century, and although this period of “growth without development” (Clower et al. 1966) primarily benefitted a small elite, some trickle-down effects could be felt by members of an expanded public service; this period is widely remembered as Liberia’s golden age. While the Liberian public service had always been patronage based, this became more pronounced under Doe. After the coup, Doe replaced many public servants with appointees from his own Krahn ethnic group; an economic decline followed severe mismanagement and the weakening of public service institutions.

In December 1989, the National Patriotic Front of Liberia (NPFL), a rebel group led by Charles Taylor, launched an insurrection against Doe’s government with the backing of neighboring countries such as Burkina Faso and Côte d’Ivoire, triggering the First Liberian Civil War, which lasted from 1989 to 1996. It was one of Africa’s bloodiest civil wars, claiming the lives of about 250,000 Liberians and displacing a million others into refugee camps in neighboring countries. In 1995, a peace deal between warring parties was reached, leading to Taylor’s election as president in 1997. Under his leadership Liberia became an international pariah; blood diamonds and illegal timber exports were used to fund the Revolutionary United Front (RUF) in the Sierra Leone Civil War.
Internal conflict resumed in 1999, when Liberians United for Reconciliation and Democracy (LURD), a rebel group based in the northwest region of the country, launched an armed insurrection against Taylor. Fighting continued until the parties signed the ACPA in August 2003.

The two civil wars accentuated the politicization of the public service, in which positions were widely used to patronize supporters on either side of the conflict. Patronage, brain drain, and an erosion of pay to dismal levels left the Liberian public service depleted of capacity.

In 2005, Ellen Johnson Sirleaf won the presidency in the country’s first democratically held elections. She enjoyed strong support from the international community, and upon the beginning of her mandate in 2006, she launched a raft of reform programs aimed at rebuilding the economy, fighting corruption, and overhauling the public service. The international community responded with a surge of donor aid, renewed foreign investment, and $4.6 billion in debt relief from the International Monetary Fund (IMF)/World Bank within the Heavily Indebted Poor Countries (HIPC) Initiative (2010). As inflation had eroded public service salaries to far less than a living wage (to current $15–$55 per month), one of President Sirleaf’s first initiatives was to reinstate public service salaries, providing a short-term windfall for public servants.

Public service reform under President Sirleaf has been marked by a significant disparity between rhetoric and reality. Shortly after her inauguration in 2006, President Sirleaf launched the Civil Service Reform Strategy (CSRS) 2008–11 with the motto “Smaller Government, Better Service” (Republic of Liberia 2008). The strategy was based on best practices recommended by the donor community and had a set of ambitious goals (few of which turned out to be realistic): (1) rightsise the public service, which had grown rapidly under the Transitional Government; (2) tackle the widespread problem of ghost workers; (3) reform the pay and grade (P&G) system; (4) carry out functional reviews and the restructuring of ministries, departments, and agencies (MDAs); (5) reform the pension system; and (6) introduce a new human resource (HR) management system.

This in hindsight overly ambitious catalog of reforms was not achieved. Yet, relative to the low postconflict baseline, Liberia took major steps toward creating a functional public service. Following the end of the conflict, there were no records of the numbers of public servants, there were no pay records or pay structure, HR systems were nonexistent, and capacity was dismal. As of 2013, all public servants started earning a living wage (with some being paid comfortably), islands of capacity emerged, and progress was made in cleaning HR and payroll records.

Major weaknesses remained, however. Central oversight bodies (Civil Service Agency [CSA] and Ministry of Finance [MoF]) have struggled to exert control over recruitment, with line-MDAs continuing to bypass central controls. Initially considered a fiscally pragmatic way to selectively attract and reward capable staff, the mainstreaming of discretionary allowances in FY2007/08 opened a
Pandora’s box. Once established, these allowances contributed to the emergence of a highly discretionary, individualized, and fragmented pay system that was seen as neither efficient nor fair. Yet, vested interests made it politically hard or impossible to return to a more orderly pay structure. The government has also struggled to make progress toward creating a more inclusive and meritocratic public administration in the face of preexisting social and cultural norms (Ellis 2006). According to one Liberian public servant interviewed for this study, “Patronage is heavy in our system. You still hear today a lot of noise on nepotism: relatives, friends, political partners ... hired into the civil service.”

Why the discrepancy between reform rhetoric and reality? This appendix argues that it was largely a result of a difficult balancing act. On the one hand, President Sirleaf’s government aspired to meet development partners’ expectations of moving toward an efficient and well-regulated public service based on the principles of international good practices. On the other hand, the government was under great pressure to adopt more flexible and short-term policy interventions to cope with the dual pressures of retaining domestic political support and implementing complex reforms in a fragile and heavily indebted country.

Over a decade postconflict, at the time of research, the capacity of Liberia’s public service remained constrained by difficulties recruiting the “missing middle” of technical staff, despite the implementation of the Senior Executive Service (SES) program and the use of allowances to top up public service salaries. Successes, such as those of the Governance and Economic Management Assistance Program (GEMAP) or the Infrastructure Implementation Unit (IIU), seemed to be limited to a few specific units or departments within an agency or ministry. Several Liberian public servants interviewed for this study expressed mixed opinions of the impact of outside technical assistants (TAs), with some suggesting that they prolonged Liberia’s dependence on foreign expertise. Several international consultants shared this view. One said, starkly: “We did not build capacity in Liberia. At least there is no evidence of this.”

Both donors and government officials interviewed for this study agree that Liberia represents a typical case of premature load bearing (Pritchett, Woolcock, and Andrews 2013)—of asking too much and too fast, eventually leading to the system’s collapse. The reform programs designed by international consultants frequently proved too ambitious to implement under local conditions and in the limited time frames provided, and policy makers often resorted to simple, ad hoc policy solutions that were easier to implement and had lower political costs. Arguably, donors might have had more influence had they utilized a more measured and politically sensitive approach to the issue of reforming pay and recruitment in the public service, using a “second-best” method that involved incremental steps, a high degree of flexibility, and a level of realism that anticipated the realities of implementation in postconflict environments—that is, path dependencies, line-MDAs’ evasive responses to central control, capacity constraints, and the costs of rule enforcement.
Sociopolitical and Historical Contexts

Preconflict Legacies

Before Doe’s 1980 coup, Liberia’s administrative traditions and government structure were modeled on those of the United States, with which Liberia maintained close relations. The executive and political powers of the quasi-colonial system were concentrated in a small elite enclave in Monrovia.

One important remnant of this legacy is the president’s and cabinet members’ authority to make political appointments low down in the public service hierarchy (in contrast to, for example, countries with a British administrative heritage, such as Sierra Leone). Article 54 of the Constitution of Liberia (Republic of Liberia 1986) allows the president, with the consent of the Senate, to appoint (a) cabinet ministers and deputy and assistant cabinet ministers; (b) ambassadors, ministers, and consuls; (c) the chief justice and associate justices of the Supreme Court and judges of subordinate courts; (d) superintendents, other county officials, and officials of other political subdivisions; (e) members of the military from the rank of lieutenant or its equivalent and above; (f) marshals, deputy marshals, and sheriffs; and, more recently, (g) majors and local councils. The widespread use of political appointments has tended to undermine the spread of a culture of meritocratic appointments, and weak HR management systems have allowed patronage to play a major role in public service appointments.

Conflict and the Political Settlement

In a country with a population just above 2 million (as of 1989), roughly 250,000 Liberians died during the 14-year conflict, and, according to some estimates, about 750,000 Liberians fled the country between 1989 and 2003 (Momodu and Palmisano 2013). The provision of public services across the country broke down, and an entire generation of Liberians grew up without access to education. As rival warring factions added supporters to the payroll, the size of the public service grew from a prewar level of 20,000 in 1980 to 44,000 in 2003 (Friedman 2012, 12). Many public servants who fled the country were not removed from the registry, and these salaries continued to be paid to “ghosts” on the payroll.

The contentious nature of the ACPA in 2003 and the divided and unstable nature of the National Transitional Government of Liberia (NTGL) delayed efforts to rebuild the capacity of the public sector in the aftermath of the conflict, and fueled patronage. Under the terms of the ACPA, each of the factions—the Government of Liberia (GoL), the LURD, and the Movement for Democracy in Liberia (MODEL)—was allocated a share of the leadership positions in ministries, agencies, and the National Transitional Legislative Assembly.2 Crucially, the ACPA’s Article XXV stipulated that “The Chairman and Vice-Chairman, as well as all principal Cabinet Ministers” within the NTGL “shall not contest for any elective office during the 2005 elections to be held in Liberia.” NTGL members hence had a short time horizon and little incentive to
build long-term state capacity. Consequently, the Transitional Administration was characterized by widespread rent-seeking by government officials, and donors were unwilling to channel aid to the government amid a lack of fiduciary safeguards.8

With the division of ministries, agencies, and public enterprises among warring factions, each group filled their respective line-ministries with supporters, increasing the size of the public service by 10 percent between 2003 and 2005.9 Little attempt was made to curb patronage for fear of destabilizing the fragile peace. Public sector wages were set below subsistence levels, which might have encouraged some public servants to resort to rent-seeking activities.10

The extent of financial abuse under the Transitional Government prompted unusually strong international control of government finances. Following a series of donor-led audits of major government institutions, the international community imposed the GEMAP to restore public financial management (PFM) in the Liberian administration. The program proved an effective foundation for economic governance that enabled the Liberian government to carry out other reforms (see the “Parallel Structures” section later in this appendix).

The terms of the ACPA set out a program to disband and restructure Liberia’s armed forces.11 Under the NTGL this program was not implemented, but following President Sirleaf’s election in 2005, the size of the armed forces was cut drastically, from 15,000 to 2,000. The relatively small size of Liberia, the presence of a large international peacekeeping force, and the lack of any immediate external threat were crucial factors that enabled the government to make such drastic, and potentially destabilizing, cuts to the armed forces.

The majority of the ex-combatants (approximately 100,000 as of March 2005), most of whom belonged to informal militias rather than the government armed forces, went through a complete disarmament, demobilization, and reintegration (DDR) program, which many international observers viewed as moderately successful (Jaye 2009). A United Nations Mission in Liberia (UNMIL) survey in 2006 reported that 93 percent of ex-combatants were accepted by their neighbors without any trouble.12 Some interviewees, however, viewed disenfranchised ex-combatants as a major social and political problem:

The strategy was to get rid of them in the short term, not to solve the long-term problem. Now they can be seen begging in the streets, stealing, drug trafficking, trading their IDs and scholarships ... Now some parties are thriving on that, and the state does not have the financial capacity to meet the needs of ex-combatants. (Interview with a government official, 2013)

In contrast to South Sudan and Timor-Leste, ex-combatants were not incorporated into the military or the police, and thus had much less impact on the size and composition of the public service. The decision to downsize the armed forces resulted in a small but effective army; interviewees suggest that the U.S.-led recruitment and training program resulted in a functional security force, although the cultivation of the police force has been less successful: “The police is a mess, but the army has been very well trained by American private military companies.
since 2008.” At the time of research, some interviewees expressed concern that violence might resume after the UNMIL drawdown, with unemployed youth perceived as the most significant problem/threat.

**Bargaining**

The composition of President Sirleaf’s first cabinet reflected her need to establish credibility among the donor community, while also rewarding political supporters who helped her win the election. A significant share of her cabinet were qualified professionals with an Americo-Liberian background, international experience, and democratic ideals. Also present were regional power brokers, reflecting the political bargaining necessary to win a hard-fought election runoff. Relatively few warring party elites were co-opted into the government, despite Charles Taylor’s supporters choosing to support Sirleaf in the runoff.

The political alliances that underpinned President Sirleaf’s election victory influenced her relatively cautious approach to tackling allegations of grand corruption in her own administration; there were some cabinet reshuffles in which senior officials lost their jobs, but relatively few public prosecutions. Of 15 officials fired, only 3 were charged in June 2010. As several commentators observed, the behind-the-scenes approach to the problem of corruption reflected political realities: “As the private use of office powers is deeply embedded in Liberian political culture, transgressions were to be expected and a ‘zero tolerance’ policy on corruption would have destabilized the government and eroded trust and support of the officials [Sirleaf] needed” (Gerdes 2013, 219). Some cabinet ministers did not welcome Sirleaf’s creation of a Code of Conduct for government officials, which was passed into law in 2014. The minister of foreign affairs, Augustine Ngafuan, publicly urged her “not to transform public service into public torture,” indicating resistance to the introduction of international best-practice standards into the public service. According to anecdotes shared during interviews conducted for this study, graft actually increased in the second term of the Sirleaf administration.

**Donor Influence**

Under the Transitional Government, Liberia received little budgetary support from the donor community due to a lack of trust in the government’s PFM systems. “The prevailing weak fiduciary environment and the significant risks posed did not support the use of country systems for implementing donor-supported programs and those financed from the country’s own budgetary resources” (World Bank 2013a, 1). Because the Liberian economy was highly indebted, however, the donor community was able to insist on the imposition of the GEMAP, despite protests from elements within the NTGL administration (Dwan and Bailey 2006).

Donors continued to have a high level of influence on policy formulation after 2006, especially before Liberia reached the HIPC completion point in 2010. This was partially due to the technocratic orientation of cabinet members, many of whom had worked in multinational development organizations prior to entering government. The sheer magnitude of Liberia’s foreign aid during the postconflict period also contributed (see figure B.1). In the peak
year of 2007, net official development assistance (ODA) exceeded 1,000 percent of government expense and amounted to 190 percent of gross national income (GNI). Between 2005 and 2015, net ODA per capita consistently exceeded averages for Sub-Saharan Africa and low-income countries by multiple times. High financial (and military) dependence was an important factor that enabled donors to influence public service reform, as is reflected in the Civil Service Reform Strategy paper of 2008, which called for a “lean,” “efficient,” and decently paid public service (Republic of Liberia 2008, iv).

Public Service Size and Structure

Evolution
The main problem facing the Liberian public service at the time of the ACPA was the lack of a skilled workforce. “The upper and middle levels of technical staff disappeared, and the few qualified public officers who remained in their posts during the civil war were effectively de-skilled” (World Bank 2013c, 8).

This exodus left Liberia with a relatively small public service, numbering around 44,000 employees in 2003 (about 1.4 percent of the population). In 2003, its wage bill was a modest $21 million (4 percent of the gross domestic product [GDP] or 31 percent of government expenditures), reflecting the meager public budget managed by the NTGL at the time.

The first reliable data on the size and composition of the public service date back to 2007, when the CSA conducted a survey to establish some baseline data.
across different line-ministries prior to implementing reforms (LISGIS and CSA 2007). One indication of the extent to which the CSA’s control over recruitment had deteriorated during the civil war was the proliferation of job titles. The CSA survey identified about 1,950 separately titled jobs, far more than the 228 job titles that were formally established and recognized by the CSA. According to the budget for 2007/08, the public service numbered 42,200 individuals, of which 31 percent were in the education sector and 12 percent in the health sector.

The survey results suggest that Liberia’s public service composition was not unduly skewed toward the lowest grades, contrary to what is typical in most postconflict states (see figure B.2). Based on these data, about 87 percent of all public servants fell within the clerical and administrative grades (grades 1–8). A large number of unqualified volunteer teachers were classified in grade 5, even though they did not meet the prerequisites. The remaining 13 percent comprised managerial and various technical and professional grades (grades 9–15). However, these statistics are likely misleading, due to grade creep. Anecdotal evidence suggests that there was considerable discrepancy between grade levels and the real level of

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**Figure B.2** Distribution of Grades in the Public Service in Liberia, 2007

![Bar Chart](https://example.com/bar-chart.png)

*Source: Calculations based on LISGIS and CSA (2007).*
qualifications. For example, an external consultant noted in 2013: “Within the Ministry of Finance and Development Planning [MFDP], you have accountants who misspell the word ‘accountant’; [...] The performance of the ministry would improve if you could lay off 75 percent of the staff and remain with the 25 percent who are actually capable of doing something.”

In comparison to other countries in the study, the aggregate growth of the on-payroll civilian government in postconflict Liberia has been minor. Between 2003 and 2017, it nearly stagnated in overall size, growing from 44,029 to 45,216 employees (see figure B.3). It has not kept pace with population growth, such that the on-payroll civilian government shrunk from 1.4 percent of the population in 2003 to 1.0 percent in 2017 (see figure B.4). During the transitional period, public employment grew at a considerable speed as different political factions within the NTGL freely used public appointments to patronize their supporters in ministries under their control. Between 2007 and 2017, most growth was driven by the addition of teachers and health workers to the payroll, whereas the number of core civil servants and the police in fact declined. Several rounds of cleaning the payroll, while limited in their impact on payroll reductions, have also contributed to containing payroll growth.

One major shift in the size of the general government was the radical downsizing of the armed forces, from 15,000 in 2003 to 2,000 in 2006 (see figures B.3 and B.4). As a result, in 2017, the overall size of the on-payroll general government in Liberia was smaller than most others in the region.

Figure B.3 On-Payroll General Government Size and Composition in Liberia, 2003–17

Sources: World Bank 2008; Government of Liberia’s 2007 Emergency Human Resources Plan; Ministry of Finance and Development Planning data; Civil Service Agency data.

Note: Prior to 2007, there are no data that reveal the size of different sectors, just an overall figure for the public service. Only employees on the payroll are reported, excluding staff on the supplementary payroll. "Education" comprises employees in the Ministry of Education; "health" comprises employees in the Ministry of Health; "core civil service and police" comprises on-payroll employees in all other ministries, including the Ministry of Justice (police), as disaggregated data on the size of the police were unavailable.
The Sirleaf administration perceived the army as a threat and saw its drastic downsizing as a strategy to underpin political stability.\(^\text{19}\) The administration was able to limit the size of the army because of the presence of a large international peacekeeping force in Liberia; UNMIL has been the essential guarantor of security since the end of the conflict, and because of the successful implementation of the DDR policy.\(^\text{20}\)

Liberia’s on-payroll public service has hardly grown since 2006; most of the public sector’s growth has taken place on the so-called supplementary payroll. Some line-departments have used the supplementary payroll to fund the salaries of public employees they recruited directly, often without notifying the CSA or the MFDP. Most such employees thus do not occupy formal public service positions and are paid from budget lines for transfers and grants. By 2013, there were about 14,000 employees on the supplementary payroll; that is nearly 30 percent of the on-payroll civilian government. The ministries with the largest number of supplementary staff were the Ministry of Education (MoE) (7,000), the Ministry of Health (MoH) (5,000), and the Ministry of Internal Affairs (MIA) (2,000). At the time of research, these contractual employees were in the process of being absorbed into the public service.

The growth of the supplementary payroll was in part a by-product of government efforts to continue providing services, while updating personnel records. Many teachers and health workers worked informally after the conflict. They provided valuable services but lacked the formal qualifications required for absorption onto the payroll. For the MIA, many local chiefs required their

![Figure B.4: On-Payroll Government and Population Growth in Liberia, 2003–17](image)

*Sources:* World Bank 2008; Government of Liberia’s 2007 Emergency Human Resources Plan; Ministry of Finance and Development Planning data; World Bank World Development Indicators (WDI).
subordinates to be paid out of the supplementary payroll. The supplementary payroll was also used to bypass lengthy recruitment processes. Many of those interviewed identified the MoE as the line-MDA to most frequently use supplementary budget lines to recruit extra staff:

I think the Ministry of Education has now six supplemental payrolls. They’re all different and they have different origins. The idea of that is that they should be put into the regular payroll but it never happens so they just add up more and more supplemental instead of regularizing everybody’s pay. That’s been going on for a long time. (Interview with a representative of a major international donor, 2013)

The on-payroll public sector wage bill underwent a seven- to eightfold increase in a decade, from a modest $97 million in FY2004/05 to $418 million in FY2014/15 (in constant 2011 international dollars; see figure B.5). This reflects an increase in pay levels more than it does the size of the public service. Given that public servants were not earning a living wage when President Sirleaf came to power, a series of increases in base pay granted during her first term in office accounted for most of this growth.

As of FY2013/14, Liberia’s wage bill, counting only on-payroll spending, corresponded to 8.6 percent of GDP and to 34.7 percent of total government expenditures (see figure B.6), slightly exceeding the fiscal rule introduced by the

![Figure B.5 Evolution of the Wage Bill in Liberia, FY2004/05–FY2014/15](http://dx.doi.org/10.1596/978-1-4648-1082-4)

**Sources:** Ministry of Finance and Development Planning National Budget and Fiscal Outturn Reports.

**Note:** Expenditures are reported on a cash basis where data are available and are otherwise based on commitments or appropriations. “Education” refers to the Ministry of Education; “health” refers to the Ministry of Health; “police” refers to the Ministry of Justice; “defense” refers to the Ministry of Defense; “core civil service” comprises all other ministries. For FY2004/05 to FY2008/09, transfers and subsidies are reported; for FY2009/10 and later, grants only (excluding subsidies) are reported, reflecting changes in budget classifications.
GoL in its “Agenda for Transformation” (FY2012/13), which limits personnel costs to not more than 34 percent of the budget.

Counting only on-payroll spending, however, offers a misleading impression of the true level of the wage bill, since especially the ministries of health and education spend a significant proportion of transfers, subsidies, and grants on personnel. In FY2013/14, these grants overall amounted to $92 million, and, if counted in full, increase the overall wage bill estimate to 13.3 percent of GDP and 51.2 percent of total expenditures (see figure B.6).

The government also faces the significant liability of maintaining lifetime benefits for retirees/beneficiaries. Although the size of the public service remained relatively contained at the time of research, the lack of an effective pension system was a problem to be addressed in the future. Many public servants were reluctant to retire because their pension payments were based on salaries in Liberian dollars, rather than nonstatutory allowances in U.S. dollars, which make up the majority of many public servants’ true salary. As of 2013, an estimated 3,500 CSA pensioners were receiving benefits based on their prewar Liberian dollar salaries, and as a result their pension level was likely below the poverty line. This incentivized many public servants to remain in their positions, despite having reached mandatory retirement age. At the time of research a large number of retirees continued
to receive pensions from the CSA payroll, despite a reduction in expenditures of approximately 25 percent between FY2008/09 and FY2009/10 as a result of the identification of ghost pensioners. A Pension Working Group, funded under the Low-Income Countries Under Stress (LICUS) grant until 2012, designed an initial plan to shift from a noncontributory pension program to a contributory defined benefit plan, to limit the government’s pension liabilities.

Interventions
In her 2006 inaugural address, President Sirleaf announced that her administration would “embark on a process of rationalizing our agencies of government to make them lean, efficient, and responsive to public service delivery” (Republic of Liberia 2006). This goal helped limit the postconflict growth of the public service. In 2006 and 2007, the CSA and the MFDP made early attempts to establish the number of public servants on the payroll and to eliminate ghost workers from the payroll.24

A second, more systematic, attempt at cleaning the civilian government payroll, the civil service registry program, was undertaken under the CSRS 2008–11. CSA representatives travelled around the country to verify that employees on personnel lists at the MFDP were working at their jobs. The goal was to link the new CSA database to the MFDP’s new Integrated Financial Management Information System (IFMIS), with the eventual aim of creating a system in which employees were required to have biometric identification cards to receive their salary. The CSA successfully collected and verified proof of employment and personal data for roughly 25,000 public servants (out of a total of 33,195 individuals on the civil service registry in 2008), and considered the remaining 8,000 suspicious and potential ghost workers (Friedman 2011, 9).

The government estimates that a total of 1,077 names were removed from the payroll by 2013. A CSA report suggests that this yielded annual savings of $1,814,695, or about 1.3 percent of the FY2013/14 wage bill (Republic of Liberia 2012, 3). In discussions held with key public officials,25 however, it was suggested that the impact of these downsizing efforts were overstated. The small number of dismissals to actually occur created a lot of noise, with opposition parties claiming that the government was engaged in a witch hunt and hiring and firing public servants based on political affiliations, patronage, and partisanship:

Let me give you an example. The deputy minister tried to fire a cleaner a few months ago, and the next day he received a call from a senator preventing him from doing so. If you cannot lay off even a cleaner, how are you going to do any serious downsizing in this ministry? (Interview with a government official, 2013)

This failure to follow through on rightsizing the public service has not been confined to the line-MDAs, and it appears the political cycle also had an impact on efforts to clean up the payroll:

They not only decided not to lay off 3,000 people or remove 3,000 “ghosts,” or whatever they are, from the payroll, but they also added 9,000 more people to the
payroll in the year prior to the election. (Interview with a representative of a major international donor, 2013)

According to interviews conducted for this study, of the 6,000 schools on the MoE payroll in 2013, almost 4,000 reportedly did not exist, and 10,000–15,000 workers included in the MoE payroll did not even contribute to the education system (see box B.1). Vested interests of high-ranking officials, combined with a high level of unemployment—aggravated by the 2008 global economic crisis—and electoral cycles apparently prevented the government from implementing real reforms. Furthermore, the redirecting program (a euphemism for laying off public servants) was designed but not implemented due to lack of funds.

Pay

Evolution

Postconflict Liberia inherited an extremely impoverished public service. At the end of conflict public servants were paid a fraction (about 3–4 percent) of what their salaries were in the late 1970s, when Liberia had one of the most highly paid civil services in Africa (see figure B.7). With pay ranging between nominal $15 and $55 (between $46 and $170 in constant 2011 international dollars) per month, many public servants earned barely enough to afford a bag of rice.26

During the conflict, Liberia’s official public service pay structure had 16 grades and 8 incremental steps per grade, with annual salary increments provided primarily for continuation of service rather than performance. During the later years of the conflict, the government could not afford to differentiate pay for the various grades, and the pay structure collapsed into five categories (see figure B.10 later in this section).

Box B.1 Volunteer Teachers in Liberia and the Problem of Ghost Teachers

At the end of the Liberian Civil War about 70 percent of school buildings were partially or wholly destroyed, and over half of Liberian children and youth were estimated to be out of school. Volunteer teachers took on the jobs of the teachers who had fled the country during the civil war. When the National Transitional Government of Liberia took over and began paying teachers, volunteers concealed their actual names and lined up for the salaries of the departed teachers—a system and practice encouraged by the Ministry of Education (MoE). As a result, the MoE payroll comprised a plethora of unqualified teachers. An associated problem was the large number of ghost teachers. In 2009, the General Auditing Commission reported 3,243 ghost names on the MoE payroll (which included 2,138 personnel not in the field but on MoE payrolls; 752 personnel on MoE personnel listing and payrolls but not in the field; and 357 pensioners on MoE payrolls) (GAC 2010). Most of the volunteer teachers reside in rural Liberia. Absenteeism posed another problem.
Pay remained unchanged during the Interim Administration, further deteriorating public servants’ morale. The division of line-MDAs in the ACPA between formerly warring factions made coordinating any cross-cutting pay change impossible. Interim Administration ministers knew that they would be in office for only two years and thus were inclined to “grab and run” rather than pursue any collective agenda. There also was no fiscal space for pay increases; in FY2004/05, Liberia’s wage bill represented 37.8 percent of total government expenditures (47.2 percent when including transfers and subsidies; see figure B.6 earlier in this appendix), and donors did not provide any aid due to a lack of transparency surrounding PFM.

To address the urgent problem of paying public servants a living wage, President Sirleaf increased basic public service salaries roughly threefold, to nominal $55–$165 per month ($142–$652 in constant 2011 international dollars) in 2007/08, as announced in her inaugural address (Republic of Liberia 2006). Political considerations also played a part in the decision, with some observers suggesting that multiplying public servants’ income was a politically savvy way to provide an immediately effective peace dividend at the beginning of her presidency, distinguishing her government from the (predatory) “warlords” previously in power. The across-the-board pay rise was financed by increasing revenue, mainly from taxes on property and goods and services, as well as revenues from maritime programs and taxes on international trade.

To address the shortage of technical expertise within the Liberian public service, in 2006 an SES program was initiated to provide a capacity surge for
President Sirleaf’s newly elected government. Under this program, the CSA recruited roughly 100 skilled professionals from the diaspora into senior line-positions. These officials worked on performance contracts and, depending on their qualifications and responsibilities, received salaries at three pay levels—$1,000, $2,000, and $3,000 per month—far above the public service pay levels. “The Senior Executive Service” section later in this appendix discusses the SES program in more detail.

Liberia’s pay trajectory under President Sirleaf’s government has been marked by two seemingly contradictory evolutions. In July 2007, the government institutionalized discretionary allowances, paid in U.S. dollars, by including them in the 2007/08 budget, allowing for the individualization of pay at the discretion of line-ministries. However, shortly after these allowances were institutionalized, two World Bank–supported attempts at launching systematic P&G reforms aimed at consolidating these very allowances into base pay and reducing the level of freedom in allocating allowances in line-ministries, both of which failed.

In 2007–08, the GoL undertook a review of the pay structure, and made an effort to disaggregate the five categories in which civil servants were paid, instituting a 15-grade structure that was similar to the original 16-grade structure in place since 1982.27 The return to the historical pay structure reflected the government’s need for a rational grading structure for the 2008/09 budget, and was accompanied by an ad hoc pay increase, raising the salaries of the highest-paid public servants more than those of the lowest-paid public servants, in an effort to decompress pay. This 15-level grade structure was meant to be a temporary measure, pending a detailed analysis, grading, and classification of jobs.

The GoL’s decision to institutionalize allowances in the 2007/08 budget built on a practice that already existed informally in some ministries. A decade before, allowances had originally been introduced in some agencies (for example, the MoH) to incentivize effort and attract skilled staff, given the dismally low base pay.28 Institutionalizing these allowances implied that they were formally included in the budget (in dedicated budget lines) and generalized to all line-ministries. They took two forms, both paid in U.S. dollars: (1) so-called “special allowances” were paid to political appointees (numerous in Liberia), and (2) “general allowances” to public servants. Line-ministries were given the freedom to pay allowances to public servants as a reward for performing responsibilities beyond their job descriptions.

Observers have suggested that the government’s decision to institutionalize allowances was taken primarily to attract and retain qualified Liberians, including those from the (international and regional) diaspora. However, this tool was soon revamped and misused, de facto establishing two parallel P&G systems: one basic salary structure (defined by the CSA and paid in Liberian dollars by the MFDP) and one of discretionary allowances (paid by line-ministries in U.S. dollars, who used them either to provide top-ups at discretion or/and to hire additional employees outside the payroll). While the generalization of
allowances provided a short-term solution to dealing with the immediate capacity problems, in the longer term it has placed increasing pressure on the wage bill and generated a sense of inequity across the public service. As one interviewee commented, “it was the right decision in 2006 but not in 2013.”

The result has been a near total individualization of pay at the discretion of line-ministers. In 2009/10, only 18 percent of public employees received allowances (Cooper-Enchia 2009, 4). For those public servants who received the allowances, they dwarfed the base pay. As public employees in more senior positions on average received higher allowances, the allowances decompressed the pay structure. By 2014, the compression ratio including general allowances but excluding the special allowances was about 12:1, ranging from a minimum wage of $144 (for a cleaner; in nominal U.S. dollars) to a maximum of $1,768 (for a director). The average allowance was $243, while the median (midpoint) in the data set was $175, which resulted in wide variations in pay levels across the public service (see figure B.8).

The size of these allowances varied greatly between ministries, and there was considerable variation between salaries for public servants at similar grade levels, undermining a sense of fairness among them. For example, for accountants, in 2014 the allowance ranged from $100–$1,200 per month, with a mean of $324 and a standard deviation of $152 (see figure B.8). The degree of transparency in determining individual allowances varied greatly between MDAs. The MoH, for

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**Figure B.8 Variance of Estimated Gross Monthly Earnings for Selected Positions in Liberia, by Staff Group, February 2014**

![Chart showing variance of estimated gross monthly earnings](chart.png)

**Source:** Compilation based on Orac 2014.

**Note:** The figure is based on selected positions from a nonrepresentative sample of overall about 3,750 personnel and payroll records. The error bars represent standard deviations.
example, was apparently transparent and forthright in its use of the allowances, which were used to pay thousands of contractual health workers previously working in nongovernmental organization (NGO)–run facilities (grants and the health sector pool funds were also used for this purpose). Since 2010, the MoH has been performing a performance appraisal of employees with the aim of increasing efficiency, determining promotion, and responding to training needs.\textsuperscript{31} As of 2013, however, other ministries were using allowances to appoint individuals without formal GoL employment status.\textsuperscript{32}

Since their introduction, these allowances have been a major driver of wage bill growth. In FY2014/15, they amounted to 38 percent of total wage expenditures (excluding the supplementary payroll) (see figure B.9). The budget lines for both general and special allowances have steadily increased. This growth has in part been driven by the need—especially in the MoH—to absorb workers formerly employed by NGOs and pay them as contract staff. In addition, once the allowance system had been institutionalized in 2007/08, the government struggled to maintain control over the size of the allowance budget and over the distribution of allowances in line-MDAs. Some government officials refer to the allowances system as of 2013 as “a great scandal” and consider it unlikely that efforts to consolidate allowances will achieve any meaningful change in the short term.\textsuperscript{33}

The 2009 Medium-Term Pay Strategy (MTPS) represented a first attempt to impose greater control over the increasing individualization of pay (Cooper-Enchia 2009). The MTPS was developed by a World Bank consultant to bring about systematic P&G reform. It proposed to merge general allowances with the basic salary, but maintain special allowances—the main beneficiaries of

![Figure B.9: General and Special Allowances as a Share of the Total Wage Bill in Liberia (Excluding Supplementary Payroll), FY2014/15](http://dx.doi.org/10.1596/978-1-4648-1082-4)
which were top-level political appointees. This intermediate solution was intended to keep some discretionary power over pay in the hands of the line-ministries, while reducing the magnitude of the problem. Simultaneously, the MTPS proposed to significantly decompress pay to help provide greater incentives for technical and professional staff. A new 10-level grade structure was proposed for the core civil service, with parallel grading structures for the education and health sectors. Above the 10 grades for the core civil service, it suggested a “superstructure” of 11 additional grades for “elected and appointed” officials—that is, the many political appointees in Liberia’s administration. Within the core civil service, the compression ratio would have increased from 1:3 to 1:10 from the lowest to highest rank, and further to about 1:16 when taking into account the salaries of political appointees. This new salary structure would have placed an additional burden on an already high wage bill. At the time of the MTPS, the ratio of Liberia’s wage bill (primary payroll) to its GDP was 10.8 percent (FY2008/09), already high compared to a regional benchmark of 6 percent. However, the MTPS justified the proposals on the basis of projected future increases in tax revenues.

The MTPS was only partially implemented; although the government used the grade levels proposed in the strategy, it did not introduce the proposed pay levels. Some interviewees suggest that this decision reflected concerns regarding affordability; the new pay structure would have increased the burden of the wage bill and reduced the fiscal space available to the government by boxing the government into structured pay categories that it might not be able to afford in the future. The MTPS also faced resistance from those with vested interests in the allowance system, including line-ministers, deputy ministers, and employees hired out of the payroll and allowance budgets. The opposition focused chiefly on the MTPS’s attempt to consolidate the allowances into the salary budget, which would have removed or strongly limited the discretion afforded to ministers in allocating allowances.

In 2013, the World Bank launched the implementation of a Public Sector Modernization Project to help the government overcome the resource constraints and limited implementation capacity undermining the implementation of the CSRS 2008–11. The project had three main components: pay reform and payroll management, organizational restructuring and HR management, and project management. The main thrust of the project was to support officials in developing a new pay reform strategy (which entailed job evaluation and grading, enumeration of civil servants, a skills audit, and a systems audit), a clear and transparent salary structure for all public officials, an establishment register, and in instituting strong payroll control measures. At the time of writing, a salary structure had been developed but not yet implemented, in part due to the Ebola crisis.

Overall, by 2014, public servants had seen a substantial increase in their pay levels compared to the end of conflict. However, the P&G structure remained highly irregular, with variations between public servants at the same grade level, and across different line-MDAs. Besides variation in allowances, these differences
were also driven by substantial misgrading of positions and by idiosyncratic base pay rates that diverged from official pay scales, both within as well as across MDAs. Figure B.10 summarizes the overall evolution of pay levels relative to GDP per capita for selected years (2005, 2007, and 2014), based on official

**Figure B.10** Comparison of Public Service Pay Levels in Liberia, 2005, 2007, and 2014

Sources: Cooper-Enchia 2009; Orac 2014; World Bank World Development Indicators.

Note: For 2007, allowances are omitted due to unavailable data. For 2014, the reported pay levels for clerical staff are based on a sample of 303 drivers, for technical staff on a sample of 166 secretaries, for professional staff on a sample of 87 accountants, and for managerial staff on a sample of 145 directors. Error bars represent standard deviations. GDP = gross domestic product.
pay scales for 2005 and 2007 and based on payroll data for 2014. In 2014, the salaries of Liberian public servants ranged between 3 (for a driver without allowances) and 21 (for a director with allowances) times GDP per capita. This is a major increase relative to the baseline year, 2005, when salaries ranged between about 1 and 3.4 times GDP per capita. These salaries also exceeded international comparators: with an average throughout Africa of 1.3 times per capita GDP, and 1.9 times per capita GDP in low-income countries.

The trajectory of Liberia’s public service pay reforms illustrates the difficult trade-offs policy makers face in postconflict environments. The government needed to supplement low levels of pay to attract qualified candidates into the public service. But tight fiscal envelopes limited its ability to raise base pay enough to attract qualified staff from the diaspora without driving the wage bill beyond affordable levels. The decision to institutionalize allowances was initially a short-term pragmatic solution to this predicament. Allowances enabled line-MDAs to attract and reward staff for performance, without granting them to all public servants or committing to their continued payment over time. However, the decision to generalize allowances across the public service turned out to resemble a Pandora’s box. Once the government had given line-MDAs discretion over their allocation, strong vested interests in maintaining discretionary allowances made it prohibitively difficult to impose greater pay uniformity during subsequent P&G reform attempts. While intended to make public service positions more attractive to skilled candidates, the allowance system has been (mis)used for off-payroll recruitments, has undermined pay equity and transparency, has been a key driver of wage bill growth, and has become a disincentive for overaged public servants to retire, as pensions have been calculated solely as a proportion of the base salary.

The Senior Executive Service
The SES was initiated in 2006 as one of three short-term interventions designed to provide a “surge” in capacity to the elected government to enable it to respond to the broader public service and governance reform processes vital to supporting the peace. The GoL was to contribute complementary resources to this support from the World Bank, the United Nations Development Programme (UNDP), and other institutions, and the CSA was to be the locus of the project.

The SES program design provided for the recruitment and deployment of 100 professionals from the diaspora with key competencies to perform senior and administrative services. To ensure arm’s-length selection and professional assessment of candidates, the selection process was outsourced to an HR management firm, and candidates were assessed according to a common framework of competencies and against carefully prepared individual job descriptions. By December 2009, 98 professionals had been recruited and placed on performance contracts in 28 central ministries and agencies (M&As) of the government, while 15 were deployed to the Ministry of Planning and Economic Affairs as county development officers within local administrative structures.
As of 2013, the GoL intended to keep the SES in place over the medium
to long term and to assume the burden of paying SES salaries, as originally
intended. However, continuous budget shortfalls posed a serious challenge
to the continuity of the scheme, and a full integration of the posts within
the public service remained unlikely. Some SES left the public service,
while others have assumed political posts. This drawback was predicted in
2010 by evaluators who undertook the midterm review for the SES pro-
gram, given that public wages had not reached, and were unlikely to reach,
levels comparable to the SES. The evaluators recommended a midcourse
adjustment to reduce the number of professionals in the program, and the
SES was scaled down from about 100 to 66 professionals.

While the SES was intended as a short-term donor-funded capacity-
injection program, the capacity it generated has hence not been sustained
without continued donor funding. On the positive side, the SES program has
provided the government with a ready recruitment pool for political
appointments; a number of former SES professionals served as ministers at
various levels.

Figure B.11 captures the results of a May–June 2013 survey of 57 SES
current and former) professionals. The main findings are as follows: (1) most
of the interviewees consider the program successful both in terms of capacity
injection and capacity building, although more successful in injection than
building; (2) almost two-thirds of the interviewees consider the program

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**Figure B.11 Senior Executive Service (SES) Survey Results in Liberia**

- Considered the SES program successful in injecting capacity in the short term
- Considered the SES program successful in building capacity in the public service
- Considered the SES program successful in implementing reforms in their respective units
- Considered that patronage dynamics were hindering reforms in their respective units
- Had encountered resistance from the civil servants toward SES professionals at the
  beginning of the program
- Continued to feel resistance from the civil servants

**Source:** Senior Executive Service survey carried out by a World Bank consultant in May–June 2013 at the Civil Service Agency, Governance
Commission, Grand Gedeh County, Liberia Anti-Corruption Commission, Ministry of Agriculture, Ministry of Justice, Ministry of Planning and
Economic Affairs, Ministry of Public Works, and Ministry of Gender and Development.

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successful in implementing reforms, even though many of them pointed out that patronage hindered reform efforts; and (3) more than half of respondents felt that the resistance of the civil servants seen at the beginning had softened significantly over time.

Public Service Management Bodies

The CSA is the only central public service management body in Liberia. It was established by the Civil Service Act in 1972, which remains in force. It provides the CSA with a powerful mandate to (1) control the establishment, (2) centrally recruit all public servants, and (3) regulate and oversee the public service. In 2008, a Civil Service Reform Directorate (CSRD) was established within the CSA and tasked with coordinating cross-cutting administrative reforms. The CSA director general reports directly to the president and sits in the cabinet.38

During the civil war years, the CSA lost control over public service recruitment. This state of affairs continued under the Interim Administration. Recruitment of public servants was controlled in the line-ministries, which were divided among different political factions under the terms of the ACPA, and the CSA had little or no influence over the public service.

Following President Sirleaf’s election in 2005, the government’s stronger developmental orientation coupled with rising donor investment in reform resulted in a renewed focus on the reform of central bodies, reflected in a 2008 strategy paper entitled “Smaller Government, Better Service” (Republic of Liberia 2008).39

To help implement this strategy across the public service, the government created a CSRD within the CSA to coordinate reforms across government in line with the CSR strategy. The new directorate was to collaborate with the Governance Commission (GC) to drive a review of the mandates and functions of the different ministries. The GC predated the Sirleaf government, as it was a product of the terms of the CPA, which created it as “a vehicle for the promotion of the principles of good governance in Liberia.”40 The commission was given a broad mandate ranging from developing a strategy to “ensure transparency and accountability” to acting as public ombudsman to monitoring “national and regional balance in appointments without compromising quality and integrity.”41 At the time of research, the GC was chaired by the director general of the CSA.

Merit Protection

The Civil Service Act (1972) empowered the CSA to “recruit, classify and place civil servants” (Republic of Liberia 1972, section 66.3 (a)), with a number of exceptions, including presidential appointees and contractual staff.42 The official procedure for filling vacancies within the public service required the administrative head of the agency seeking to recruit a public servant to consult the CSA, but the legislation was ambiguous as to who has control over the recruitment process.43
In 2013, on paper, the CSA controlled recruitment; in practice, recruitment was decentralized. Most often ministries recruited public servants and then submitted a list of names with attending documentation to the CSA for approval.

In fact, line-agency managers could bypass the CSA and directly request the MFDP’s electronic data-processing section to enter new employees on the payroll. Thus, new employees may have entered the payroll without any supporting documentation or evidence of qualification. Bypassing the CSA’s controls made it easier for officials to exercise patronage through public positions and helped avoid often major bureaucratic delays in filling positions.

According to an interview with a high-ranking public servant in the MoE, between MoE, CSA, and MFDP, as of 2013, about 42 steps needed to be completed to include a newly hired teacher’s name on the GoL’s payroll, and this process could take between one month and five years.44 Other strategies for hiring staff without delay, such as in the regional offices of MoE and MIA, included allowing a newly hired employee to work in the name of his or her predecessor until the new employee’s status could be regularized and his or her name placed on the payroll.45

Although in 2013, the recruitment process of public servants was still handled by line-MDAs, the CSA had made some progress toward exerting central control over the process. New recruits had to be approved by the CSA, and applicants’ qualifications and personal information formally submitted, before the MFDP could add any new employee to the payroll. The CSA also developed requirements for generic positions such as office helpers and drivers and created written tests for many other positions. The agency also required interviews for specialized and managerial positions.

While some interviewees indicated that signs of a meritocratic recruitment and promotion culture were beginning to emerge, many of those interviewed suggested that patronage remained an important factor in governing entry to the public service.46 Moreover, “senior officials [were] routinely moved when ministers change, thus causing disruptions in the efficiency of government agencies” (World Bank 2014, 37). In an emergent practice, appointed officials brought their staffs, cronies, and friends with them from one appointment to the next, illustrating the fact that “most public officials prefer[ed] loyalty to professionalism.”47

**Wage Bill and Payroll Control**

According to the 1972 Civil Service Act (Republic of Liberia 1972, section 66.3(b)), the CSA is required “to keep an accurate and up-to-date record of every individual employed in the Civil Service System.” For most of the postconflict period, the establishment control function was de jure split between the CSA, which was responsible for controlling the “nominal roll,” and the MFDP, where the comptroller and accountant general shared responsibility for controlling the payroll. This division of responsibilities enabled MDAs to bypass the CSA’s controls, as described above.
Further, some ministries bypassed the “lid function” exerted by the MFDP over the payroll by utilizing the above-discussed grant and allowance budget lines for paying employees outside the formal payroll. In 2012, at least 20 percent of employees were paid from funds outside dedicated salary-budget lines (off-salary budget), indicating the most basic type of failure of the system of establishment control.48

Officials interviewed suggest that the use of the supplementary payroll is a response to the problems in gaining formal approval for appointments for public servants that have fulfilled vital functions at the subnational level, but lack the necessary qualification to be formally entered on the payroll.

The 2008 civil service registry program (see the “Interventions” section earlier in this appendix for details) enabled the CSA to make considerable progress in updating its personnel records through the creation of a Human Resource Management Information System (HRMIS).49

Nevertheless, until early 2013, establishment and payroll controls remained weak in Liberia, as indicated by the low Public Expenditure and Financial Accountability (PEFA) score (D) for the “degree of integration and reconciliation between personnel records and payroll data” (PEFA PI-18 [i]; see table A.1). As of July 2011, the personnel information collected during the countrywide enumeration had been linked to the IFMIS for only 5 of 29 M&As (Friedman 2011, 9). There were difficulties in integrating systems between ministries because many had worked on similar projects but with different contractors that used different technologies and software.

Another factor that limited progress in strengthening establishment control was the lack of influence that the CSA wielded at the cabinet level:

These problems are exacerbated by the challenge faced by the CSA to assert itself in the execution of its constitutional mandate, low quality of its own staff, poor remuneration, low budget and lack of essential equipment to perform its function. This has inevitably led to the emergence of a hybrid civil service, with non–civil servants performing line functions in a number of ministries. (World Bank 2014, 91)50

A major step toward more effective establishment control was made in July 2013, when the responsibility for managing the payroll was transferred to the CSA and integrated with the nominal roll in an information technology (IT)-based Civil Service Management System (CSMS) (Republic of

| Table B.1 PEFA Scores for the Effectiveness of Payroll Controls in Liberia, 2007, 2012, and 2016 |
|-----------------------------------------------|--------|--------|--------|
| Effectiveness of payroll controls (PI-18 aggregate score) | D+     | C      | C+     |
| PI-18 (i) Degree of integration and reconciliation between personnel records and payroll data | C      | D      | B      |
| PI-18 (ii) Timeliness of changes to personnel records and the payroll | D      | C      | C      |
| PI-18 (iii) Internal controls of changes to personnel records and the payroll | C      | C      | C      |
| PI-18 (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers | D      | C      | C      |

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Liberia 2016, 76). This integration made the CSA the “single port of call” for making changes to the payroll, preventing line-MDAs from continuing the past practice of bypassing the CSA and directly requesting the MFDP to add new employees to the payroll. Under the new CSMS system, after a consistency check by line-MDAs, the CSA runs the payroll through CSMS every month, for final approval by the Department of Expenditure in the MFDP. As of 2016, the new CSMS was covering civilian government employees quite comprehensively. It covered both regular public servants on the primary payroll and staff on the supplementary payroll, but excluded about 3,000 military personnel (Republic of Liberia 2016). This integration is also reflected in the improved score for PEFA PI-18 (i), which increased from D to B (see table B.1).

Administrative Reform

The CSRS 2008–11 set out an ambitious plan to restructure line-MDAs, downsize the public service, implement P&G reform, and introduce merit- and performance-based systems. In order to facilitate these reforms, the government established the CSRD within the CSA in 2009.

As of 2013, much of what the CSRS envisaged had not been achieved. For example, in 2013, five years after the CSRS 2008–11 had been adopted, only 12 out of the 26 line-MDAs had accomplished a functional review, and no ministry had implemented the planned restructuring. One factor that limited progress on administrative reform was a general lack of capacity at the CSA; it had a small number of staff (113 in 2006; 141 in 2013), a small budget, and a lack of equipment. In addition, the CSA director general lacked political authority at the cabinet level. Observers note that the director general has often been unable to summon cabinet ministers to meetings or ensure that line-MDAs follow through on reform implementation. According to a senior civil servant:

At the moment, there is an interministerial committee that has been established to coordinate the reform of the civil service. But the interministerial committee has not been effective because of the leadership of the committee. You have a Civil Service Agency that is more or less the chairman, but the Civil Service Agency has no clout. You cannot tell a minister to come to the meetings; no, it doesn’t give us the clout to carry out the reform, so we have been constrained. (Interview with a government official, 2013)

Parallel Structures

Aid Architecture

In a context of high aid inflows, there were several attempts to create a unified platform for donor coordination. The first was the Liberia Reconstruction Development Committee (LRDC), which was chaired by the president during her first term. Subsequently, there were further efforts to create an overarching
coordinating body for aid projects, including the Liberia Development Alliance in 2013–14, as well as other coordination mechanisms at the sector level.

Liberia’s initial aid architecture was marked by a uniquely heavy donor footprint. In response to large-scale mismanagement and abuse of financial resources by the NTGL, donors put into place a highly interventionist program, GEMAP, in 2005. The GEMAP served as a watchdog program to restore good economic governance to Liberia. Financial management experts were internationally recruited and placed in line-positions as managers and financial controllers, with cosigning authority, introducing comprehensive, international best-practice financial controls at the MFDP, the Central Bank, and other selected government agencies and state-owned enterprises (SOEs) (Dapaah and Brar 2013).

One component of the GEMAP was capacity building, and the expectation was that these financial management experts would transfer skills to national counterparts, who would be able to undertake the basic functions of cash management, commitment control, clearance of arrears, and treasury management. However, insufficient attention was paid to the sustainability of the systems and practices delivered, and due to the lack of specific measures to ensure the transfer of skills between expatriates and civil servants, capacity building was not as successful as anticipated.

The GEMAP provided an effective short-term solution to financial management concerns among the donor community and “succeeded in introducing financial controls and injected a culture of probity in Liberia’s management of public finances” (Dapaah and Brar 2013, 7). At the same time, it also helped establish a foundation for economic governance upon which the Liberian government could carry out other reforms. However, according to Dapaah and Brar (2013, 7):

The program failed to train Liberian nationals on how to manage and sustain the GEMAP system. Rather than transferring skills, the expats performed most of the functions, creating a huge dependency syndrome among the Liberian nationals that shadowed them […] As a result, the departure of the expatriate staff created a significant vacuum in the FM [financial management] arrangements of the line M&As where they had served.

Yet, the tight initial control of government financial management operations through GEMAP helped lay the foundation for development partners’ trust in Liberia’s financial management systems and for budget support. Since 2010, some donors have taken steps toward providing general budget support to Liberia, rather than channeling funds through parallel structures. This move was led by the European Union (EU), which provided incrementally growing general and sector budget support in the health sector, using a results-based approach based on outcome indicators pre-agreed upon with the GoL. Other donors followed suit: the World Bank and African Development Bank (AfDB) also initiated budget support, while the U.S. Agency for International Development (USAID) adopted a hybrid approach, using a reimbursement financing mechanism (Fixed Amount Reimbursement Agreement, FARA).
The EU transition toward budget support was motivated by a change in its general approach to Africa.\textsuperscript{56} However, the GoL performed well during the initial phases, so the EU’s on-budget aid grew rapidly.\textsuperscript{57} Although many government officials and development practitioners support this move from project support to sector support—“to let GoL grow up, donors must avoid micromanagement and let it assume more responsibilities”\textsuperscript{58}—external pressures had resulted in donors backing off from this method of support in 2013. With both the EU and the United States undergoing prolonged economic crises, donors found it increasingly difficult to get approval at home to inject money into the budgets of fragile governments with poor checks and balances. In particular USAID struggled to justify on-budget aid to Congress in light of fiduciary concerns surrounding the MFDP. As one international development practitioner described it, “MFDP loses $25 million yearly in payroll fraud; how do you explain this to the Congress and then ask for budget support?”\textsuperscript{59}

**Fund Flow and Management Choices**

Fiduciary concerns, due to the weaknesses of Liberia’s financial management systems, led donors to create parallel mechanisms to manage funds for multiple projects. Following the 2005 presidential election, the World Bank began to support infrastructure rehabilitation in Liberia and established the Project Financial Management Unit (PFMU) and the Infrastructure Implementation Unit (IIU) in the MFDP and Ministry of Public Works (MPW), respectively, as the fiduciary agents for project implementation.\textsuperscript{60} Over time, these centralized PFM units grew significantly, managing an increasingly large portfolio of projects. Most donors similarly chose to rely on project implementation units (PIUs) to limit fiduciary risks and enhance the effectiveness and efficiency of their projects.

**The Project Financial Management Unit**

The PFMU was established in 2007 within the MFDP by the GoL and the World Bank to assume financial management responsibility for donor projects in accordance with World Bank procedures. It initially managed three World Bank infrastructure projects. However, by 2013 its portfolio had grown to 39 multisector projects funded by six different donors. The primary motivation behind setting up the PFMU was a lack of confidence in the government’s fiduciary system. The decision to situate the PFMU as a centralized fiduciary unit within the MFDP also reflected the highly centralized Treasury arrangements that were characteristic of Liberia:

For the financial management, the idea was brought by the [World] Bank to the government to create the PFMU. It was created; the then-minister of finances said that she wanted the PFMU to be situated at the MFDP, not at the MPW. And this is consistent with the history of Liberia, even before the war. Liberia has very centralized treasury arrangements: all you have is controllers in line-ministries, such as health, education, etc. Those controllers did not have accounting responsibilities, all
that they did was process vouchers, take those vouchers to the MFDP, and the MFDP approves and authorizes payments on those vouchers. These people did not keep books of accounting… So the minister said, “Why should we change the arrangement? I want to keep things centralized at the MFDP …” and this gave her the comfort that she had oversight over the FM activities of these donor investments… So they agreed to locate the IIU at MPW and the PFMU at the MFDP…. This arrangement was crafted between 2006 and 2008. And indeed, one can say that this arrangement really is what has helped Liberia a lot to transform the country. (Interview with an international PFM expert, 2013)

Under the PFMU arrangement, professionally qualified accountants were recruited on a contract basis from other countries, mostly from the West African subregion and India. The PFMU became a permanent unit of the ministry, managed by foreign nationals. Unlike the GEMAP, staff at the PFMU are required to hold periodic training sessions in financial management for the accounting staff of the M&As whose projects it manages. The PFMU also made greater use of country systems: all core consolidated fund transactions are carried out centrally through the Comptroller and Accountant General’s Division (CAGD) of the MFDP. “With such arrangements, the PFMU intervention was clearly intended to supplement national FM capacity and to help strengthen such capacity over time” (Dapaah and Brar 2013, 7).

Government ownership of the institution remained a challenge in 2013: “The perception among government officials that PFMU is a ‘World Bank institution’ contributed to weak oversight over its activities by the MFDP as the supervising ministry. The unit has therefore effectively functioned as an autonomous entity that has almost become entrenched, contrary to the aspiration of ceding FM responsibilities to M&As in the medium term as FM capacity was developed” (Dapaah and Brar 2013, 8).

At the same time, the success of the PFMU within the MFDP is evident in the fact that many donors and a multitude of projects have chosen to use its services. However, as the PFMU assumed responsibility for a growing number of projects, international TAs working in the PFMU had less time for the skills transfer to civil servants in the MFDP. It is also apparent that the lack of a clear-cut exit strategy in the design of the PFMU may have undermined opportunities for sustainably strengthening local capacity.

**The Infrastructure Implementation Unit**

PIUs typically increase efficiency in dysfunctional environments but are often less successful in transferring knowledge to local officials. The IIU was a noteworthy exception from this rule: it both increased efficiency and transferred knowledge. The original Special Implementation Unit (SIU) was merged into the MPW, and thus is an example of a parallel structure that has been incorporated into a country system (see box B.2). Although some stakeholders expressed concern about the impact that this may have on the ministry’s performance, the case provides a useful example of how capacity can be transferred from a donor-funded parallel structure into a line-MDA.
Box B.2 The Infrastructure Implementation Unit in Liberia

The Special Implementation Unit (SIU) was formed in 2006, in the Ministry of Public Works (MPW), with responsibility for implementing World Bank–funded infrastructure projects. The SIU was staffed by both national and foreign specialists. Since March 2009, it has been transformed into the Infrastructure Implementation Unit (IIU) (also in the MPW), primarily because of a growing infrastructure investment portfolio. The IIU was responsible for implementing most of Liberia’s donor and locally funded infrastructure projects.

By the end of 2010, the infrastructure portfolio to be managed totaled about $300 million—10 times SIU’s original mandate. To manage implementation of all of these projects—financed by the Liberia Reconstruction Trust Fund (LRTF), new projects from development partners, and an existing portfolio—the government’s implementation capacity had to increase significantly.

As a first step, the government commenced staffing the IIU by appointing a program director in September 2009 to lead the IIU. By 2013, it was in the process of appointing other experienced specialists, including a deputy program director plus heads of engineering, administration and finance, information, and internal monitoring, and a legal adviser to support the program director.

The IIU, when fully operational, is expected to become an autonomous stand-alone performance-oriented unit within the MPW. The IIU will be entrusted with the planning, scheduling, design, monitoring, supervision, and initiation of various infrastructure projects, in general, and surface transport and water, energy, and agriculture projects, in particular. Under a draft framework document for IIU’s establishment, it should evolve in about three years’ time into an autonomous, performance-oriented road authority.

The Treasury Department

The treasury function witnessed the substitution of technical and management staff by international financial management specialists for the core consolidated fund (GEMAP) and later the supplementation of local financial management capacity for donor funds (PFMU). These interventions shared a twofold aim: (1) to mitigate fiduciary risks in the short term and (2) to transfer skills to nationals to enable them to perform critical fiduciary functions. The low baseline capacity in Liberia following the war necessitated these drastic injections of financial management capacity into the public administration.

By 2013, Liberia’s treasury function had made significant improvements. Both the GEMAP and the PFMU were successful in mitigating fiduciary risks, and while the record on capacity transfer is less compelling, the Treasury had managed to transition in a relatively short time from total dependence on foreign TAs (cosigning authorities) to significant autonomy. A key factor
behind these improvements was the government’s support of PFM reforms, initially through support for the GEMAP, and then for improvements in the general environment—for example, the passing of the PFM Act in 2009. In 2013, key weaknesses remained in the Treasury’s performance, but these were no longer simply the result of a lack of capacity. Arguably, the presence of donors (and their reliance on the PFMU and other parallel expenditure mechanisms) has worked as a disincentive to perform more rigorously. More generally, the Treasury’s performance was affected by challenges to coordination with other agencies and departments within the MFDP, as well as by political interference.

Except for the PFMU—which did not deal with the government’s core consolidated fund—the Treasury operated without external assistance. In 2013, the failure to absorb the PFMU remained a bone of contention, despite the hiring of a local consultant as head of the PFMU:

Today, we have a Project Financial Management Unit from the World Bank in the Ministry of Finance and Development Planning. They’ve been here for six years. […] When we borrow IDA [that is, from the International Development Association] other than through direct budget support, it is our borrowed money. Do we manage it? No, we have a foreign person that is managing our money that is not going through our budget process. Am I pleased with that? No, because I think there are competent Liberians that can do the same job. Who’s to be blamed? (Interview with a government official, MFDP, 2013)

The trend toward greater autonomy in the treasury function was reflected in the overall staffing profile. The staffing at the Treasury increased more than 50 percent in the period 2006–12 (from 221 to 337), while the number of TAs shrunk to slightly more than one-third (from 11 to 4). The ratio of TAs to civil servants had thus decreased substantially from 1:20 in 2006 to 1:84 in 2012. “It is no longer the situation where TAs come take over and do the work. That is a change!” Finding staff with the requisite qualification remained a challenge, but both the MFDP and development partners worked on providing opportunities for training in accounting at several levels.

The Department of the Budget
GEMAP strongly influenced the Department of the Budget (DoB), as it was aimed at “protecting and increasing revenues, and getting control of the procurement process through an improved budget process” (Cohen et al. 2010). GEMAP support to the DoB was originally intended to last 36 months. At the end of this period, the DoB successfully met the PFM conditions under the HIPC initiative, and the cosigning authority was transferred from the GEMAP adviser to a Liberian counterpart in October 2009. As a result of the GEMAP, budgets were prepared on time, providing the baseline for monthly allotments of funds to line-ministries.

In 2008, the former Bureau of the Budget was merged with the MoF to become the DoB, with the head of the DoB serving as the deputy minister of the MoF. The government also attempted to create budget capacity in line-MDAs by
creating posts for budget sector heads and analysts and delegating authority downstream. The decentralization of the budget function to line-MDAs significantly reduced bottlenecks in budget preparation. However, the attempt to introduce the IFMIS into the DoB has met with significant resistance from many civil servants (see box B.3).

Although Liberia’s budget function still presented some important weaknesses in 2013, overall it had improved significantly since the end of the conflict, achieving a high degree of autonomy from external TA in a short time frame. The main weaknesses related to the level of budget credibility, comprehensiveness, and transparency.

Between 2006 and 2012, the number of staff working at the DoB grew by 10 percent, from 134 to 148 employees—a minor increase given the size of the overall increase in the budget (see table B.2). Roughly 35 percent of the 2013 staff were recruited after 2006, which suggests that about 40 staff members were redirected or had retired. In 2012, the number of TAs remained low (it decreased from four to two, which translates to a drop in the TA/civil servant ratio from 1:33 in 2006 to 1:74 in 2012).

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**Box B.3 The IFMIS Project at the Department of the Budget (Former Bureau of the Budget) in Liberia**

The introduction of a computerized Integrated Financial Management Information System (IFMIS) in Liberia appears to be an example of a failed best practice. The IFMIS project was part of the Government of Liberia’s (GoL’s) public financial management (PFM) reforms to restore credibility of the PFM systems, and was installed in the Ministry of Finance and Development Planning (MFDP) for its budget, expenditure, revenues, and administration departments, based on proprietary software (FreeBalance). The initial funding—a $3.7 million grant (April 2009)—came from the World Bank. Additional financial support was provided by the Swedish International Development Cooperation Authority (Sida) (November/December 2010; $4.99 million), while the GoL also gave budgetary support in FY2011/12 ($0.3 million).

The IFMIS went live at the MFDP in July 2011, two years after the launch of the project. The rollout to other line-ministries, departments, and agencies (MDAs) was expected to begin by 2012, but the program is accumulating delays, as “efficiency, deployment, and usage of the system remain a challenge for users” (World Bank 2012, 5).

Some of the difficulties encountered during the rollout of the new IFMIS stem from lack of buy-in from the Department of the Budget (DoB). Several interviewees inside the DoB perceived the IFMIS as an overly complex system, unnecessarily overengineered for the GoL’s needs and detached from both Liberia’s information technology capacities and from the infrastructures available to run a web-based system.

The World Bank introduced a [budgeting] module for IFMIS that is not applicable and does not help my budget process. It created more work and more capacity gaps with FreeBalance. I told them “we are not going to use it,” and today we are not using it, but we can produce the budget on time. (Interview with MFDP official, DoB)

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*box continues next page*
Box B.3 The IFMIS Project at the Department of the Budget (Former Bureau of the Budget) in Liberia (continued)

IFMIS was overengineered and overheightened to deliver more than what we could use in terms of the potential we had. When somebody is selling you something, they sell you on the premise that it will deliver as promised if you are using it in an optimal way. They don’t tell you “if you use it at a nonoptimal level, you will still get the output.” So when IFMIS comes in it is supposed to do all of these things and help us synchronize. But we are at this level [pointing downward]. We’ll use it at this level so we’ll never optimize to get everything out of it. (Interview with MFDP official, DoB, 2013)

Although some PFM specialists argued that its introduction enhanced the quality of Liberia’s PFM significantly, many MFDP officials maintained that the IFMIS was too sophisticated for Liberia, where many of the staff who needed to use the system are computer illiterate, and where many of the MDAs lacked Internet, computers, and even electricity on a regular basis. Similar complaints were raised by donors:

Sixty to seventy percent of efforts to implement IFMIS worldwide have failed. In Liberia, indeed, ministries are using parallel systems. We must understand that complicated global best practices require both social and physical infrastructure. You cannot leap toward IFMIS without intermediate systems: you need stages! (Interview with a representative of a major donor, 2013)

Table B.2 Staff Numbers at the Department of the Budget (Former Bureau of the Budget) in Liberia, 2006, 2009, 2012

<table>
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<tr>
<th></th>
<th>2006</th>
<th>2009</th>
<th>2012</th>
</tr>
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<tbody>
<tr>
<td>Total staff (public servants)</td>
<td>134</td>
<td>142</td>
<td>148</td>
</tr>
<tr>
<td>Staff with university studies</td>
<td>—</td>
<td>—</td>
<td>87 (the majority, unrelated to their profession)</td>
</tr>
<tr>
<td>Technical assistants</td>
<td>4 (on-budget)</td>
<td>4 (on-budget)</td>
<td>2</td>
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Source: Interviews at the Department of the Budget.
Note: — = not available.

Primary Health Care Function

The civil war had a catastrophic effect on health care provision in Liberia. Qualified staff left the country, and the public health system collapsed. Both during the war and in the years immediately after, emergency/humanitarian NGOs assumed responsibility for filling the vacuum. The country’s health system was typical of a postconflict country in the years right after the conflict: significantly improved from the conflict baseline but highly uncoordinated and with major asymmetries, both in coverage and quality. An analysis of the health sector in 2007 revealed that the health infrastructure in Liberia remained badly damaged, and most health care provision was in the hands of NGOs (USAID 2007). A total of 196 of 550 prewar health facilities were destroyed, and of the remaining 354, the GoL managed 20 percent. The rest were taken over by NGOs.
With the appointment of a new minister of health in 2006, government control over the humanitarian and emergency organizations operating in the health sector increased. In 2007 the MoH launched the National Health Policy (NHP) with the goal of “improving health and social welfare status and equity in health.” The most important element of these reforms was the donor-financed Health Sector Pool Fund, which was used to contract out and supervise NGOs that provided the services. Some donors, such as the EU and USAID, decided to opt out of the pool fund in favor of budget support, preferring to provide funds with built-in reimbursement mechanisms to mitigate risk. The decision to opt out led to a short-term decline in the quality of services due to the early lack of qualified HR in the MoH, but this was the price paid for long-term sustainability.

To address the shortfall in capacity in the MFDP, the Office of Financial Management (OFM) was established within the MoH in 2007. Its main function was to provide financial management support to enable the MoH to monitor the activities of NGOs and prepare the budget. PricewaterhouseCoopers was contracted to set up the office. As of 2013, the OFM had 35 officials and was regarded as the premier line-ministry finance office.

It is further advanced than any other of the line-ministries. And it sets the pace for what’s possible. And even now, just so you know we are talking about decentralization, we haven’t gone far, but we are in the lead. When you ask anybody how do you do this, they say, “Well, wait for the MoH to tell us.” (Interview with a government official, MoH, 2013)

By 2013/14, the MoH had sufficient capacity to allow public servants to carry out the tasks previously carried out by NGOs, both in management and service delivery positions. In general, the MoH represents a positive example among Liberia’s MDAs and has successfully rebuilt administrative capacity internally and made significant steps toward regaining control over the provision of health services.

Notes

1. According to Easterly and Nyarko (2008), in 2000, 45 percent of Liberia’s skilled workers (defined as those with a postsecondary education), or about 21,000 people, lived outside the country (most in the United States)—one of the highest percentages of any African nation.

2. The government established several bodies to improve governance and rule of law—the Public Procurement Commission in 2005, the Governance Commission (GC) in 2007, and the Anti-Corruption Commission in 2008. Important legislation was enacted to open the democratic space and ensure accountability, for instance, in public financial management (through the Public Financial Management Act of 2009) and access to information (through the Freedom of Information Act of 2010).

3. As compared with nominal $250–$1,000 or more for comparable jobs in the private sector, nongovernmental organizations (NGOs), or aid agencies. The severity of the pay situation is described in greater detail in the Civil Service Reform Strategy (CSRS) 2008–11: “The salaries of Liberian civil servants in the recent past have been so low that
their ‘take home pay’ could literally neither defray the costs of transportation to and from work every month, nor purchase a bag of rice which is the country’s staple food. Until 2006, many government workers earned, on the average, the equivalent of US$15 per month, while the price of rice was above US$18 per 100 kilogram bag. The salaries of the middle and senior managers were lower than most West African countries; they averaged around US$20 per month.” (Republic of Liberia 2008)

4. Interview with a government official, 2013.

5. According to Gerdes (2012), President Sirleaf’s election victory was based on a number of tactical alliances with regional power brokers who represented important electoral constituencies inside Liberia and whose appointment to the cabinet was a quid pro quo for their support.


7. The peace deal was brokered by the Economic Community of West African States (ECOWAS), and during negotiations the two rebel movements were awarded with seats in the cabinet in the new Interim Administration. Five cabinet portfolios went to the GoL, LURD, and MODEL, and six to unarmed political parties and civil society groups. For details, see annex 4 of ACPA: http://www.usip.org/sites/default/files/file/resources/collections/peace_agreements/liberia_08182003.pdf.

8. Speaking on behalf of the donor community in June 2005, the World Bank Representative for Africa, Matts Karlson, said that there would be no additional funding for Liberia until the government addressed the problem of corruption. On July 25, 2005, the African Union’s 15-member Peace and Security Council issued a communiqué noting “the difficulties confronting the transitional institutions, particularly with respect to corrupt practices, which could undermine the significant progress made so far” (http://mpantheon.hrw.org/legacy/backgrounder/africa/liberia0905/7.htm).

9. This 10 percent increase is not that significant in comparison to other countries in this study. This in part reflects the weakness of Liberia’s financial situation postconflict. Liberia’s Treasury did not have the money to finance further public sector salaries during the NTGL period.

10. The extent of the problem under the Transitional Government is indicated by President Sirleaf’s zero-tolerance policy on corruption, announced in the earliest days of her mandate. She fired all transitional political appointees in the finance ministry pending an investigation into corruption allegations, announced that corrupt officials would be prosecuted, and dismissed 17,000 government workers in the first months of her mandate before moving to longer-term legal and institutional reforms (Chêne 2012).

11. ACPA, Article VII, Section 1 (b) stipulated that: “The Armed Forces of Liberia shall be restructured and will have a new command structure. The forces may be drawn from the ranks of the present GOL [Government of Liberia] forces, the LURD and the MODEL, as well as from civilians with appropriate background and experience. The Parties request that ECOWAS [Economic Community of West African States], the UN [United Nations], AU [African Union], and the ICGL [International Contact Group on Liberia] provide advisory staff, equipment, logistics and experienced trainers for the security reform effort. The Parties also request that the United States of America play a lead role in organizing this restructuring program.”

12. However, according to a statement in the Fifteenth Progress Report of the Secretary-General on the UNMIL, many Liberians informed the mission that “the reintegration
programme has failed to provide sustainable alternative livelihoods for ex-combatants,” and unemployment is currently at 85 percent in Liberia.

13. Interview with a local businessman, 2013.

14. UNMIL began the third phase of its drawdown in July 2014; by July 2015, UNMIL’s military strength was scheduled to be about 3,750 military personnel. However, the Security Council increased the mission’s police strength by three police units, to support the Liberia National Police in a smooth security transition (http://unmil.unmissions.org/Default.aspx?tabid=5361&language=en-US).

15. Members of this group included Christopher Toe, Olubankie King-Akerele, Antoinette Sayeh (a former World Bank colleague), Willis Knuckles (whose courier service constituted an important link between U.S. exiles and their Liberian families), Eugene Shannon, Toga McIntosh, and George Wallace. These appointments also reflect the fact that the U.S. diaspora was the primary source of qualified personnel. The U.S. diaspora also played a significant role in Sirleaf’s election campaign, and was responsible for the majority of her campaign financing.

16. Peter Bonner Jallah, the former minister of justice and allegedly a long-time NPFL member, was the most high-profile appointee and was named minister of national security.

17. Interview with an external consultant, MFDP, 2013.

18. In addition, a large proportion of donor aid was channeled to these sectors, alongside funds contributed by several large NGOs, neither of which are reflected in the national budget (see the “Parallel Structures” section of this appendix). However, the size of the education sector relative to the population still lagged behind regional levels; in 2013, the total number of employees in the education sector was only 2 percent of the population, compared to an average of 6.2 percent across comparator countries.

19. This DDR policy also received significant support from the U.S. government, which provided funding for severance payments.

20. As of 2015, the extent of donor contributions masked the true volume of expenditures on security in Liberia, as most of the costs for the armed forces were financed by the U.S. government and were not channeled through the national budget.

21. All wage bill amounts here are reported in constant 2011 international dollars.

22. This is an upper bound estimate, as these ministries did not necessarily spend all grants on employees.

23. The Liberian government established the National Social Security and Welfare Corporation (NASSCORP) in 1975, which operates two pension schemes: the Employment Injury Scheme (EIS), launched in 1980, and the National Pension Scheme (NPS), introduced in 1988. The government also supports a noncontributory pension for public servants, administered through the CSA.

24. These projects were done “in crisis mode” according to the then-deputy director general for human resource management and had numerous methodological flaws that left many ghosts on the payroll. See Friedman (2011) for a full account.

25. These include officials from the Governance Commission, the CSA, the CSA Biometric Unit, and the CSA Reform Directory.

26. As these salaries often did not constitute a living wage, several donors and nongovernmental organizations (NGOs) financed salary supplements during the war, in
particular to public sector health workers (some continue to have their salaries paid by donors today).

27. See Cooper-Enchia (2009, 29). About 89 percent of all public servants were placed within grades 1–8, of which 28 percent were in grade 5, most of whom were teachers. Directors and technical professionals were in grades 9–13, with grades 14 and 15 being senior management and seasoned technical professionals, including medical doctors. This 15-level grade structure was to be used until a full job analysis/review, grading, and classification was completed in 2009/10 to establish a new grading structure.

28. “In 1998 the MoH established a new salary scale for health workers. Initially the international community was reluctant to pay health workers’ salaries, but there were no alternatives and the MoH pushed them to take responsibility. Doctors jumped from 1,500 LBD to US$700–US$1,000. […] At that time [2001] donors warned about the future problems of paying in U.S. dollars, but we did not have a choice: this was the only way of attracting and retaining qualified staff” (interview with a former government official, MoH, 2013).


30. For analysis of divergent levels of allowances, see Orac (2014, 22). This was broadly in line with the projected compression ratio of the 2009 pay scale (approximately 10:1).


32. Interview with a government official, 2013.

33. Interview with a government official, Governance Commission, 2013.

34. The MTPS envisaged that over the medium term, as employees filled the new structure, the decompression ratio would rise to 1:12.8. On the basis of the initial pay structure set out in the MTPS, the compression ratio was 1:8.6.

35. These categories excluded the president and vice president.

36. The other programs were the Liberia Emergency Capacity Building Support and the Transfer of Knowledge through Expatriate Nationals (TOKTEN) programs. The Liberia Emergency Capacity Building Support program recruited 40 Liberians from the diaspora to high-level positions in the government. The TOKTEN program aimed to recruit professional expatriates for relatively short-term contracts of 6–18 months to help build systems or train replacements and provide a short-term capacity surge.

37. This corresponds to 52 percent of the 110 professionals recruited in total to the SES program at the time of research. The selection of the sample was based on the availability of the interviewees. Thus, those who left the program and/or their link with the GoL are underrepresented.

38. De jure, the responsibilities, functions, and duties of the CSA include (but are not limited to): “recruit, examine, classify, certify and place Civil Servants (with the exception of those falling within category A [unskilled] who are only subject to classification for employment)”; “keep accurate and up-to-date records of every individual employed in the Civil Service System”; “issue, with the approval of the President, rules and regulations setting forth the conditions of employment for all Civil Servants”; and “maintain a record of all Personnel Action Notices (PAN) of all Civil Servants to ensure that the person so employed is a classified Civil Servant” (Republic of Liberia 1972).
39. With a $2.3 million grant, the CSA and U.K. Department for International Development (DFID) launched the Civil Service Capacity Building Project in March 2007. The aim of the project, according to team leader Nellie Mayshak, a consultant hired by the DFID, was “to turn the civil service around to a much more effective and efficient system, a smaller bureaucracy and much more performance-oriented and service delivery-oriented institution” (Friedman 2012, 9). One result of this project was the “Smaller Government, Better Service” paper that identified rightsizing and human resource management as key priorities in addition to pay and pension reform, development of leadership capacity, and improvement in gender equality (Republic of Liberia 2008).

40. GoL, the Liberians United for Reconciliation and Democracy (LURD), the Movement for Democracy in Liberia (MODEL) 2003: Article XVI, Establishment of a Governance Reform Commission.

41. The Governance Commission’s stated mandate was to: “(1) Promote good governance by advising, designing, and formulating appropriate policies and institutional arrangements and frameworks required for achieving good governance; and (2) Promoting integrity at all levels of society and within every public and private institution” (Republic of Liberia 2007, articles 3.1.1 and 3.1.2).

42. Exceptions explicitly noted in the act (Section 66.15) include, among others: a. members of legislature; b. other elected officials; c. justices of the supreme courts; d. judges of subordinate courts; e. all appointed members of boards; f. cabinet ministers; g. deputy cabinet ministers; h. assistant cabinet ministers; i. heads of autonomous agencies and bureaus; j. ambassadors; k. county superintendents; l. territorial superintendents; m. county, territorial, and other commissioners; n. sheriffs; o. all commissioned and noncommissioned officers and enlisted men of the regular armed forces; p. law enforcement and security officers; q. all contract-employees of the government. Other exceptions comprise bailiffs, messengers, chauffeurs, caretakers, matrons, and janitors.

43. Section 66.20: “Filling of Vacancies: All vacancies in the Civil Service shall be filled by ordinary appointments, promotional appointments, provincial appointments, re-employment, or the transfer. Whenever a vacancy in a position in the Civil Service is to be filled, the Administrative Head shall indicate by written request whether the position is regular or temporary. If the position is regular, he may request that the position be filled by original appointment, promotional appointment, re-employment or transfer.”

44. Interview with a government official, MoE, 2013.

45. A biometric registration of staff on the secondary payroll conducted in 2016/17 provides evidence of how widespread the practice of working in the predecessor’s name still is. Out of 6,043 staff at the MoE and 1,587 at the Ministry of Home Affairs, a total of 993 were identified as “people replacing employees who exited the payroll through natural attrition” (World Bank 2017, 2).

46. “In the past, employment in civil service was all based on patronage. We are moving forward toward meritocracy, with a civil service that is slowly becoming more professionalized, but we still have a long way to go. Many constraints remain: P&G system, classification of workers within the civil service, those benefitting from patronage hindering restructuring, no willingness to legislate reduction of political appointees… It will still take many years until a merit-based system takes root” (interview with a government official, CSA, 2013).

47. Interview with a member of the SES, 2013.
48. “Since there are no clear procedures for manpower planning, hiring decisions are driven by available budget rather than staffing need. The personnel budget provided by the Ministry of Finance & Development Planning (MFDP) is occasionally insufficient to cover the entire staff complement in ministries, since the MFDP sometimes overrules listings provided by ministries and agencies. In such cases, ministries inevitably have to use non-payroll resources to finance wages” (World Bank 2014, 38).

49. As of 2013, the Biometric Registration System that was rolled out in 2008 had captured about 75 percent of all civil servants on the primary payroll. According to an official in the CSA, by 2013, the nominal roll included a majority of civil servants: “We have gone 60 percent of the way to be the only gatekeeper (biometrics, HRMIS…) but the remaining 40 percent will be long and difficult” (interview with a government official, CSA, 2013).

50. The second sentence in this quote references an earlier version of the cited document (as of September 5, 2013), but was omitted in the published version.

51. These activities were supported by a number of development partners, including DFID, the Swedish International Development Cooperation Agency (Sida), the African Development Bank (AfDB), the U.S. Agency for International Development (USAID) through its Governance and Economic Management (GEMS) project, and the World Bank through funding from the State and Peace-building Fund (SPF).

52. The president presented a bill in the legislature requesting authorization to reorganize the executive based on these reviews, suggesting some progress in the plans to restructure the ministries (World Bank 2014, 17).

53. GEMAP was a “temporary international trusteeship” in several areas of public financial management to: (1) mitigate fiduciary risk, enforcing a transparent and efficient PFM; (2) provide social and political stability, underpinning the peace-building process and preventing the country from falling into a new civil war; and (3) “empower and capacitate Liberians to administer the basic functions of cash management, commitment control, clearance of arrears, treasury management when the expats leave” (Dapaah and Brar 2013).

54. The GEMAP had six components: (1) securing Liberia’s revenue base; (2) improving budgeting and expenditure management; (3) improving procurement practices and granting concessions; (4) establishing processes to control corruption; (5) supporting key institutions of government; and (6) building capacity.

55. USAID’s FARA has a slightly different disbursement mechanism, which is activity rather than outcome based.

56. See Commission of the European Communities (2005): “In addition, the EU should foster more general and sectoral budget support. This will not only make aid delivery more transparent, predictable and result-oriented but will also enhance the EU’s collective political leverage.”

57. The EU’s decision to channel the funds through budget support was also motivated by a 2010 audit of the Health Sector Pool Fund, which found the fiduciary arrangements of the Fund to be unsatisfactory.

58. Interview with a government official, Health Sector Pool Fund, 2013.

59. Interview with a consultant of a major international donor, 2013.

60. USAID—the biggest donor in Liberia—adopted a different approach, usually contracting out to external contractors who were in charge of both the implementation and the fiduciary arrangements.
61. This may reflect the fact that improving PFM was essential to establishing government control over line-MDAs. According to an international financial management expert, under the NTGL, “There were rebels in the ministries … this warring faction is responsible for the controller department; this other faction is responsible for procurement … in the same ministry!”


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Sierra Leone Case Study

Overview

By January 18, 2002, when the then-president of Sierra Leone, Ahmad Tejan Kabbah, officially declared the civil war to be over, Sierra Leone’s public service had been shaped primarily by the long-lasting one-party dictatorship in power until the beginning of the civil war in 1992.¹

Under the All People’s Congress (APC) one-party dictatorship (1978–92), and in particular under President Siaka Stevens’ rule, the public service had become politicized. The 1978 constitution required APC membership for all public servants.² In the words of one public servant: “After independence […], this country had the best civil service in West Africa. […] Some years after independence, when you started having the one-party state, the civil service collapsed because of politicization. Public service came to zero.”² Whereas public service management institutions had retained the forms of the British colonial period, they had largely become defunct. The Public Service Commission (PSC), respected as an independent guardian of merit in public service recruitments in the postcolonial period, had turned into a rubber-stamping body for politicized appointments. The public service had reached its peak size of about 100,000 employees in the mid-1980s, fed by decades of patronage.

But it is also the exceptional, peripheral nature of Sierra Leone’s conflict that shaped the postconflict public service. The conflict reached the capital, Freetown, only briefly, culminating in the burning of the Treasury building in May 1997. This implied that central ministries and agencies kept running throughout the conflict and remained relatively unaffected. Importantly, it also permitted donors to stay engaged during conflict. Before the civil war was over, the public service had undergone a major payroll cleaning exercise. The European Commission had supported a significant pay reform in 1998. And donors had been supporting the government, and in particular the Ministry of Finance, heavily with aid and injection of qualified and well-paid Sierra Leoneans, so-called local technical assistants (LTAs). In sum, while many public servants had fled during conflict,
after the end of conflict, by 2002, Sierra Leone’s public service was less affected than in other postconflict countries.

Postconflict, Sierra Leone’s core civil service received only limited attention from political leaders, in particular under President Kabbah’s Sierra Leone People’s Party (SLPP) government (1998–2007). Consequently, its evolution stands out as exceptionally continuous and contained, with only a few major institutional changes. While development partners attempted to push, in particular, for systematic pay reform and functional reviews of ministries, departments, and agencies (MDAs), these proposals found little traction with government and were not implemented. Government implemented a few significant reform initiatives only after the election of President Ernest Bai Koroma of the APC in September 2007, including changes in the mandates and capacity of central management bodies (in 2008), a series of ad hoc pay increases, and growing recruitment to public jobs. Several attempts at systematic pay and grading (P&G) reforms failed, aimed at filling the “missing middle” of professional staff.

By 2014, the symptoms of this limited change—if not neglect—were palpable within the core civil service. Its size did not keep pace with population growth, shrinking from 0.23 percent of the population in 2002 to 0.13 percent in 2014. It retained a relatively homogenous pay structure and the same grading system it had in 1998. The majority of civil servants had been recruited under the one-party state, prior to the beginning of the civil war. While the number of well-paid political appointees outside the civil service grew, the career-based civil service system was preserved, and lateral entry of outsiders was largely absent. In 2014, the core civil service wage bill represented only 22 percent of the general government wage bill, a relatively small share.

Rather, investments into government capacity concentrated outside the core civil service. Between 2000 and 2007, President Kabbah established a large number of semiautonomous agencies and commissions to perform key functions, exempt from civil service rules.4 These agencies became “high-pay islands,” as they could pay their staff multiple times more than civil servants and were not subject to central establishment control. Whereas an early attempt by President Kabbah to establish a pay elite through a Senior Executive Service (SES) scheme was not implemented, an elite of “out-of-grade” appointees emerged in core ministries, paid at discretionary salaries far above those of civil servants. In addition, during and after conflict, the functioning of central agencies, in particular of the Ministry of Finance and Economic Development (MoFED) and the Central Bank, was ensured by a small number (about 50) of donor-funded project staff, LTAs. While some of these high-pay islands clearly served to provide “jobs for the boys,” others, such as the LTAs, became “high-performance islands.”

Why was change in the core civil service so limited, in particular in the first five years postconflict—and why did most change occur outside it? This case study concludes that devoting limited attention to the core civil service was a rational strategy for Sierra Leone’s political leaders. As the APC’s and SLPP’s constituencies remained largely regionally and ethnically identified, leaders faced weak incentives for providing public services (public goods) to a broad
electorate—and favored handing public jobs to constituents (and potential swing voters) as private goods. “If strong regional or ethnic identities exist in much of the country then this massively reduces the extent of political competition and increases the ability of politicians to extract rents” (Robinson 2008, 17).

But leaders’ hands were relatively tied for using the civil service for either public or private good provision. The civil service lacked capacity, was relatively protected from political interference by a career system in the British tradition, and a wage bill ceiling set by the International Monetary Fund (IMF) limited fiscal space for making changes. But leaders could bypass the civil service. Political loyalists could be rewarded with lucrative positions in the previously mentioned elite enclaves, or high-pay islands, rather than in the civil service. With development partners’ support, the reconstruction effort could be run mostly through parallel structures.

Unrealistic donor proposals that lacked government buy-in, combined with coordination failures and rivalries between numerous and fragmented central reform players, have also hampered civil service reform. Donors added to these challenges by creating new central reform units, in particular a Governance Reform Secretariat (GRS) in the Presidency, while investing into existing authorities only belatedly.

In the reconstruction phase, President Kabbah’s government and donors focused on other reforms deemed essential to stabilize and reconstruct the country. “The government did not consider the management of the civil service workforce a priority. […] Other MDAs had more importance.” Priority tasks included restoring governability (including security) and basic physical economic and social infrastructure and services. The army and security forces had to be restructured and rationalized. Over 45,000 ex-combatants had to be disarmed and reintegrated into society. Schools, clinics, roads, and police posts had to be restored. Decentralization was seen as an urgent priority, as the concentration of power in Freetown was seen as a major cause of conflict.

These reconstruction priorities could be addressed largely outside the core civil service. President Kabbah had “a skeletal team (including LTAs) to run the administrative machinery ad interim.” The reconstruction effort was largely borne by the parallel structures, funded by donors and staffed with technical assistants (TAs), and by nongovernmental organizations (NGOs). Similarly, the decentralization effort was run (mostly) by LTAs in the MoFED Decentralization Secretariat, a parallel structure.

Pressures to use civil service jobs as political rents were also limited. There was limited political pressure to renegotiate rents within the governing coalition, as the Kabbah government stayed in power. Political loyalists were rewarded with lucrative jobs in newly established semiautonomous agencies and commissions, diverting pressure from the civil service. There was no interest or pressure to give public jobs to the Revolutionary United Front (RUF) ex-combatants within the lower ranks of the civil service. With a powerful presidency and a capable MoFED, the government was in a position to control access to the payroll relatively tightly from the start.
The civil service commanded less attention in part because the conflict caused limited disruption to the central administration. Many civil servants returned to their jobs after the end of conflict. Thanks to in-conflict payroll cleaning and pay reform with donors’ support, a broadly functional system was in place, reducing immediate pressure to renew it.

Why, then, did civil service reforms gain momentum later? The case study argues that it is due to a combination of several factors: Certainly, the election of President Koroma’s government played an important role, leading to the appointment of a reform-oriented chairman of the PSC, among others. Development partners also invested more into civil service institutions and in bringing together fragmented players, realizing their earlier neglect. Further, development partners facilitated new recruitments to the public service: the IMF wage bill ceiling, in place until 2008, was relaxed, providing additional fiscal space; U.K. Department for International Development (DFID) support for the Free Healthcare Initiative (FHCI) helped fund the recruitment of a significant number of nurses, and the World Bank supported recruitments of professional staff to help fill the missing middle. At the same time, it is important not to overstate this gain in momentum—important reforms, such as a systematic P&G reform, remained unimplemented as of 2015, and clientelist appointments outside the civil service continued to grow in number and cost.

These belated reform efforts call into question whether development partners got the balance right between “building” and “bypassing” the core civil service during and in the immediate aftermath of conflict. Should more have been invested early on, even with limited political backing? Should donors have been more cautious about investing into a “shadow civil service” of LTAs without a clear exit strategy? While the answers are contestable, this case study shows how these early choices strongly shaped the civil service as of 2014.

Sociopolitical and Historical Contexts

Sierra Leone’s postconflict civil service reform trajectory has been shaped by (1) a “peripheral” conflict; (2) the exclusion of combatants from power; (3) a relatively homogenous postconflict governing coalition; (4) a civil service rooted in the British administrative tradition; (5) high aid dependency; (6) a low social status of ex-combatants; and (7) a low prevalence of postconflict violence.

Preconflict Legacies

The postconflict path of Sierra Leone’s civil service was shaped by a layering of the de jure civil service institutions—a British colonial administrative system with the patronage dynamics of the one-party state—perhaps more than by the conflict itself. In the words of a senior PSC official: “The war was just another downward phase in the conflict. It all started when we decided to become a dictatorship.”

The British colonial administration had established a career-based civil service headed by the cabinet secretary and overseen by an independent PSC.
These institutions remained effective in the immediate postindependence period (1961–68) under the leadership of both Sir Milton Margai and Albert Margai. At this time, Sierra Leone had one of the most highly respected civil services in West Africa—a reference point that civil servants take pride in highlighting even today.

These institutions were hollowed out during the long-lasting dictatorship and one-party rule under Presidents Stevens (1967–85) and Momoh (1985–92). Public service politicization was “constitutionalized” in the 1978 constitution (GoSL 1978), making party membership a requirement for civil servants. Senior positions were filled with loyalists, and the public service grew in size.

Sierra Leone’s 1991 constitution shapes the key regulatory basis for the public service. Accordingly, the cabinet secretary is the head of the civil service and responsible for coordinating and supervising the work of all administrative heads of ministries and departments. The chairman and members of the PSC are appointed by the president. The PSC, established by the British in 1948, holds a comprehensive mandate for appointing and dismissing persons to offices in the public service and for exercising disciplinary control. This mandate extends across all grades except permanent secretaries. As of 2002, the PSC’s mandate comprised oversight of the core civil service and of health employees, excluding teachers, police, and the military. The Establishment Secretary’s Office (ESO) followed the Colonial Secretary’s Office with establishment control and record-keeping functions. The civil service policy functions rest with the president, who is also minister of the public service.

This heritage has affected the postconflict civil service through three channels in particular. Some inherited rules have, by and large, continued to be respected—in particular the protection of a career-based civil service from lateral entry. Civil servants still retain proud memories of the postcolonial civil service, an important reference point. And a large number of unqualified staff remain in the civil service as the long-term heritage of the one-party state.

**Conflict and the Political Settlement**

The peripheral origin and nature of Sierra Leone’s conflict has significantly contributed to the continuity of its civil service. Physically, central government’s agencies remained functional, as the conflict mostly spared Freetown. Politically, RUF rebels were ultimately excluded from power, reducing pressure for redistribution of civil service jobs.

The origins of Sierra Leone’s civil war are seen in the marginalization of a vast share of the population, in particular of youths under the APC’s single-party regime. Pre-civil war, society was controlled by urban elites in Freetown in alliance with paramount chiefs—allowing for kleptocracy and depriving nonurban populations of public services and fueling distrust in government (Reno 1995). When in March 1991 the RUF, which originated in Liberia, began to attack villages on the eastern border with Sierra Leone, they found it easy to recruit these marginalized youths.
Originating at the country’s periphery, the RUF, while gaining in numbers and territory, did not reach the Western Peninsula and Freetown during most of the conflict. The rebels entered Freetown only toward the end of conflict and only for short periods.

This peripheral nature of conflict enabled central government MDAs to continue functioning and permitted donors to stay engaged during significant parts of the conflict. As a result, in 2002 a Country Financial Accountability Assessment noted that “given the acute period of civil collapse from which the Republic of Sierra Leone only recently emerged, financial management in the country functions surprisingly well” (GoSL 2002c, viii).

Military coups during the insurgency were associated with significant new appointments to and political “cleansing” of the civil service (at least at senior levels). On April 29, 1992, a revolt by junior army officers under Captain Valentine Strasser was able to topple the APC government, weakened by the insurgency, in a military coup. The National Provisional Ruling Council (NPRC) was established as the ruling authority. The NPRC ousted APC functionaries and replaced them with loyalists. It created commissions of inquiry, tasked with investigating charges of “corruption, mismanagement, and indiscipline in the public service” and with recovering “all state assets and other properties improperly obtained.” During this period, many APC functionaries were removed from the civil service, imprisoned, and had their assets seized.

In a second military coup, on May 25, 1997, President Kabbah, a former United Nations diplomat, was ousted from office by the Armed Forces Revolutionary Council (AFRC). The AFRC invited the RUF to join government. Although the AFRC remained in power for only about 10 months before President Kabbah was reinstated, this period saw a major injection of AFRC loyalists into the civil service.

Importantly, as Fanthorpe, Lavali, and Sesay (2011, 52) forcefully note, “None of the leading factions in the Sierra Leonean conflict became major players in peacetime politics […]” The original Lomé Peace Accord, signed by President Kabbah and RUF leader Foday Sankoh on July 7, 1999, did include the RUF in power. Sankoh became vice president, and other RUF members were appointed to cabinet positions. But the RUF nearly immediately violated the Lomé Accord, leading to RUF’s ouster from government and to the arrest of senior RUF members. Consequently, the second Abuja Agreement of May 2001 did not preview any RUF participation in power. It provided the foundation for disarmament at scale and a decline in hostilities, and on January 18, 2002, President Kabbah declared the civil war officially as over.

The exclusion of wartime factions from peacetime politics implied that protracted debates and tense negotiations that delayed the process of institution building in other countries were absent, making it easier to focus on the technical and policy aspects of the subnational institution-building process. In other words, an “authorizing environment” emerged which enabled rapid alignment of national and international interests and quickly mobilized donor support.
Sierra Leone’s postconflict political equilibrium has been marked by a lack of incentives for public good provision—and thus for investing into a capable civil service. Elections have been regarded as relatively free and do encourage political competition. But ethnic politics strongly shape voting patterns, limiting competition between the APC and the SLPP on policy platforms. The APC has its electoral base among northern ethnic groups—the Temne, Loko, and Lima. The SLPP is supported by the Mende in the south and east. Although, especially in Freetown (Kandeh 2008), the number of swing voters appears to be growing gradually, ethnic ties remain strong.

In this setup, it is rational for the winning party to use public service jobs for rewarding loyalists. Appointments to senior positions in autonomous agencies and parastatals have certainly followed this logic. According to several sources (see Srivastava and Larizza [2013] for details), following the 2007 election of President Koroma, the APC replaced a significant number of senior bureaucrats with its own loyalists—including “the Governor of the Central Bank, the commissioner of the National Revenue Authority, the Chairman of the telecommunications commission, the board of directors of all parastatals and even the Clerk of Parliament” (Robinson 2008, 25). However, interestingly, such political appointments have been concentrated outside the core civil service, as will be shown. Conversely, investments into civil service capacity as an instrument of public service delivery have been neglected.

Another key feature is the concentration of power in the president’s hands in Sierra Leone’s hyperpresidential system, as well as in the Ministry of Finance. This has helped to ensure relatively tight control over the growth of the public service and the wage bill, compared to other countries, where power is more dispersed (e.g., Liberia).

Donor Influence
Development partners have consistently been influential in Sierra Leone, which has received among the highest official development assistance (ODA) flows in the world. In 2014, ODA amounted to 18.7 percent of gross national income (GNI) and 154.8 percent of central government expense.

During the civil war, donors supported President Kabbah’s administration in maintaining basic state functions, and played a highly visible role in peacemaking and peacekeeping (Thompson 2007). After the Kabbah government had been restored following the 1997 military coup, support under the IMF’s 1998 Emergency Post Conflict Assistance, as well as from the United Kingdom, the European Union (EU), and the World Bank, “shaped the cornerstone of the government’s budget” (Tavakoli 2012, 11). Under international influence, the early Kabbah administration prioritized, among others, public service reform, as noted, and the fight against corruption. It established the Governance Reform Secretariat (in 1999) and the Anti-Corruption Commission (in 2000) to these ends, but reform implementation remained limited. The reliance on LTAs began in this period.
After the civil war, substantial budget support continued to ensure a high level of donor influence and became a focal point for policy dialogue between the Government of Sierra Leone (GoSL) and budget support donors (African Development Bank [AfDB], DFID, EU, and the World Bank; Tavakoli 2012, 11). Until 2008, an IMF wage bill ceiling constrained public service growth and salary increases. Development partners concentrated their early efforts in particular on decentralization, seen as critical to restoring state legitimacy, and on public financial management reform, with a focus on regulatory frameworks and the MoFED’s capacity for budget formulation and execution. Public service reform, by contrast, received limited attention under the Kabbah administration and gained traction only with DFID and later World Bank support after President Koroma’s election in 2007.

**Public Service Size and Structure**

*Evolution*

At the end of the civil war in 2002, Sierra Leone inherited a relatively small public service, representing only about 0.9 percent of the population, with low capacity. The public service had been downsized sharply in the early 1990s through a series of retrenchments and structural adjustments enforced by development partners before and during the conflict. Toward the end of conflict, in 1998, development partners had pushed for cleaning the payroll and for strengthening establishment controls. An expatriate accountant general (AG) had been hired by the European Commission in 1998 to tighten payroll and expenditure controls. In a Payroll Verification Project, about 4,600 ghost teachers and 1,500 staff over retirement age had been removed from the payroll (IRMT 2008, 8), about 14 percent of the 2002 public service. Other downsizing efforts focused on daily workers and other temporary staff.

As a result, by 2002, general government employees on the payroll comprised about 62,000 employees, or 1.3 percent of the population (see figure C.1), down from around 100,000 in the 1980s. The armed forces comprised about 16,500 soldiers. About 21,300 teachers made up the lion’s share of the public service, which comprised a total of 45,600 employees. The core civil service comprised only about 11,400 employees, or 0.23 percent of the population. There were about 5,600 health workers and 7,200 police. Despite this small public service, the 2002 wage bill amounted to 5.6 percent of gross domestic product (GDP), or 60.7 percent of total government revenues, due to low tax revenues.

But on-payroll employment does not provide the entire picture. Outside the payroll, there was a significant number of “volunteer” nurse aides and teachers, informally recruited by clinics and schools outside and paid from nonsalary budgets or (formal and informal) user fees.

Civil service capacity was low because most of the workforce was unskilled. By 2008, Dr. Julius Sandy, head of the Public Sector Reform Unit (PSRU), was quoted as saying, “89 percent of our workforce is either barely skilled, semi-skilled or totally unskilled” (World Bank 2010, 85). This was also reflected in a
missing middle of professional staff. By 2002, the majority of civil servants had been recruited under the one-party state, based on patronage criteria and with weak checks for qualifications.19

Between 2002 and 2015, the public service expanded at about the rate of population growth (see figure C.2), from 45,600 employees in 2002 to about 65,900 employees in 2015. A near doubling of the numbers of health workers and teachers has been the key driver of this growth. Specifically, between 2011 and 2012, the number of health workers on the payroll grew rapidly (by about 20 percent), as the government decided to absorb “volunteer” nurse aides in the context of its FHCI launched in 2010. The core civil service, by contrast, actually shrank by 23 percent, from about 11,400 employees in 2002 to 8,800 employees in 2015. This is largely due to a payroll verification exercise conducted in 2008. The armed forces halved in size after the war, from about 16,500 in 2002 to 8,100 in 2015.

Outside the payroll, the most important trend was the growth of employment in semiautonomous agencies. Salary grants for employees in these agencies represented an increasingly large share of the total wage bill, amounting to 16 percent in 2014.20

In line with the modest growth of general government, the general government wage bill21 remained relatively stable until 2008, when adjusting for inflation. Between 2008 and 2014, it grew rapidly, more than doubling in real...
terms (see figure C.3). While significant in absolute terms, this growth has largely been in line with overall growth of GDP and government revenues, keeping the wage bill share broadly constant. It was driven predominantly by pay increases.

Relative to GDP, the wage bill remained comparatively low, amounting to 5.9 percent of GDP in 2014. However, the wage bill continued to consume a large share of own government revenues (59.7 percent in 2014), given Sierra Leone’s low revenue-collection rate, raising sustainability concerns. The share of the wage bill in government expenses grew from 25.8 percent in 2002 to 49.7 percent in 2014, due to a decline in grant financing (see figure C.4).

Payroll data suggest that recruitments to the civil service had begun to fill the vast missing middle of professionals by 2014. The share of staff in the professional grade range (grades 7–9) about doubled between 2001 and 2014 (see figure C.5).

Strikingly, “out-of-grade” appointments, which mostly comprise political appointees, have grown fastest—from about 0.6 percent in 2001 to 4 percent of
the civil service in 2014. Given the high salaries in this category, their salaries represented nearly 40 percent of the core civil service payroll in 2014.

With limited new entry, as of 2013, the generation of civil servants who entered the service before the civil war still dominated. For a sample of 2,880 civil servants, the median entry year was 1986 (see figure C.6). In 2013, more than half of the civil servants in the sample were ages 50 and above. The sample suggests that the number of civil servants on the payroll beyond pension age was small.

What explains this exceptionally modest growth of general government? As highlighted in the “Overview,” pressure for change to Sierra Leone’s public service was limited because of the nondisruptive nature of the conflict and the nature of the political settlement. The relatively quick decline in violence allowed downsizing the armed forces, and no ex-combatants were absorbed into civilian government. “Jobs for the boys” were mostly provided outside the core civil service, in part because it was easier to create lucrative positions in semiautonomous agencies, in part because the British tradition of a career-based service made it more difficult to appoint outsiders to career positions.
Relatively effective central control over the payroll since the end of conflict has also contributed to containing its growth. The influential MoFED and the Accountant General’s Department (AGD) were able to effectively perform and monopolize the basic gatekeeper function to the payroll immediately after conflict, even though personnel records had mostly been destroyed.

Certainly, the influence of development partners has also played an important, if not dominant, role. On the one hand, donors sought to contain the wage bill and clean the payroll. Until 2008, an IMF wage bill ceiling contained public employment. Donors pressed for cleaning the payroll and, in 2008, a comprehensive payroll cleaning exercise permanently removed about 2,513 irregularities from the payroll, including ghost workers and pensioners. Donors also sought repeatedly to clean the teacher payroll, but as of 2015, this had not been implemented, due to political resistance.

On the other hand, donor interventions also drove up the wage bill. In 2010, after significant pushes by donors, the government absorbed about 50 previously project-funded LTAs into the payroll. While small in number, their high salaries increased the wage bill significantly. In 2010/11, DFID’s commitment to finance the absorption of informal ‘volunteer’ nurses into the payroll as part of the FHCI contributed to the growth of formal health sector employment. Between 2008 and 2012, on-payroll employment in health grew by 47 percent, from about 6,600 to 9,700 employees, making it the single largest factor driving formal
Figure C.5 Grade Composition of the Civil Service in Sierra Leone, 2001 and 2014

Sources: Calculation based on Ministry of Finance and Economic Development payroll data.
Note: The grade distributions shown in the figures likely understate the problem of the “missing middle” of professional staff, due to grade creep (promotion of clerical or technical staff into professional grades). Grade 25 comprises low-level clerical public employees. Out-of-grade employees mostly comprise political appointees.

Figure C.6 Approximate Date of Entry of Civil Servants in Sierra Leone as of 2013

Source: June 2013 personnel records from the Ministry of Finance and Economic Development.
Note: The figure is based on a nonrepresentative sample of 2,880 out of 10,000 core civil servants in 2013 whose date of birth and appointment date were available in the June 2013 personnel list.
public employment growth. The following section discusses the design and effects of the payroll cleaning exercise conducted as an important donor-supported intervention.

**Payroll Verification Intervention**

In 2008, the government undertook a comprehensive Civil Service Payroll Verification Project, involving the physical verification of the identities and records of all civil servants. It was run by the Records Management Improvement Program, located in the then-newly created PSRU. In the context of a broader envisaged public sector and pay reform, the project aimed to free up fiscal space by removing irregularities (ghost workers, civil servants overdue for retirement, and so on) from the payroll. It also aimed to restore reliable personnel records for the civil service, digitize them, and include biometric data. Until 2008, “there were a lot of gaps in personnel records. […] For instance, they would not even have letters of appointment, they would not have an acceptance letter, they would not have a medical certificate of fitness” (Innovations for Successful Societies 2008, 1–2). As of October 2005, out of a total of about 16,500 civil servants and health employees, only approximately 6,530 had personnel files at all (GoSL 2008c, 15).

Available data and most observers suggest that this verification exercise was successful. It directly resulted in the permanent removal of about 1,969 out of a total of 15,950 civil servants and health employees on the payroll, or about 12 percent of civil servants and health employees (GoSL 2008c, 5) (see figure C.7). This comprised 1,108 staff moved to retirement and 861 staff

![Figure C.7 Civil Servants and Health Employees Removed from the Payroll in Sierra Leone, 2008](Image)
suspended after failing to attend the verification interviews. In addition, the verification exercise triggered “a substantial increase in activity from ministries and departments updating personnel records in HRMO [the Human Resource Management Office]” (GoSL 2008c, 5), indirectly leading to the “self-cleaning” of 544 staff. For the remaining civil servants, the project provided a comprehensive electronic database of human resource (HR) records, as an important foundation for future HR management. Box C.1 provides details on the design of the exercise and its success factors.

Box C.1 The Records Management Improvement Program and Payroll Cleaning Exercise for Civil Servants and Health Employees in Sierra Leone (2008)

The project proceeded in three steps. First, the team took stock of the existing records and their completeness* (in the Establishment Secretary’s Office) and catalogued the available data in an electronic database. Second, the physical verification was piloted with a sample of 2,000 health sector employees, out of a total of about 6,500. Files were verified by inviting civil servants for a mandatory interview (close to their workplace), which served to obtain missing information and documents from them and take their biometric data. Importantly, it was communicated that civil servants who did not appear for the interviews would automatically be removed from the payroll and given a 30-day appeal period for being reinstated. After the completion of the pilot, the third step consisted of scaling up the verification exercise to the entire civil service. A team of 25 staff travelled to all 12 districts to conduct the interviews.

After a series of previous failed attempts at cleaning the payroll, several factors contributed to the success of this project. It was backed by strong leadership and embedded in a broader public sector reform strategy, supported both by government and development partners. President Ernest Bai Koroma himself helped communicate with civil servants about the verification exercise, both on television and on the State House’s website. By participating himself, he set the example for civil servants and emphasized that all civil servants, regardless of their rank, have to participate. The initiative also benefitted from leadership at the Human Resource Management Office and the Public Sector Reform Unit. The exercise was also actively supported by the establishment secretary and the accountant general, among others. This high level of buy-in was fueled by the small-scale pilot, which had demonstrated the savings potential from verification. “We were able to save for government some SLL [Le] 90 million just for 1 month of the 234 people that were deleted from the payroll. […] Now the donors and government said wow, wait a minute. If you can just take a sample of 2,000 names and then remove 234 off the payroll, how about if you do the entire civil service?” (Innovations for Successful Societies 2008, 4).

Automatically eliminating civil servants who did not appear to the required interviews helped in translating the census results into action immediately. Providing civil servants with an appeal opportunity put the burden of taking initiative to stay on the payroll on their shoulders. At least during the pilot “a very small number of the staff recommended for suspension had legitimate grounds for appeal” (IRMT 2008, 27) and most were suspended._____
Pay

Evolution
At the end of conflict, Sierra Leone inherited an inequitable and, for professional and managerial grades, uncompetitive pay structure for the core civil service. The Kabbah administration had adopted this 14-grade pay system in 1998, with support from development partners. But the grading of staff groups had been done poorly and somewhat arbitrarily. It failed to establish fair pay for the job and instead created new inequities, disadvantaging professional and technical posts, especially health workers and teachers. Nurses were paid at the same level as clerks, and fully qualified primary school teachers were paid at the same level as a secretary. Staff who had previously been in the same pay grades now found themselves scattered across different pay grades. “Grade creep,” that is, employees being paid in grades beyond their qualification, was widespread due to a lack of systems and controls in the pay administration system.

A second major problem was that pay was little suited to attract skilled professionals to the missing middle of the public service. During and after conflict, this “resulted in the creation of a phenomenon often referred to as the ‘shadow …
public service,’ which was a response to the prolonged and pervasive erosion of capacity in the mainstream service” (GoSL 2011b, 1). This “shadow public service” comprised a small number of qualified staff, with much higher donor-funded salaries than regular civil servants, who compensated for the missing middle in the core civil service.

Since the end of conflict, Sierra Leone saw a series of several donor-supported systematic P&G reform attempts, aimed at addressing these central problems of making pay more competitive for professionals and of addressing unfairness. However, until 2014, none of these attempts were implemented. Rather, ad hoc pay increases and the emergence of high-pay islands were the dominant changes in the pay system, leaving the problem of the missing middle unaddressed and eating up fiscal space for structural pay reforms.

Until 2010, Sierra Leone retained a uniform pay system, with the same pay scale applying to core civil servants, teachers, and health workers. But since 2010, this system has become increasingly fragmented, due to sometimes major ad hoc pay increases for selected staff groups. The government’s 2011 Medium-Term Pay Strategy summarized this dynamic: “The pay-setting process has to a large extent been a ‘patchwork’ exercise with salary levels in one job category being propelled by a need to catch up with salaries in another job category, and to vary disproportionately depending on the source and intensity of unionized peer pressure” (GoSL 2011b, 2).

The first increase occurred for health workers in the context of the FHCI in 2010. It has been followed by a series of significant increases for teachers, the police, and core civil servants, and by a dramatic jump of the minimum wage for civil servants and teachers in January 2014, from about Le 74,000 (in 2010) to Le 480,000 for civil servants and from about Le 100,000 to Le 620,000 for teachers (grade 2). Primarily driven by these ad hoc increases, the wage bill grew by 166 percent between 2010 and 2014, amounting to 5.9 percent of GDP in 2014.

As a second trend, several high-pay islands emerged within public employment. These comprise, in particular, a failed attempt to establish a Senior Executive Service (SES), employees of semiautonomous agencies and commissions, LTAs working in line-positions, and a growing number of political appointees and top public servants paid outside the regular pay structure (“out of grade”; see figure C.8 and figure C.5 earlier in this appendix). These highly paid positions have been concentrated in a few agencies, including MoFED.

Figure C.9 shows the resulting divergence of pay for public employees in comparable grade levels as of 2012/14 for a sample of core civil servants, health employees, LTAs, and employees in semiautonomous agencies. Overall, by 2014, this evolution resulted in a pay structure that remained uncompetitive for professionals, with the exception of health personnel and employees on special remuneration arrangements.

The following seeks to explain why systematic P&G reforms repeatedly failed and why ad hoc pay increases dominated and high-pay islands emerged.
**Figure C.8** Average Monthly Civil Service Pay in Sierra Leone, by Grade, 2001, 2010, and 2014

*a. 2001*

- Mean base salary
- Mean allowances
- Monthly GDP per capita (2001)

*b. 2010*

- Mean base salary
- Monthly GDP per capita (2010)

*c. 2014*

- Mean base salary
- Monthly GDP per capita (2014)

**Sources:** Ministry of Finance and Economic Development payroll data.

**Note:** Grade 25 comprises low-level clerical public employees. The error bars mark standard deviations. GDP = gross domestic product.
Interventions

Systematic Pay and Grading Reforms

Out of four systematic P&G reform attempts since the end of conflict, only the last one was implemented. The others failed, each for different reasons. The first job evaluation exercise was carried out in 2003, overseen by the GRS and funded by DFID. It aimed to tackle the inconsistencies with the grading and classification system inherited from the 1998 pay reform. The resulting evaluation and suggested pay reform approach, conducted by a regional private consulting firm (CoEn Consulting 2004), recommended a set of politically difficult measures, including to lay off employees. Observers suggest that the government rejected the proposal because it lacked ownership—“it was not owned by the government. The civil servants did not accept it. The report was not good.”

Whereas government did not adopt this first-generation pay reform, associated management and functional reviews (MFRs) saw some adoption and implementation. Between 2002 and 2008, a series of fifteen MFRs were conducted across ministries with DFID funding. These reviews assessed the institutional strengths and weaknesses of MDAs and proposed a variety of recommendations, ranging from organizational changes to recruitment and training. The recommendations of several (five) reviews—Education, Health, Agriculture, Local Government, and Defense—were approved by the Kabbah cabinet and scheduled to be implemented (World Bank 2010, 93). The other reports were subsequently scheduled.
for implementation in the ministries. Implementation progress of the MFR recommendations varied, with some institutions, like the Ministry of Defense, using them as an impetus for restructuring their systems. For other MDAs, implementation was slow, in part because of resource and capacity constraints, and because of resistance to an efficiency-oriented reorganization.

The second pay reform initiative differed in that it was backed by a pay reform policy that the cabinet had approved in January 2007, shortly before the presidential election in August 2007. In addition, by 2007, the tight wage bill ceiling had been loosened. Following the election, in 2008, a P&G structure review was undertaken, again with DFID funding, by the same consulting firm hired in 2004. The new proposal was again rejected, in part because implementing the recommended pay structure was too costly. It was estimated to result in a 44 percent increase in the civil service salaries budget in the first year, not factoring in any increases in employment to fill the missing middle.

During the first term of the Koroma presidency, in 2009, a comprehensive Public Sector Reform Framework and Civil Service Reform Strategy was endorsed. Its implementation was supported by DFID, the United Nations Development Programme (UNDP), and the EU. Subsequently, in February 2011, the cabinet approved a Multi-Year Public Sector Pay Reform Strategy (2011–2015) (GoSL 2011b), which represented a marked improvement from previous reform strategies. This third pay reform attempt was driven by government stakeholders. It was driven primarily by the MoFED and formulated by an interministerial task force set up by the cabinet secretary. It proposed to complete job evaluations and regrading before implementing any pay increases. In a second step, public sector pay levels would gradually increase, be decompressed, and the number of pay grades would increase from 14 to 17.

The technical proposal was prepared by a local consulting firm headed by a former civil servant. It was more realistic in that it previewed only gradual pay increases over a four-year period. Still, the decompression was projected to increase the general government wage bill by about 41 percent between 2011 and 2014. The proposal’s weakness was that it was based on unrealistic financing assumptions: cost savings were to be generated by retrenching and retiring over-aged civil servants, through further payroll cleaning, and by reducing government spending and increasing domestic revenues, besides using the fiscal space gained by a relaxed wage bill ceiling.

This reform attempt did not get implemented in part because fiscal space for the pay reform had been consumed by ad hoc pay increases in the context of the FHCI. The reform also lacked IMF support because the IMF regarded the financing assumptions as unrealistic and advised against the pay decompression recommended by the proposals.

In 2012, the World Bank approved a Pay and Performance Project, which incorporated the recommendations for job evaluations and regrading from the 2011 pay reform strategy. The primary objective was to develop a function-based P&G system, as well as to strengthen the pay administration system. In line with this overall objective, MoFED and the PSRU also spearheaded the establishment
of an independent Wages Commission that would, among other things, support the implementation of the outcomes of the job evaluation exercise in 2015–16.

Why did systematic pay reforms fail, despite repeated attempts? One major reason was a lack of fiscal space because IMF wage bill ceilings did not allow for significant wage bill increases between 1990 and 2008. In 2012, the appraisal document for the World Bank’s Pay and Performance Project noted that “the record of inaction does not reflect a lack of ideas or sound proposals, rather the difficulties associated with making fundamental (and often controversial) changes to pay relativities in a fiscally constrained environment” (World Bank 2012, 44). In addition, early technical pay reform proposals failed to earn political support. Not least, pressure to attract qualified staff to improve government performance was limited, as the postconflict period was marked by reliance on donor-funded staff working in line-positions to fulfill core government functions. In the words of a senior PSC official: “What was needed was ‘some form of separation of chaff from the grain [in the public service].’ But we did not [do that]. The donors went in and created PIUs [Project Implementation Units]. … They created a shadow civil service. … They came in, recruited staff outside the public service and paid them in dollars.”31 In some cases, entirely new government units or departments were established in which staff salaries were determined and paid by the project.

**Ad hoc Pay Increases**

Ad hoc pay increases for selected staff groups were the key driver of wage bill growth, in particular between 2011 and 2015. What has triggered them? One key factor has likely been the precedent set by major pay increases for nurses and doctors in the context of the FHCI, which President Koroma launched in April 2010. President Koroma developed the idea jointly with Tony Blair, former British prime minister. Providing free access to health care and abolishing user fees for pregnant women, lactating mothers, and children under five years old was seen as a bold and essential step, in particular for reducing extreme maternal and infant mortality rates.32

But eliminating user fees was costly for health workers, entailing a surge in patients33 and an income loss from formal and informal user charges. It led to health worker union protests for pay increases and for formally recruiting “volunteers.” In response to these pressures, the GoSL, in agreement with development partners and in particular DFID, more than doubled health worker pay, with increases ranging from 220 percent (for state-enrolled community health nurses) to 490 percent (for medical officers) (World Bank 2012, 93). The government also “embarked on ‘rapid recruitment’ in the districts. They were able to recruit over 1,000 staff. […] Most of the new recruits were ‘volunteers’ prior to their recruitment, but there were also a number of new ones. First consideration was given to the volunteers.”34 Cumulatively, these recruitments and increases led to a nearly threefold increase in the health sector wage bill (see figure C.3 earlier in this appendix), from $17.4 million in 2009 to $47.9 million in 2010 (constant 2011 international dollars).
This growth in the health wage bill was made possible by DFID’s and the Global Fund’s pledges to partially fund them for a period of five years. Funding was “front-loaded, based on the assumption that the Government will progressively increase its share of the increased costs” (Stevenson, Kinyeki, and Wheeler 2012, 6). In 2011 and 2012, DFID and the Global Fund jointly funded about half of the total health wage bill (Stevenson, Kinyeki, and Wheeler 2012, 4). This support was tied to conditions, in particular to reduce and prevent irregularities (ghost workers) in the health payroll (which apparently were met quite successfully) and to monitor absenteeism more tightly.

An independent evaluation of the FHCI (Witter et al. 2016) finds that it has improved coverage of maternal and child health care and likely contributed to improved health outcomes, including the under-five mortality rate. But it is also essential to recognize that it has likely triggered foreseeable major catch-up pressures in other job categories, driving up government wage costs. The government increased pay for all civil servants by 15 percent (with some exceptions) in early 2011, leading to a 10 percent increase in the wage bill. This was followed by a 30 percent increase for teachers in September 2011 and a second ad hoc increase of 25 percent across the board in October 2011, resulting in a 21 percent increase in the wage bill. In July 2010, well before pay increases snowballed, a World Bank internal note warned that “the huge pay increases awarded to health workers not only greatly increase the wage bill but will set off a series of competing claims for similar increases from teachers and other groups of workers” (Garnett and Brown 2010, 1). Pressures from Sierra Leone’s trade unions, especially from the Sierra Leone Teachers Union (SLTU), have likely played a significant role in these increases. The evaluation of the FHCI, while cautious about attribution, also points to the possibility of wage contagion to other public (and private) employees.

Approaching elections and expectations of an increase in revenues from natural resources further fueled catch-up pressures by public sector unions. Koroma’s APC had to face presidential, parliamentary, and local council elections in late 2012. As the note continues: “The President has said he wants to improve the pay of civil servants. He will be under even more pressure to do so as the election approaches” (Garnett and Brown 2010, 1).

Cumulatively, these increases led to about a 50 percent increase in the general government wage bill between 2009 and 2012 (see figure C.3), from $355 million in 2009 to $532 million in 2012 (constant 2011 international dollars), limiting fiscal space for adopting the government’s 2011 pay strategy.

The single most important pay increase since the end of conflict became effective in January 2014, when the government introduced a minimum wage for civil servants, teachers, the police, and the military. From Le 230,000 per month before 2014, it was more than doubled to Le 480,000 ($231) for civil servants and to Le 600,000 ($288) for teachers. As a result, with 27 percent, Sierra Leone saw its single largest year-on-year growth of the general government wage bill (including semiautonomous agencies) from 2013 to 2014 (see figure C.3). In January 2015, the government generalized the minimum wage increase to the entire workforce,
setting the monthly minimum wage for workers to Le 500,000 ($240), a dramatic increase over its prior level of Le 21,000, as adopted in 1997.37

Creation of High-Pay Islands

Early on in his presidency, in 2003, President Kabbah suggested creating a Senior Executive Service, modeled on the UN/UNDP system, which he came from. Observers report that President Kabbah “wanted a big bang approach, for the donors to fund.”38 He established a high-ranking committee, the Presidential Commission for the Restructuring of the Senior Public Service, to advise him on an SES design. The committee worked for most of 2003 and in its March 2004 report essentially proposed three- to fourfold increases in pay levels for civil servants in senior grades (11–14), which would have targeted around 130 civil servants (World Bank 2004, 43).39 Extensions would be based on performance. Despite the small number of positions, the SES scheme would have increased payroll costs by about 10 percent.

While development partners were in principle willing to support an SES scheme as a means of capacity building, they rejected the proposed scheme, and it was never implemented. The main reason was that donors wanted the SES to target new recruits, in order to inject new skills. But as the committee comprised senior civil servants, its members faced a conflict of interest and designed the scheme such that they could stay in post and benefit themselves from the pay increases.40 Donors perceived “the SES proposal [as] a blatant attempt by top civil servants to raise the salaries of the top 160 or so civil servants a long way above the next layer of civil servants” (Garnett and Brown 2010, 1). Observers note that “nobody was prepared to eliminate the dead wood,”41 that is, those civil servants currently in senior positions, to make room for new entrants. Paying the same people more than before was not expected to yield performance increases.

In 2014, a number of semiautonomous agencies and commissions42 represented the most important high-pay islands within the public service. Already during conflict, a number of semiautonomous agencies43 had been authorized to pay their staff at levels above the core civil service. In contrast to the core civil service, pay levels in semiautonomous agencies increased dramatically postconflict. One analysis suggests that “the wage cost to government of these institutions increased by over 6,500 percent during 1996–2009, as compared to 900 percent for the mainstream public sector during that period, with the price level increasing by about 330 percent” (GoSL 2011b, 19). As shown in figure C.9 in an earlier section, pay levels in these agencies were far above civil service comparators. In 2014, the wage bill for these so-called “subvented agencies” had grown to 15 percent of the general government wage bill, from 2 percent in 2008 (see figure C.3).

The growth of these semiautonomous agencies can be explained in two ways. To some extent, higher pay levels have served to create islands of performance, such as the National Revenue Authority. But they have also served as instruments of nepotistic politics, that is, to reward loyal supporters with high-paying jobs as private rents. Interestingly, the concentration of these rents in agencies and commissions
outside the core civil service may have reduced pressures for patronage-based appointments within the core civil service, compared to other countries.

**Public Service Management Bodies**

The postconflict evolution of Sierra Leone’s central civil service bodies was marked by several noteworthy features. First, reflecting the overall dynamics of early neglect of the civil service, in particular the PSC and ESO received little attention under the Kabbah presidency, with an uptake of reform and investment only at the time of Koroma’s election in 2007. Nevertheless, since 2009, the PSC has grown in influence and has been able to achieve some degree of independent control over the selection of civil servants. For the core civil service, Sierra Leone’s career-based system remained exceptionally well preserved and insulated against lateral entry of political appointees. Second, with regard to establishment control, Sierra Leone’s governments have made significant efforts to clean up personnel records and to better integrate the nominal roll, controlled by HRMO, with the payroll, controlled by the AGD. Third, Sierra Leone has a uniquely large number of central agents with responsibilities for the civil service, which has raised challenges of reform coordination and joint ownership.

**Merit Protection**

At the end of conflict, the PSC’s and ESO’s strong constitutional mandates contrasted with their weak de facto capacity. In 2002, the PSC had only 4 professional staff, a total of 26 staff, and an annual personnel budget of about $50,000 to meet its mandate (PSC 2013, 6). The ESO faced similar capacity constraints, and its personnel records had mostly been destroyed, making establishment control impossible.

Little attention was paid to investing in the PSC and the ESO under President Kabbah (2002–07), and the PSC remained dysfunctional until 2010. This was manifest in several ways. No attempts were made to change or update the regulations governing PSC, ESO, and the MoFED as key central management bodies. Whereas the 1991 constitution provided the PSC with a powerful mandate, outdated subsidiary regulations remained untouched, in particular the PSC regulation of 1982. The PSC and ESO remained understaffed and underresourced, in contrast to the LTA-capacity injection in the MoFED. Up to 2010, the PSC’s establishment did not grow significantly, and its annual personnel budget remained below $100,000 (see figure C.10). It did not receive donor support until 2010. Some donors were not even aware of the PSC’s existence. The establishment secretary (ES) received some support through a DFID-sponsored project to improve the personnel management functions.

The PSC and ESO leadership and their influence at the cabinet level remained weak, in part because their institutions were perceived to be of low value to immediate national development initiatives that were prioritized in postconflict rebuilding. As a result, by 2008, the PSC had gained little independence in civil service recruitment, transfer, and promotion decisions. Allegedly, informal
influences from recruiting ministries and from within the civil service often played a role in the selection of candidates.

While weak until 2008, the PSC retained a broad de jure mandate, with responsibility for all core civil servants, teachers, and health workers, across all 14 civil service grades. The police and the military were exempt from PSC oversight as were a growing number of employees in semiautonomous agencies and a few hundred “out-of-grade” political appointees, appointed at the discretion of the president.

In mid-2008, President Koroma appointed a new head to the PSC, under whose leadership the PSC has seen a significant revival. By 2014, the Commission had formulated a new strategy, revised its organizational structure, and has, for the first time since the end of conflict, recruited seven new professional officers with support from the World Bank. Since 2008, the PSC conducted the recruitment process for professional positions (grades 7 and above) with greater independence, and its reputation much improved. In 2014, it filled a “total of 389 critical vacancies in grades 7 and 8 (‘the missing middle’)” (PSC 2014, 16).
Although the PSC’s influence gained in quality after 2008, the share of public jobs overseen by the PSC dwindled rapidly, mainly due to two developments.

First, in 2008, the PSC delegated recruitment for the lower clerical grades 1–5 to the ESO, then renamed the Human Resource Management Office (HRMO). President Koroma had launched the HRMO on August 7, 2008, as part of a broader public sector reform effort. The decision to delegate recruitment for lower ranks to the HRMO was driven by concerns about the capacity constraints of the PSC. Rebaptizing the ESO and expanding its functions was also seen as an opportunity for civil service renewal. While the PSC in principle retains the right to withdraw the recruitment authority for grades 1–5 from the HRMO, it only reluctantly accepted the delegation, a partly political decision. It implied that the PSC lost direct control over the bulk of the civil service—in 2014, grades 1–5 represented about 80 percent of the civil service and 91 percent of health employees.

Second, in 2010, the PSC’s mandate was significantly weakened by a presidential decision to create a separate Health Service Commission (HSC) in the context of the FHCI, launched in 2010. This implied a significant power loss, because the health workforce is about as large as the core civil service and because about 1,000 former so-called “volunteers”—informal health workers—were to be recruited to the public service, representing the largest recruitment wave since 2008. What motivated the president’s decision to create the HSC is unclear. Some observers argue that the HSC was established in order to efficiently absorb a large number of health workers, as capacity constraints in the PSC had previously led to delays. “If you are very lucky, it would take you eight months to one year, sometimes people took two years [to be recruited]. The bureaucracy was too much. It was based on that. We were losing a lot of qualified personnel here.” Others saw it as a politically motivated decision, granting the Ministry of Health and Sanitation greater influence.

In sum, since the end of conflict, the PSC’s role has changed from a “gatekeeper” with vast de jure mandate and little capacity to fulfill it to stronger leadership, capacity, and reputation for meritocratic recruitments. But it can exercise this mandate for only a small share of public employees, namely for the professional and managerial ranks in the civil service. A growing number of highly paid political appointees and employees in semiautonomous agencies are exempt from its oversight, as are the vast majority of lower-ranked civil servants, as well as health employees, teachers, and the police.

Wage Bill and Payroll Control

At the end of conflict, personnel records had largely—and to some extent intentionally—been destroyed. “Most of these essential documents were missing. There were a lot of gaps in personnel records. There were people on the payroll who did not have personnel files. […] For instance, they would not even have letters of appointment; they would not even have an acceptance letter, they would not have a medical certificate of fitness” (Innovations for Successful Societies 2008, 1–2).
According to the 1991 constitution, the ESO had the authority to negotiate the establishment for civil servants and health employees with line-MDAs and maintains their personnel records. The police, the Ministry of Education, Science and Technology (MoEST), and the armed forces maintained records separately, as did semiautonomous agencies. The payroll for all staff groups was managed centrally by the AGD, except for autonomous agencies, which receive block grant allocations for salaries.

But de facto, at the end of conflict, the ESO was hardly able to perform its establishment control functions. Highly incomplete HR records provided no basis, and the ESO lacked capacity. De facto, the size of the civil service was controlled through the payroll, managed by a dominant and well-capacitated AGD and MoFED.50

This situation gradually changed after President Koroma launched the HRMO in 2008, as ESO successor. The HRMO is headed by a director general, who reports to the cabinet secretary. Besides managing all human resource matters for clerical-grade civil servants, the HRMO's responsibilities were widened to assume a civil service policy-making function and to support line-MDAs in strategically managing their human resources.51 The HRMO was enlarged by a number of departments, including a dedicated payroll unit. Its staffing increased from only 13 professional staff in 2001 to 33 in 2010 and to 96 by 2014. In addition, HRMO received support from donor-funded TA. Whereas previously the ESO had received little donor support, it has benefitted from support from DFID, the EU, UNDP, and the World Bank since 2008. At the same time, the Payroll Verification Project for the first time provided it with up-to-date personnel records (see the “Payroll Verification Intervention” section earlier in this appendix).

Since 2008, the HRMO conducts manpower hearings with line-MDAs, that is, it negotiates the number of new positions that each MDA is entitled to fill each year. But for several years, it failed to integrate this process in a systematic way with the budget process at MoFED. Rather, it passed on unrealistic establishment tables of all vacancies identified by MDAs to the MoFED, which would then have to insist on drastic cuts in order to meet the wage bill limitations. Lack of fiscal realism in these negotiations has been driven by outdated establishment lists. In the 2014 manpower hearings, for example, out of the total authorized establishment of 29,244 civil service positions, only 19,278 posts were filled and 9,970 (~30 percent) remained vacant (HRMO 2015, 5).

Since 2011, regarding its role in establishment control, the collaboration between the HRMO and the MoFED has improved in aligning civil service recruitment needs with the wage bill ceilings managed by the latter.52

Since 2008, responsibility for civil service payroll management has gradually been moved from the AGD to HRMO and increasingly delegated to selected line-MDAs. Whereas in 2008, the AGD controlled all changes to the payroll (upon information by the HRMO), this function has shifted to the HRMO’s Payroll Management Unit, with the AGD exercising only the payment function. As the HRMO acts like a “clearinghouse”53 for appointments, promotions, and transfers, putting payroll administration under its roof should facilitate
reconciliation between HR actions and changes to the payroll. However, as of
2013, this had not yet translated into an improvement for the persistently low
(D) Public Expenditure and Financial Accountability (PEFA) scores for the
degree of integration and reconciliation between personnel records and payroll
data (see PI-18 [i] in table C.1).

Since 2007, payroll controls were increasingly delegated from the AGD to line-
departments. In 2007, the police gained full self-accounting autonomy, and the
2013, a “rolled-out” status had been given to 10 MDAs: “Most of these MDAs
input and process all payment vouchers up to approval level prior to sending
them to the AGD. The AGD then undertakes a higher level of further scrutiny”
(Coffey International Development 2014, 47). For teachers, instructions come from the
Ministry of Education, Youth and Sports. “For all other MDAs, AGD receives
instructions for payroll input and amendments from HRMO” (Coffey International
Development 2014, 47). While this delegation has spread previously highly cen-
tralized payroll management over a larger number of players, continuously solid
PEFA scores (B) suggest that this has not undermined the quality of AGD controls
(see PI-18 [iii] in table C.1). With the regularization of “volunteer” nurses in the
context of the FHCI, the number of “off-budget” employees has also decreased.

In sum, thanks to an influential and well-capacitated AGD with comprehen-
sive control over the payroll, the government was able to effectively keep a lid
on the payroll, with the exception of off-budget “volunteer” nurses and health
workers. Except for semiautonomous agencies, it has also been able to control the
number of public employees effectively through the payroll. For the core civil
service, the 2008 payroll verification exercise has created the foundation for
ensuring that civil servants are paid correctly, based on their personnel files. But
for teachers, the police, and the military, as well as for the armed forces, which
represent the lion’s share of public employment, reconciliation between person-
nel records and the payroll remains unclear.

**Administrative Reform**

A large number of central players with responsibility for public service reform
has made such reforms challenging in Sierra Leone. In addition to the players

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**Table C.1 PEFA Scores for the Effectiveness of Payroll Controls in Sierra Leone, 2007, 2010, and 2013**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness of payroll controls (PI-18 aggregate score)</td>
<td>D+</td>
<td>D+</td>
<td>D+</td>
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<tr>
<td>PI-18 (i) Degree of integration and reconciliation between personnel records and payroll data</td>
<td>D</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>PI-18 (ii) Timeliness of changes to personnel records and the payroll</td>
<td>D</td>
<td>D</td>
<td>C</td>
</tr>
<tr>
<td>PI-18 (iii) Internal controls of changes to personnel records and the payroll</td>
<td>B</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>PI-18 (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers</td>
<td>B</td>
<td>C</td>
<td>C</td>
</tr>
</tbody>
</table>

**Sources:** GoSL 2008b, 2010; Coffey International Development 2014.

**Note:** PEFA = Public Expenditure and Financial Accountability.
mandated by the 1991 constitution—the secretary to the president, the PSC, the cabinet secretary, as head of the civil service, and the ESO—several additional players were newly introduced postconflict, supported by different donors in charge of different strands of administrative reform. With support from DFID, the Governance Reform Secretariat (later the Public Sector Reform Unit, PSRU), was established in 2003. It was headed by a director and located in the Presidency, reporting to the minister of presidential affairs. The position of the president’s chief of staff was introduced to head a Strategy and Policy Unit (SPU), modeled on the Prime Minister’s Delivery Unit in the United Kingdom.

This proliferation of a large number of central players (see figure C.11) exacerbated collective action problems and interagency rivalry in a government characterized by weak coordination and poor information sharing. It placed the presidency at the heart of any administrative reform, as a “last-resort solution” (Srivastava and Larizza 2013, 468).

Whereas the GRS was established to develop administrative reform proposals, it lacked the mandate and authority for their implementation, having largely been created at the initiative of DFID. It was tasked with conducting functional reviews of line-MDAs and with developing pay reform proposals. But the political acceptance and impact of these proposals remained limited—only 6 out of 15 functional reviews were reviewed and adopted by the cabinet, and the pay reform proposal was never implemented. In 2008, it also hosted the Civil Service Payroll Verification Project, possibly its most successful initiative (see the “Payroll Verification Intervention” section earlier in this appendix).

Figure C.11  Actors and Institutions Associated with Public Sector Reform in Sierra Leone

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Note: HR = human resource; HRMO = Human Resource Management Office; MoFED = Ministry of Finance and Economic Development; PSC = Public Service Commission; PSRU = Public Sector Reform Unit; SPU = Strategy and Policy Unit.
But recent advances in improving cooperation and trust between these players also illustrate that development partners can play a facilitative role in overcoming coordination challenges and act in the role of “connector.” Transforming the GRS into the government-supported PSRU within the Office of the President created an opportunity for developing a comprehensive public sector reform program that involved and empowered critical players, including the PSC and the HRMO. In developing the Pay and Performance Project in 2011, the World Bank team made it a point to engage in intensive dialogue and bring together and build trust between the MoFED and “heads of the HRMO, PSRU and PSC—previously difficult to get in a room together” (Roseth and Srivastava 2015, 59). By the time of project negotiation, “the GoSL team had undergone a 180-degree change—from a disparate group of actors with limited interest in the project, to a cohesive team with significantly greater ownership of the reform effort and belief in the possibility of success. The director of the PSRU succinctly summarized this transformation by noting: ‘This project—our project—has taught all of us in Government to work together’” (Roseth and Srivastava 2015, 59).

Parallel Structures

Sierra Leone’s budget and treasury functions evolved from an exceptional starting point at the end of conflict: The MoFED and the AGD had benefitted from development partners’ support throughout conflict, and well-paid project-funded staff, LTAs, had been working in line-functions for several years. This distinguishes them from most other MDAs in Sierra Leone. During conflict, the presence of LTAs gave donors confidence in the MoFED’s ability to absorb aid funds and ensure the flow of external assistance (Barma, Huybens, and Viñuela 2014, 208).

Starting in 1994, LTAs had been funded by several donors supporting the MoFED, including some who were recruited through development partners’ selection mechanisms. Donors saw the recruitment of highly qualified nationals as LTAs as a necessary stop-gap measure to ensure the MoFED’s functioning. But there was no clear long-term exit strategy: LTAs were recruited into full-time line-positions, and on-the-job training of civil servants was not part of their responsibilities. The hope was that at some point government would be able to fund their salaries and retain them.

By 2002, these LTA already represented a significant share of the workforce in the MoFED’s units performing the budgeting and treasury functions. At the end of conflict, the Budget Bureau (BB) was staffed with five LTAs, and the Economic Policy Research Unit (EPRU) with seven LTAs. As of 2012, entire units, such as the EPRU or the Local Government Finance Department (LGFD), were completely staffed by LTAs, whereas they filled a smaller share of primarily leadership positions in others (BB, AGD; see figure C.12). By 2014, LTAs in economist positions were paid salaries in the order of magnitude of $3,600, compared to only about $700 for civil servants in similar positions.
The role of these LTAs for building the MoFED’s capacity has been heavily contested. On the one hand, they have undoubtedly shaped the backbone of the MoFED’s resilience and performance over time, making it an island of performance in Sierra Leone’s administration (Barma, Huybens, and Viñuela 2014, 190). On the other hand, the early decision to rely on LTAs in line-functions has made the respective units TA-dependent and ultimately led government to absorb them onto the payroll at high costs. It also demotivated civil servants working in the MoFED, who perceived it as unfair that LTAs were paid much higher salaries.

The absorption of MoFED LTAs onto the government payroll in Sierra Leone, starting in 2009, was triggered by a donor push. DFID, the EU, and the AfDB had been financing these positions through different projects, most of which were expected to come to an end around 2007.55 Out of concern over the sustainability of LTA financing from project salaries, donors insisted on gradually moving them onto government payroll in an organized way. As part of the negotiations for the multidonor Integrated Public Financial Management Reform Project (IPFMRP), approved in 2009, it was agreed to move LTAs onto the payroll by either recruiting them as government consultants or by recruiting them as civil servants through the formal recruitment process of the PSC. Their salaries were to be grandfathered in. Conditional on this, the IPFMRP would fund their salaries on a declining scale, with government gradually taking over. Over time, it was hoped that the salary gap between these integrated LTAs and civil servants would close.
However, the plan never materialized, and the MoFED simply absorbed LTAs directly into the payroll, without a formal recruitment process through the PSC or an adjustment of their pay levels. The IPFMRP component that was meant to support their integration was cancelled. This was partly owed to their influence in the MoFED. The LTA absorption also caused opposition among other civil servants, as it was seen to perpetuate a status quo that was perceived as unjust. The issue of mainstreaming LTAs was again picked up in the World Bank Public Sector Pay and Performance project, approved in 2012: one of the project’s disbursement conditions was the orderly integration of LTAs into the civil service in accordance with an approved Mainstreaming Policy and Action Plan.

While the BB, EPRU, and AGD have all been supported by LTAs over time, they each followed their own dynamic.

**The Accountant General’s Department**

The evolution of Sierra Leone’s AGD has been marked by disruption, both in leadership and systems. It illustrates that heavily relying on international TA, especially in leadership positions, involves the risk of institutional memory losses.

In early 1998, a foreign AG was appointed, together with a foreign financial secretary, to head the AGD—both funded with EU support. This decision was made after the military junta had been removed from power and President Kabbah restored to office from exile in February 1998. This highly interventionist move of appointing foreigners to the Treasury leadership was motivated by the need to restore the governance of the financial system, after the MoF’s physical and human infrastructure had been destroyed by vandalism. It was aimed at “getting a professionally qualified and competent somebody who could be trusted, by the international community and government.”56 There also was a “perceived resistance to reform and corruption in the payment system.”57 At the request of the government, the EU provided financial and technical support. The AGD was supported by six project-financed LTAs and the civil servants working in the Treasury, most of whom had only high school diplomas.

While the appointment of the foreign AG helped rebuild trust, it resulted in dependency on the systems he designed, ultimately leading to disruption. The AG had personally designed, run, and managed a custom-made Financial Management Accounting System (FMAS), which helped improve Treasury performance. However, only the AG and his closest team of LTAs had access to the system and the system architecture. They did not provide documentation of the system or transfer knowledge to other staff, to ensure longer-term capacity for operating the system, raising concerns about the concentration of power in the AG’s hands and about lacking transparency.

Consequently, following a Country Financial Accountability Assessment conducted in 2002, donors decided to end the foreign AG’s contract as well as the contracts of the LTAs working with him. It was also decided to replace the custom-made FMAS with an off-the-shelf financial management information system (FMIS).58 Overall, the change of leadership, systems, and LTAs in 2002 deeply disrupted the progress made before. From 2002 to 2005, a period of
instability in the AGD leadership ensued, marked by reform inertia and deteriorating quality of the treasury function. In addition, the AGD lost technically skilled civil servants to well-paying jobs to newly established or restructured semiautonomous agencies and to donor project jobs, with the influx of aid money.

After the problematic experience with the foreign AG, donors made it a prior action for their extension of budget aid that the GoSL recruit a qualified AG and deputy AG, paid from the government payroll, but on a special pay regime considered sufficiently competitive to attract and retain the required professionals. Both were recruited in 2005, together with a new generation of four LTAs, with support from the EU and the World Bank (Institutional Reform and Capacity Building Project [IRCBP]). This setup remained stable until 2014, with little turnover among civil servants and LTAs, who were absorbed by GoSL in 2010.

**Budget Bureau and Economic Policy Reform Unit**

The BB and the EPRU, as the two units performing budget functions in the MoFED, are distinct in their origins and continuity.

The BB was originally a civil service entity headed by the deputy financial secretary (Budget) and staffed by civil servants, with the core task of preparing the recurrent budget. The presence of LTAs in line-positions started only in 1998, after a nine-month military interregnum, when an EU project started funding the salary of a newly appointed Sierra Leonean director of budget, a former civil servant. The BB has remained predominantly staffed by civil servants: in 2013, its staff comprised seven civil servants (budget officers), and only three LTAs, including the budget director and his deputy.

By contrast, the EPRU’s pre- and in-conflict evolution were marked by heavy donor influence and support and limited government ownership. The EPRU was originally established in 1988. Previously, most economic policy tasks had been performed by the Central Bank, with the MoF possessing little capacity. It was created to (partially) move these functions to the MoF and provide the budgeting framework in the context of the GoSL’s overall national macroeconomic policy framework, as well as to provide an entry point for donors and regularly report to them (IMF and World Bank at the MoF). While the unit was established by cabinet decision, it remained fully donor-funded. It was exclusively led and staffed by LTAs, throughout and after conflict, alternatively by the AfDB and the World Bank—from 1993 to 2004/05.

Since 2002, the BB’s staffing has been marked by significant continuity, with no major organizational change occurring until 2009, when the MoF was merged with the Ministry of Economic Development and Planning to become MoFED. This implied a significant expansion of the BB’s mandate, as it had to assume responsibility for preparing both the development and recurrent budgets (Tavakoli 2012, 20).

The EPRU’s trajectory, by contrast, illustrates the risk of losing institutional memory, due to funding disruption, even for short periods of time. In 2004, the World Bank’s Public Sector Management Project II ended, which had funded
several LTAs in the unit. For the follow-up project (IRCBP), the World Bank decided to shift focus to supporting the GoSL’s decentralization agenda and the roll-out of the new FMIS. To this end, two new project-funded MoFED units were established—the Local Government Finance Department (LGFD) and the Public Financial Management Reform Unit (PFMRU), while funding for the EPRU was discontinued. As a consequence, the EPRU lost most of its trained economists, several to the LGFD. “Just before 2004, we were struggling with funding. There was a situation of tenure. So you are not sure. So people will start looking [for jobs].” While other donors subsequently came in to continue funding the unit, the lost LTAs had to be replaced with new recruits. By 2007, the government took over the salaries, in response to donor pressure for an exit strategy. “So the ministry took a decision not to dismantle the unit. The government decided we should retain them at all costs. That’s why we remain.” As of 2013, the EPRU remained exclusively staffed by eight absorbed LTAs.

Notes

1. The period of one-party dictatorship covers the governments of Siaka Stevens (prime minister from 1968 to 1971 and first president of Sierra Leone from 1971 to 1985) and of Joseph Momoh (president of Sierra Leone from 1985 to 1992) and the All People’s Congress Party.

2. Article 139 (3) of Sierra Leone’s 1978 constitution previewed regarding the public service that “no person shall be appointed to any of the offices to which this Section applies or continue in any such office unless he is a member of the Recognised Party” (GoSL 1978).

3. Interview with government official, Accountant General’s Department, Ministry of Finance and Economic Development (MoFED), 2013.

4. These semiautonomous agencies and commissions included, for example, the National Social Security and Insurance Trust (NASSIT) (2001), the National Commission for Privatisation (2002), the National Telecommunication Commission (2006), the National Revenue Authority (2003), and the National Public Procurement Authority (2004).

5. Central reform players comprised, among others, the MoFED, the PSC, the Establishment Secretary’s Office (ESO), and the cabinet secretary.


8. Interview with senior official, PSC, 2013.

9. Interview with senior former official, MoFED, 2013.

10. According to Article 68 (3)c of the 1991 constitution (GoSL 1991), the Cabinet Secretary is responsible for “coordinating and supervising the work of all administrative heads of ministries and departments in the Public Service.”

11. Article 151 (2) of the 1991 constitution previews that “the members of the Public Service Commission shall be appointed by the President, subject to the approval of Parliament.”
12. Article 152 (1) previews that "subject to the provisions of this Constitution, the power to appoint persons to hold or act in offices in the public service (including power to make appointments on promotion and to confirm appointments) and to dismiss and to exercise disciplinary control over persons holding or acting in such offices shall vest in the Public Service Commission."

13. For permanent secretaries this power vests with the president. Article 154 (1) previews that "the power to appoint persons to hold or act in any of the offices to which this section applies (including the power to make appointments on promotion and transfer from one office to another and to confirm appointments) and to remove persons so appointed from any such office shall vest in the President acting in consultation with the Public Service Commission."


15. Kabbah had been elected president in April 1996 after the NPRC had to agree to hand over power to a civilian government.

16. After Kabbah was reinstated in March 1998, his administration initially fired those civil servants who had served under or been appointed by the AFRC junta administration. But it had to reverse this decision and reinstate many of the senior officials to their positions.

17. The Lomé Accord of July 7, 1999, provided a comprehensive peace agreement between the elected government and the RUF. It reaffirmed the cessation of hostilities and provided for power-sharing arrangements and provisions for disarmament, demobilization, and reintegration (DDR).

18. Figures on the size of general government employment include on-payroll employees in the core civil service, health, education, the police, and the armed forces. The figures for the civil service also include a small number of political appointees. They exclude subnational government employees (local councils), employees in semiautonomous agencies, and informal employees paid outside the payroll, especially so-called "volunteers" in the health and education sectors.

19. “The ‘bloated’ lower grades are a preconflict problem. Eighty percent of those in grades 6 and below were recruited before 1990—at least 60–70 percent of these grades have been in the civil service for at least 30 years” (interview with a senior former official, MoFED, 2013).

20. As semiautonomous agencies are financed by salary grants and manage their staff autonomously, comprehensive data on their staffing evolution are not available.

21. The general government wage bill as reported here includes the core civil service, health, education, the police, the armed forces, and subnational government. It includes social security contributions to Sierra Leone’s National Social Security and Insurance Trust (NASSIT), but excludes pensions and wage arrears. Salary transfers to semiautonomous agencies are also included, as a major driver of wage bill growth. It excludes informal payments to “volunteers” outside the payroll.

22. The IMF wage bill ceiling was in place between 2001 and 2008—as part of two sequential Poverty Reduction and Growth Facility (PRGF) loans. The first PRGF was approved in September 2001. It was originally effective to December 2004 but was extended to March 25, 2005. The second PRGF lasted from 2006 to 2008. Between 2001 and 2006, the ceiling was defined in absolute terms, mostly as an indicative target. Subsequently, from 2006 to 2008, it was set at 6 percent of GDP.
23. As shown in figure C.8, the compression ratio between clerical (grade 2) and senior management (grade 14) positions in 2001 was high, about 1:21. However, especially pay in the professional grades (grades 7–9) remained uncompetitive.

24. The number of “out-of-grade” appointments grew from practically zero in 2001 to 355 in 2014 (see figure C.5).

25. Interview with a senior former official, MoFED, 2013.

26. The proposal contained radical alterations “with increases in base pay at all grades and the largest increase at Grade 7,” considered as the graduate entry point, taking the monthly salary at this level to around Le 500,000 (from around Le 223,322).

27. A public expenditure review conducted in 2010 noted that, “it is … clear that such a policy cannot be implemented without a decision about cost savings generated elsewhere. One option discussed is to reduce the large number of low skill staff” (World Bank 2010, 94).

28. The task force comprised, among others, the director-general of HRMO; the accountant general; the director of budget, MoFED; and the director of PSRU.

29. It proposed a gradual increase and decompression of public sector pay levels, moving from a compression ratio of about 1:6.2 (grades 1–14) to a (dramatically decompressed) projected ratio of 1:59 (grades 1–14) in 2015, by raising salaries for higher grades faster than for lower grades. In addition, it proposed (1) an increase in the number of grades from 14 to 17; (2) an increase in remuneration levels; and (3) that remuneration be commensurate with duties.

30. Recommendations from the 2011 pay reform strategy relating to downsizing the civil service were implemented to some extent, with the HRMO issuing retirement letters to overage personnel and those occupying obsolete positions. However, any savings from this exercise were counteracted by the increased burden of massive recruitments into the health service for the FHCI.


32. In 2010, Sierra Leone’s infant mortality rate was at 107 deaths per 1,000 live births, far above the average for Sub-Saharan Africa and low-income countries, with averages of 65 and 63 deaths per 1,000 live births, respectively.

33. “Immediately after the free health care reform the workload naturally increased—as more people started flooding the facilities. There was huge pressure on government to provide services to these clients” (interview with senior official, Ministry of Health and Sanitation, 2013).

34. Interview with senior official, Ministry of Health and Sanitation, 2013.

35. Sierra Leone has one of the oldest trade union movements in Africa (Danish Trade Union Council for International Development Cooperation 2014, 4). Amman and O’Donnell (2011, 57) note that with “more than 30,000 members, the SLTU is the largest and perhaps the most powerful union in Sierra Leone today.”

36. The evaluation notes that “while it is extremely hard to link the causes of salary decisions, aggregate data suggest that there may be some cause for concern here. Wages have increased significantly in Sierra Leone since 2010, making up a growing share of the economy, from around 5% of GDP in 2009 to a projected 7% of GDP in 2015 … Furthermore, the main change in education, by far the largest wage sector, occurred the year after the FHCI increases had been approved… However, analysis of reports at this time (2011) of the potential teachers strike over wages did not link the issue to the FHCI-related increases” (Witter et al. 2016, 155).

38. Interview with a presidential adviser, 2013.

39. This estimate is based on the number of civil servants in grades 11–14 in the 2001 payroll.

40. Interview with a former senior official, MoFED, 2013.

41. Interview with a former senior official, MoFED, 2013.

42. These semiautonomous agencies and commissions comprise, among others, the Office of the Ombudsman, the Political Parties Registration Commission, the Office of the Chief of Staff, the President’s Strategy and Policy Unit, the Anti-Corruption Commission, Statistics Sierra Leone, the Office of Diaspora Affairs, the Sierra Leone News Agency, the National Power Authority, the Bo-Kenema Power Services, the National Social Security and Insurance Trust, the Sierra Leone Chamber of Commerce, the National Minerals Agency, the Sierra Leone Civil Aviation Authority, the Sierra Leone Road Transport Authority, the Sierra Leone Airport Authority, the Sierra Leone Maritime Administration, the Sierra Leone Water Company, and the National Youth Commission.

43. These include the Sierra Leone Housing Corporation (Act No. 5 of 1982), the National Power Authority (Act No. 3 of 1982), the National Social Security and Insurance Trust (Act No. 5 of 2001), and the National Revenue Authority (Act No. 15 of 2002).

44. Article 152 (1) of the 1991 constitution empowers the PSC “… to appoint persons to hold or act in offices in the public service (including power to make appointments on promotion and to confirm appointments) and to dismiss and to exercise disciplinary control over persons holding or acting such in offices shall vest in the Public Service Commission.”

45. “The PSC Regulations of 1982 pre-date the 1991 Constitution. … It is worth noting that since 1982, and even after the enactment of the 1991 Constitution, no action was taken to update or rewrite these Regulations which should have reflected changing circumstances in terms of Reform and Change” (PSC 2013, 1).

46. “The first support we had in 2010. […] I conducted a management functional review [of the PSC], funded by Commonwealth Secretariat” (interview with a senior official, PSC, 2013).

47. Also, the PSC chairman’s de jure rank remained lower than it had been historically, following a 1998 pay reform. “During a pay and grading revision exercise done in 1998, during which somehow (and for some unexplained reason), the position of the Chairman (and Members) of the PSC was derogated to the same level as that of the Secretary! Prior to 1998, the Chairman, PSC was (constitutionally) accorded the rank (both in status and pay) of an Appeal Court Judge, and equivalent in rank and pay to the Chief Electoral Commissioner. Unfortunately, and still for some unexplained reason, both the positions of Chairman, PSC and Chief Electoral Commissioner were derogated” (PSC 2013, 4).

48. “Only in recent time that we were able to give form and organizational structure to the commission. This is the very first time ever that we are talking of strategic plan. This is the first time we are having annual reports” (interview with a senior official, PSC, 2013).

50. More generally, Srivastava and Larizza (2013, 468) note that “Taking advantage of its dominant position, MoFED often acts well beyond its mandate and intervenes in areas that are beyond its remit. Such interventions are often justified by the argument that MDAs are non-strategic and prepare ‘laundry lists’ rather than sensible budget proposals supported by strategic plans. The MDAs, on the other hand, often view the MoFED as insensitive to their needs and arbitrary in its resource allocation decisions.”

51. The HRMO was mandated “to formulate and advise Government on human resource policies and also manage and develop the workforce of the Sierra Leone Civil Service for efficient and effective service delivery” (https://psru.gov.sl/content/human-resource-management-office-hrmo-0).

52. As part of the World Bank Pay and Performance Project, an agreement was reached that MoFED would accommodate a maximum of 350 middle- and senior-level vacancies per year between 2012 and 2015 to fill critical vacancies. HRMO and PSC worked together with MDAs in identifying the critical vacancies.

53. Interview with a senior government official, HRMO, 2013.

54. As of 2015, the budget function is exercised by two units in the MoFED—the Budget Bureau (BB) and the Economic Policy Research Unit (EPRU), with EPRU responsible for providing the budgeting framework in the context of the GoSL’s overall national macroeconomic policy framework and its development agenda, having due consideration for the resource envelope and the economic fundamentals. The treasury function is exercised by the AGD.

55. In 2007, the Public Financial Management Reform Unit (PFMRU) and the LGFD were supported by the World Bank’s Institutional Reform and Capacity Building Project (IRCBP), the Debt Unit by the AfDB, and the largest number of LTAs (about 30) by the EU (including professional staff in the Budget Department). DFID supported six key positions (including the budget director), who were taken onto the payroll when the DFID funding ended in 2008.

56. Interview with a senior official, AGD, 2013. Trust in the AGD leadership had gravely deteriorated beforehand. The top hierarchy of the AGD had been suspended indefinitely prior to the May 1997 coup of the military junta, and some of these civil servants returned and joined the junta. There were other key staff of the AGD who worked with the junta and were perceived as junta collaborators.

57. Interview with a senior former government official, MoFED, 2013.

58. It is noteworthy that this decision was also motivated by donor policy changes. The EU had adopted a new policy not to fund TAs in line-management positions, in order to encourage government ownership.

59. The BB had previously been supported by donor-funded TAs, but these had merely played advisory roles.

60. Interview with a senior official, EPRU, MoFED, 2013.

61. Interview with a senior official, EPRU, MoFED, 2013.

**Bibliography**


Sierra Leone Case Study

Paths between Peace and Public Service


Paths between Peace and Public Service • http://dx.doi.org/10.1596/978-1-4648-1082-4
South Sudan Case Study

Overview

The Comprehensive Peace Agreement (CPA) signed in 2005 put an official end to five decades of civil war between Khartoum and Juba and was followed by a six-year interim period during which South Sudan became a semiautonomous region. This interlude concluded with a referendum by the South Sudanese people, who voted overwhelmingly for independence, which was granted on July 9, 2011.

Following the signing of the CPA, South Sudan remained in “emergency mode”—or even “survival mode”—between 2005 and 2014. Ongoing internal conflict due to factional rivalries and ethnic tensions undermined stability and limited progress in rebuilding public services. South Sudan’s public service was shaped by a logic of political accommodation to stabilize fragile political coalitions, rather than concerns of affordability and performance, despite dramatic service delivery needs and extremely low public service capacity, even by post-conflict standards. The fragility of the Sudan People’s Liberation Movement (SPLM) governing coalition led to the use of public employment as a cash-transfer mechanism to buy off potential spoilers. Thousands of ex-combatants were absorbed into the public service, with the majority entering the army and organized forces (police, prisons, fire brigade, and wildlife services). One interviewee described South Sudan’s public service as “our version of a Western welfare system.”

After the CPA, general government in South Sudan grew rapidly. This expansion was fueled by the persistent threat of a return to conflict, the availability of oil revenues, and an associated lack of donor influence on public service management. In 2013, parallel delivery systems continued to play a major role in providing service. The return to conflict in 2013, rooted in cleavages within the SPLM, highlighted the fragility of South Sudan’s political settlement and the tightly limited room to maneuver that both the government and donors faced in the state-building process.
Sociopolitical and Historical Contexts

Preconflict Legacies

After the CPA, South Sudan was confronted with the challenge of creating new institutions, systems, and regulations almost from scratch. Its public service derived from the integration of two parallel public services: (1) the Civil Authority for the New Sudan (CANS), which was created to provide civil administration in rebel-held areas during the Second Sudanese Civil War, and (2) the National Congress Party’s (NCP’s) Coordinating Council for Southern Sudan (CCSS), which administered the garrison towns in the south that remained under Sudan’s control. CANS originated in the mid-1990s, after the Sudan People’s Liberation Army (SPLA) gained control over large tracts of territory and recognized the need to establish a civilian administration to handle international security, policy, and food mobilization. Six commissions with attached secretariats were created to oversee the political, economic, and social spheres of activity in the SPLM-controlled areas of the south. The capacity of CANS was limited; the central structures remained weak, the Ministry of Finance and Economic Planning (MoFEP) had no powers of taxation, and basic service delivery was largely in the hands of international nongovernmental organizations (NGOs). The Government of Sudan–funded CCSS was largely restricted to garrison towns and during the civil war did little more than pay out salaries. Both CANS and CCSS had extremely limited capacity. NGOs had been the primary providers of basic services to many areas outside the garrison towns in the absence of a functional government administration.

Following the signing of the CPA, the Government of South Sudan (GoSS) modeled the architecture of its public service on the institutional setup in Sudan. The administrative bodies in charge of management, regulation, and oversight, both at the central and state levels, followed the Sudanese model, which was itself the product of British colonial administrative traditions. At the same time, the administrative legacy of Soviet communism in Sudan in the 1960s and 1970s may have influenced institutional culture. The wide remit of South Sudan’s Ministry of Labor, Public Service, and Human Resource Development (MoLPS & HRD), which both manages and regulates the public sector, may replicate the strong central planning role of the Soviet Union’s State Committee for Labor and Social Problems. This hybrid legacy led to an overlapping of functions between the MoLPS & HRD and the Civil Service Commission (CSC), which undermined the authority of the latter, leaving the institution without regulatory or recruitment power.

Conflict and the Political Settlement

During the Joint Assessment Mission (JAM) workshops in Washington, D.C., and Nairobi that preceded the signing of the CPA, the SPLM decided that the public service would be rebuilt by selectively recruiting from both the CANS and the CCSS. Capacity would be supplemented through new hires and specialized temporary staff. However, long delays in carrying out the integration, as well as
disputes surrounding positions, salaries, and allegiance concerns, resulted in a chaotic merger of the two existing public services. To avoid conflict with local stakeholders, the new government permitted significant overstaffing, including nepotistic and tribally based appointments.

The expansion of the organized forces and the army also reflected wider political imperatives. After the CPA, the GoSS absorbed thousands of unemployed and potentially rebellious ex-combatants to prevent them from returning to arms. Following the Juba Declaration in 2006, there also was an urgent need to incorporate militias belonging to the South Sudan Defense Forces (SSDF) into the public sector to help integrate the SSDF into the SPLA’s governing coalition. As a result, general government grew rapidly with unqualified staff. The mass absorption of tribal militias into the ranks of the SPLA also implied the risk that old loyalties would prevail, far from a united force. According to one former SPLA commander:

SPLA has never been a robust united force since we started to incorporate militia into it in appalling numbers. Each formation taken was not fully absorbed, in reality. But was left to wonder [sic] in uniform commanded by their previous untrained jihadist officers. Each soldier was almost free to take whoever to choose to be commander! . . . In reality, there was nothing called “SPLA”! (As quoted in Lino [2014])

Several other factors contributed to the growth of the organized and armed forces. First, it was facilitated by the inflow of hundreds of millions of dollars from oil revenues. These revenues accounted for roughly 98 percent of total government revenue between 2005 and January 2012, when South Sudan shut down oil production due to a dispute with Khartoum.

Second, the expansion was fueled by continuing hostilities with Khartoum after the CPA. Out of fear that Khartoum would incentivize southern militias to rebel against the new government, the GoSS sought to buy their loyalty by using rising oil revenues to increase the wages paid to the army and the organized forces. Many South Sudanese regarded the SPLA as the “guarantor” of the CPA and a large army as a necessary deterrent against Khartoum reneging on the CPA. The continuing threat of a return to war, both external and internal, diverted most of the focus and resources toward the armed forces and provided a rationale for barring transparency in public expenditure management on the grounds of national security needs. Even before the re-eruption of internal conflict in 2013, the security sector wage bill for the armed and organized forces consumed about half of South Sudan’s budget (FY2012/13). This crowded out investments in development and service delivery, with the health and education sectors receiving less than 6 percent of total government expenditures.

Third, the CPA tackled the ethnic and tribal divisions within South Sudanese society by creating a highly decentralized architecture to secure buy-in from local tribes and allay their fear that a single tribal or factional group would gain control over the government administration. This resulted in a high degree of autonomy for states in hiring and setting pay levels for their public servants.
By 2010 there were more than 230 official appointing authorities in South Sudan, with weak central wage bill and payroll controls. Specific ethnic groups were allocated positions within line-MDAs (ministries, departments, and agencies) and state administrations, with some MDAs dominated by one ethnic group and other MDAs by others. This limited the talent pool within the public service and hindered subsequent efforts to improve public service efficiency by instituting a meritocratic recruitment culture.

Fourth, with the SPLM leading the Transitional Government, ex-combatants enjoyed a high social status. Political leaders and high-ranking civil servants regarded it as “absolutely legitimate and fair” to reward ex-combatants with public jobs, regardless of their skills. As a result, the public sector workforce was dramatically skewed toward security.

Fifth, the absence of human resource (HR) and payroll records and controls meant that many public servants were given inflated salaries relative to their qualifications. As many as 40,000 “ghost employees” were placed on the payroll in the organized forces, the salaries of whom were pocketed by their commanders (Rands 2010). Subsequent efforts from within the government to impose some order on the size and composition of the public service have met strong resistance; the former minister of labor and public service resigned in 2011, apparently after being blocked by the cabinet in her efforts to screen the qualifications of public service employees.

These developments reflect the internal fragmentation of the SPLM governing coalition, with factional allegiances that cut along ethnic or tribal lines. During the 1990s, much of the fighting was between rival groups within South Sudan, and it was only opposition to a common enemy (Khartoum) that unified the different tribes in the lead-up to the CPA in 2005. The key turning point that enabled Salva Kiir to establish a stable government was the 2006 Juba Declaration, but this agreement failed to unite the new South Sudanese governing class, which remains riven by competing factions.

The divisions within the SPLM coalition following independence were the legacy of internal power struggles during the civil war. The 1991 revolt of Riek Machar and Lam Akol was the most significant internal division in the history of the SPLM, and it quickly assumed a tribal dimension that pitted the Dinka against the Nuer. Machar’s struggle with John Garang’s forces cost thousands of southern Sudanese lives; Amnesty International estimated that 2,000 civilians, mostly Dinka, were killed in a series of raids by Nuer forces under Machar’s command (Sudan Tribune 2012). Machar was reconciled with the SPLM in the early 2000s and assumed the third-highest post in the leadership structure, after Garang and his deputy, Salva Kiir. After Garang died in a helicopter crash, shortly after the signing of the 2005 peace accord, Kiir became head of the SPLM and appointed Machar his deputy. Behind the scenes many of these rivalries continued, and documents such as the Rumbek memo revealed the SPLA leadership to be riven by factional disputes and political infighting (South Sudan News Agency 2013).

Internal conflict among ethnic groups prevailed prior to the re-eruption of major conflict in December 2013. The SPLA remained at war with at least seven...
armed groups, with rebel fighters accusing the government of plotting to stay in power indefinitely, failing to represent all tribal groups, and neglecting development in rural areas. Interethnic clashes were particularly severe in Jonglei, which witnessed a resumption of violence in 2009, registering more than 3,000 fatalities.\textsuperscript{10}

Although political patronage has resulted in a bloated and inefficient public service, the distribution of public service appointments among the governing coalition has been important in maintaining stability among rival factions and ethnic groups. The return to conflict in December 2013 was “the fallout of a political crisis within the SPLM ... exacerbated by the lack of cohesion and central control within the SPLA” (Rolandsen 2015, 164). It was triggered by a political power struggle between President Kiir and his ex-deputy, Riek Machar, which followed a cabinet reshuffle that resulted in certain factions losing influence in the governing coalition.\textsuperscript{11} Many of Machar’s supporters were militias who were integrated into the northern Sudan Armed Forces (SAF) rather than the SPLA at the time of the CPA, and resumed fighting to regain their position within an independent South Sudan. The subsequent fighting took on a communal dimension, with Machar’s supporters targeting members of Kiir’s ethnic Dinka group, and government soldiers attacking Nuers (Amnesty International 2014). Some important Dinka leaders, however, sided with Machar in the current conflict, and reemergence of conflict in South Sudan was largely a reflection of the kleptocratic nature of elite politics in South Sudan, with various factional leaders instrumentalizing tribal rivalries to gain support in their struggle for influence and resources.\textsuperscript{12}

**Bargaining**

A distinctive feature of South Sudan’s first steps as a new state has been the inflow of billions of dollars from oil revenues, placing it in a much stronger fiscal position than other postconflict countries. Together with a nationalistic political elite keen to protect its newly acquired independence, oil revenues limited donor influence over public service reform relative to other countries in this study.

In the absence of proper checks and balances, the petrodollars became a double-edged sword, paying for the buildup of the government machinery but also feeding widespread corruption. In January 2012, growing tensions with Khartoum over oil transit fees led to an oil shutdown, forcing the government to impose austerity measures that sharply cut capital expenditure and further restricted the ability of the public services to improve basic service delivery.

The country’s economic and military independence allowed for a high level of autonomy in government spending. For example, the GoSS rejected outright any major donor involvement in the management of its Treasury. This lack of external oversight or safeguards to protect against financial mismanagement limited donor usage of the country’s budget execution systems and led to a challenging aid architecture. Initially designed to at least partially deliver through country systems, the South Sudan Multi-Donor Trust Fund (MDTF) failed to rapidly meet high expectations of a “peace dividend.” Donors ultimately heavily relied on parallel delivery structures and did not provide budget aid.\textsuperscript{13}
Public Service Size and Structure

At the end of the conflict, the newly created public service lacked basic skills and bureaucratic culture or tradition. Most of the public servants who had previously served in the CANS/SPLM were incorporated into the organized forces (see box D.1) and the education sector, while staff working on finance and economic planning functions came mostly from the CCSS (Computer Feeds Ltd. and Ecotech Consultants 2006, 25). A 2005 survey highlighted a dramatic lack of skills among these two groups of public servants: two-thirds had primary education at best, and only 5 percent had university degrees (BA/BSc or above; see figure D.1). 

According to the 2005 survey, 62,172 individuals claimed to be public servants, whether serving in the central government, states, or counties (Computer Feeds Ltd. 2006). 

Box D.1 General Government Composition in South Sudan

Public service growth in South Sudan was largely driven by the so-called “organized forces,” that is, the police, wildlife services, prison services, and fire brigade, which absorbed large numbers of ex-combatants. In order to clearly separate these organized forces from the remainder of the public service, the core civil service, education, and health employees will jointly be referred to in this appendix as “nonsecurity public service” (see figure D.4, panel a, later in this appendix). Defense and the organized forces will jointly be referred to as “security forces” (see figure D.4, panel b). 

Figure D.1 Educational Attainment Levels in the Public Service in South Sudan

Source: Computer Feeds Ltd. and Ecotech Consultants 2006.
and Ecotech Consultants 2006, 1). Of these, 53 percent were from the CANS and 47 percent from CCSS. The breakdown was as follows: the organized forces, 27.7 percent; the Ministry of Education, 21.2 percent; the Ministry of Health (MoH), 9.4 percent; and the core civil service (other civilian), 41.8 percent. The inherited workforce was modest in size: the nonsecurity public service represented only about 0.55 percent of the population, and the organized forces 0.20 percent.

The JAM to Sudan, conducted between March and October 2004, recommended a ceiling of 100,000 for public service employment, based on a norm of 1 percent of an estimated population of 10 million. The intention was to employ roughly 30,000–40,000 staff in the central administration, with the remaining 60,000–70,000 to be employed as teachers, health workers, law enforcement personnel, and other government personnel. Growth of the organized forces, driven by the absorption of ex-combatants, rapidly proved these projections wrong. Between 2005 and 2014, the organized forces multiplied in size by 548 percent, from about 17,200 to 94,400 employees, growing nearly four times faster than the population (148 percent). The SPLA grew at a similar rate (as shown in figure D.8 later in this appendix). Data on the size of public employment and the wage bill in South Sudan are highly unreliable, especially in the early years after the CPA, due to salary payments in cash, the presence of thousands of ghosts on the payroll, and weak expenditure controls. Yet, it is clear that most of this growth occurred in the early years after the CPA, between 2005 and 2008 (see figure D.2).

**Figure D.2 On-Payroll Public Service Size and Composition in South Sudan, 2005–14/15**

![Graph showing on-payroll public service size and composition in South Sudan, 2005–14/15](image)

**Source:** Ministry of Finance and Economic Planning South Sudan budget books.

**Note:** The apparent spike in education sector employment in 2006 and the subsequent decline in 2007 are driven by unreliable data on ghost employees, especially in the early years after the Comprehensive Peace Agreement. One indication for this is that the staffing spike is uncorrelated with wage bill trends (see figure D.4).
The rapidly expanding security forces crowded out investment in health, education, and the core civil service. Overall, the nonsecurity public service grew only at the rate of the population, from about 45,000 employees in 2005 to 66,600 in 2014. The education workforce grew by 258 percent; the health workforce by 202 percent, but from a low starting point, since NGOs had been running health services during the conflict. The core civil service grew only at rates below population growth (see figure D.3). As a result, by 2014, the security forces represented 83 percent of general government employment and 2.9 percent of the population, compared to 17 and 0.6 percent for the nonsecurity public service.

The rapid expansion of the security forces, coupled with initial salary increases, made the wage bill skyrocket (see figures D.4 and D.5). Between 2006 and 2012/13, the general government wage bill more than doubled in real terms. It grew from about 15 percent to 62 percent of total government expenditures, despite South Sudan’s rising oil revenues. By 2012/13, it amounted to about 13.8 percent of gross domestic product (GDP).

Besides the expansion of the security sector, pay increases since 2005 were an important driver of wage bill growth. This is particularly visible for the core civil service: at peak level, in 2010, the civil service wage bill had nearly quadrupled in real terms relative to 2006, despite its modest growth in size. The large wage bill crowded out capital and other operating expenditures, including for

![Figure D.3 Public Service and Population Growth in South Sudan, 2005–14/15](image)

**Figure D.3 Public Service and Population Growth in South Sudan, 2005–14/15**

- Core civil service
- Health
- Nonsecurity public service
- Education
- Organized forces
- Population

**Source:** Ministry of Finance and Economic Planning South Sudan budget books.

**Note:** Education employment for 2006 is assumed to equal the average of 2005 and 2007, to correct for misleading 2006 data.
Figure D.4 Wage Bill Evolution in South Sudan, 2006–14/15

a. Nonsecurity public service (excluding organized forces)

b. Security forces (defense and organized forces)

Source: Ministry of Finance and Economic Planning South Sudan budget books.
Note: Wage bill data for January 2011 to June 2011 are omitted, reflecting a redefinition of the fiscal year (July to June, instead of calendar year). For 2008 to 2015, conversion from current South Sudanese pounds to constant 2011 U.S. dollars is based on the standard methodology for this study. For 2006 and 2007, expenditures were reported in current U.S. dollars and required additional assumptions for conversion. For FY2014/15, the share of salaries in total transfers to states was estimated assuming that they represented the same share in each MDA (ministry, department, and agency) as in FY2013/14.
Figure D.5 Wage Bill in South Sudan as a Share of Expenditures, Revenues, and GDP, 2006–14/15

a. General government

b. Nonsecurity public service

Source: Ministry of Finance and Economic Planning South Sudan budget books.

Note: Due to the sharp decline in revenues following the oil shutdown in 2012, the general government wage bill increased to 248 percent of own revenues in 2012/13, and the nonsecurity public service wage bill increased to 159 percent of own revenues. These spikes are omitted for clearer presentation.
infrastructure and basic service delivery. The oil shutdown in 2012 entailed a drastic decline in revenues and marks a turning point. The wage bill subsequently declined in real terms, due to rising inflation and a GoSS decision to reduce allowances. Yet, the oil shutdown mainly affected investments rather than wages. Capital expenditures were cut by 80 percent in the FY2012/13 budget, compared with a decrease of 22 percent for salaries and 9 percent for transfers. A 2013 World Bank analysis suggested that “the level of the wage bill, which is on the very high side by international standards, needs to be addressed structurally to allow for a more investment- and growth-oriented budget in the years to come” (Adiebo, Bandiera, and Zacchia 2013, 6).

South Sudan’s public service has continued to suffer from extremely low skill levels, but assessing the actual distribution of qualifications is difficult. The grade distribution in the payroll provides no reliable indication. For 2008, for example, about 38 percent of public servants occupied managerial and professional grades 1–9 (see figure D.6), but only about 18 percent had received postsecondary education as of 2006 (see figure D.1 earlier in this appendix). This reflects the

Figure D.6 Grade Composition of the Public Service in South Sudan, 2008 and 2014

Source: Ministry of Finance and Economic Planning South Sudan budget books.
random nature of the grading following the haphazard merger of CANS and CCSS, with frequent appointments to senior grades regardless of qualifications. Similarly, while figure D.6 suggests a growth of the share of staff in the professional grades 7–9 between 2008 and 2014, this need not reflect qualifications. Public servants’ resistance has made it challenging to assess whether qualifications are improving.

Because of a general preference for appointing ex-combatants, South Sudan has not relied on the diaspora to inject capacity into the public service. The harsh living conditions and low salaries of public service jobs were strong disincentives for educated diaspora returning to South Sudan. In addition, the government has been reluctant to attract qualified labor from outside South Sudan. Several government officials interviewed who were part of the diaspora complained that despite their higher education they could not initially find jobs in the public administration because those in top management positions were scared of “westernized” South Sudanese introducing new ways of doing things in the workplace.16

As of 2005, the age distribution in the public service was relatively balanced across age groups (see figure D.7), according to the 2005–06 Civil Service Agency (CSA) survey. Because of the lack of a pension scheme, however, almost ten years later most of the staff recorded in the survey who had reached retirement age (60)17 remained on the payroll, as indicated by the projections shown in figure D.7.

Figure D.7  Age Distribution in the Public Service in South Sudan, 2005 and 2014 Projections

<table>
<thead>
<tr>
<th>Age (years)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;16</td>
<td>0.0</td>
</tr>
<tr>
<td>16–20</td>
<td>2.0</td>
</tr>
<tr>
<td>21–25</td>
<td>5.0</td>
</tr>
<tr>
<td>26–30</td>
<td>7.0</td>
</tr>
<tr>
<td>31–35</td>
<td>8.0</td>
</tr>
<tr>
<td>36–40</td>
<td>8.0</td>
</tr>
<tr>
<td>41–45</td>
<td>7.0</td>
</tr>
<tr>
<td>46–50</td>
<td>6.0</td>
</tr>
<tr>
<td>51–55</td>
<td>4.0</td>
</tr>
<tr>
<td>56–60</td>
<td>2.0</td>
</tr>
<tr>
<td>&gt;60</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: Civil Service Agency Survey, 2005–06.
Note: The projected age distribution for 2014 is not representative of the public service. It covers only the about 60,400 public servants included in the 2005–06 survey for whom age progression could be predicted. It does not comprise the large number of new entrants since, whose age distribution is unknown.
Which factors have influenced public service growth in South Sudan? The SPLA’s strategy of incorporating rival militias into the army and the organized forces led to a rapid and unregulated expansion of general government following the CPA (see figure D.2 earlier in this appendix). The near absence of checks and balances on recruitment resulted in state authorities hiring almost at will. The incorporation of 50,000 soldiers following the 2006 Juba Declaration also was a major factor in the early growth of the organized forces (see figure D.8).

Another factor that contributed to public service growth was the government’s unwillingness to tackle the politically divisive issue of controlling the merger of the CANS and the CCSS and to create a functional pension system. During the early JAM workshops in Washington, D.C., the GoSS opted not to design a pension act to avoid a highly contentious reform in the early stages of forming a new administration. Arriving at a compensation formula that covered public employees from a variety of sources (the CCSS and CANS, ex-combatants, volunteers, among others), often without HR records, would have unavoidably created winners and losers. Hence, it was easier to continue to employ public servants and postpone the creation of a viable pension system. Consequently, no public servants retired since 2005, according to officials interviewed for this study. It is estimated that by 2014 about 14 percent of public servants covered in the 2005–06 survey had reached the retirement age of 60, but remained on the payroll (see figure D.7).

Figure D.8  Size of the Security Sector versus Other Armed Groups in South Sudan, 2004–13

Sources: Small Arms Survey (2012) and SPLA estimates.
Note: SAF = Sudan Armed Forces; SPLA = Sudan People’s Liberation Army.
During the interim years, the security forces continued to steadily expand, driven by clientelism. Clientelism and the discretionary use of public jobs to buy stability were generally accepted by the society at large (see box D.2 later in this appendix). The Ministry of Defense remained the only ministry that had no disaggregated chapter in the annual budget, and the only one that provided no data or explanations on the number and growth of public employees working in its department.

From 2008 onward, the GoSS undertook a sustained effort, led by the MoLPS & HRD and supported by development partners, to strengthen wage bill and payroll control mechanisms, in particular, by introducing an electronic payroll system, the South Sudan Electronic Payroll System (SSEPS; see box D.3 later in this appendix). Gradually all national and state-level public servants (over 150,000) were brought on to the system. By 2012 pay across more than 300 MDAs was processed and reported through SSEPS each month, allowing central agencies to monitor the number of employees on the payroll.

The SSEPS helped identify ghost workers. In August 2013, the GoSS announced that roughly 10,000 ghost workers had been identified in the police force alone—equivalent to about 20 percent of the entire force that year—with a further 16,000 employees being investigated (Wudu 2013). However, the enforcement of the nominal rolls remained partial, for the organized forces in particular and also for the nonsecurity public service at state levels.

This achievement has been undermined, however, by the continued growth of the organized forces, which continually violated the budget ceilings set by the MoFEP and failed to provide central authorities with any information on the payroll to allow control over hiring.

The renewed outbreak of conflict since late 2013 has had mixed effects on general government growth. On the one hand, it has decreased the size of the public sector, as many who rebelled against the government were on the public sector payroll. On the other hand, the government has been forced to buy off other militias with public service jobs to attempt to stabilize the country, and will also face the prospect of having to absorb the current combatants back onto the payroll in the event of a peace agreement.

**Pay**

At the time of the CPA, the GoSS faced the challenge of transitioning out of the different CCSS and CANS pay systems into a new pay setup, in a context of great uncertainty about the future size of the public workforce. The new administration inherited one set of pay arrangements from the Government of Sudan through the CCSS; this consisted of a pay scale with 17 grades, ranging from current $51 to $301 per month (see “GoS CCSS scale” column in table D.1). Base pay was bolstered by a plethora of allowances and in-kind benefits, which accrued disproportionately to senior grades, decompressing the pay system. The average CCSS salary at the time was current $100 per month, or $1,200 per year, more than twice the annual GDP per capita of $557. The other set of pay arrangements,
under CANS, were for staff working in SPLA-controlled areas. These staff were paid much less, having originally been seen as “volunteers,” receiving ad hoc stipends and allowances that were often referred to as “incentives.” They were grouped into 15 categories, and their monthly “incentive” payments ranged from $9 to $33 (see the “CANS incentives” column in table D.1). The weighted average monthly incentive was approximately $15, well below a living wage.

The World Bank and other donors significantly influenced the SPLM leadership in its early discussions of the design of the new pay system. In 2004, JAM carried out several workshops with SPLM officials in Washington, D.C., and Nairobi and devised a new five-grade pay structure to apply to all government employees. The recommended pay levels were much more decompressed than the inherited CCSS scale, in order to attract and retain well-qualified staff in more senior positions. They ranged from $30 per month to $1,000 per month (see the “JAM proposal for GoSS scale” column in table D.1), moving from a compression ratio of about 1:6 for the CCSS scale to a ratio of about 1:33. The JAM scale would have resulted in a weighted average wage of about $143, considerably higher than the Sudanese average wage of $100. These pay recommendations were, however, made based on unrealistic assumptions about the appropriate size and future growth of the public workforce, as previously noted.

In June 2006, the GoSS discarded the pay scale recommended by JAM and reverted to the 17-level pay structure inherited from the CCSS. Relative to the JAM proposal, the new GoSS scale in particular increased salaries for unclassified, clerical, and technical staff, while managerial-level pay remained similar. The new pay scale (see table D.1, final column) ranged from about $75 per month for the lowest grade to $1,050 per month for grade 1 (undersecretary), raising the average salary to $306 per month, or $3,672 per year, more than twice the initial JAM projection. World Bank staff saw the adoption of the new pay scale as a lost opportunity for regrading public servants based on their qualification. Unskilled employees were overpaid, while pay remained insufficient for attracting qualified Sudanese from the diaspora.

<table>
<thead>
<tr>
<th>Grade (per JAM proposal)</th>
<th>GoSS CCSS scale</th>
<th>CANS incentives</th>
<th>JAM proposal for GoSS scale</th>
<th>GoSS scale adopted in 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>1+ Senior-level supergrades</td>
<td>210–301</td>
<td>33</td>
<td>500–1,000</td>
<td>750–1,050</td>
</tr>
<tr>
<td>1 Administrative/professional</td>
<td>148–188</td>
<td>20</td>
<td>170–340</td>
<td>550–775</td>
</tr>
<tr>
<td>2 Technical/subprofessional</td>
<td>96–133</td>
<td>14</td>
<td>90–180</td>
<td>330–580</td>
</tr>
<tr>
<td>3 Clerical</td>
<td>70–92</td>
<td>12</td>
<td>50–100</td>
<td>115–380</td>
</tr>
<tr>
<td>4 Unclassified</td>
<td>51–57</td>
<td>9</td>
<td>30–60</td>
<td>75–100</td>
</tr>
</tbody>
</table>

Note: CANS = Civil Authority for the New Sudan; CCSS = Coordinating Council for Southern Sudan; GoS = Government of Sudan; GoSS = Government of South Sudan; JAM = Joint Assessment Mission.
a. The GoS CCSS pay structure consisted of 17 grades and 3 supergrades. This correspondence is based on equating grade 1+ of the GoSS to grades 1+ to 3 of the GoS, grade 1 of GoSS to grades 4–6 of the GoS, grade 2 of the GoSS to grades 7–9 of the GoS, grade 3 of the GoSS to grades 10–14 of the GoS, and grade 4 of the GoSS to grades 15–17 of the GoS.
In 2007 the MoLPS & HRD published a policy framework for the public service that formalized the 17-grade pay structure already adopted de facto in 2006 for the central government. In 2007, pay for central public servants was further standardized to comprise basic pay plus three allowances. The top salary (for grade 1) remained fixed at current $1,050 per month, with an additional $200 in allowances, while the midpoint of the lowest salary was set at $104 per month, plus $12.50 in allowances, implying a compression ratio of 1:11. While this compression ratio may appear comparable to international standards (the ratio usually ranges between 7.5 and 10), in a context where there was no correspondence between grades and qualification, it meant that especially low-skilled staff were well paid. The upward revision and addition of allowances for public servants in the central government put pressure on state administrations to follow suit, and by the end of 2007 South Sudan had broadly adopted the new pay scales for public servants across all tiers of government (see figure D.9). The organized forces and the SPLA, however, retained different pay arrangements for most of the time.

Basic pay in South Sudan was kept at these nominal levels through 2014, but inflation and depreciation against the U.S. dollar have continuously eroded purchasing power.

To counteract the decline in real salaries, in 2009, the government introduced generous housing allowances for the central civilian government. The allowances de facto doubled the total salary of the upper (grades 1–3) and lower (grades 11–17) levels, with a somewhat milder increase at the middle levels (50–70 percent for grades 4–10; see figure D.9, panel c). The security forces, which were on average better off than the public service before this adjustment, were initially excluded from housing allowances. The army then lobbied the president, arguing that the security forces should not, in effect, be on lower salaries than public servants. In 2011, the housing allowances were extended to both the SPLA and the organized forces, although teachers employed by state-level governments were excluded, resulting in a series of strikes by primary school teachers in Jonglei and Bor in protest (Sudan Tribune 2011a).

The oil shutdown forced the GoSS to halve housing allowances between April 2012 and December 2013. Housing allowances were easier to adjust than the base pay. The allowances were returned to their former levels in January 2014 (see figure D.9). Due to these adjustments, public servants have faced considerable volatility in the value of their take-home pay since the end of conflict (see figure D.10).

As noted, the rapid growth of South Sudan’s general government wage bill was driven primarily by the absorption of ex-combatants into the security forces. However, pay increases largely explain the growth of the nonsecurity public service wage bill, in particular for the core civil service. Whereas the size of the core civil service stagnated since 2005 (see figure D.3), average wages multiplied relative to the 2005 CCSS scale (see figure D.9), and by 2014 the civil service wage bill had quadrupled relative to 2006 (see figure D.4).
As a result of this pay growth, total average pay for public servants (including allowances) in 2014 amounted to about 2.6 times per capita GDP, significantly higher than the average for both African and low-income countries. A higher cost of living than in neighboring countries may have partially justified these above-average public wages. Many public servants had to rent accommodations in Juba.
to work in the new administration, and the shortage of built infrastructure meant that rents were extremely high, often as much as 5–10 times more expensive than in Kampala or Nairobi.

Overall, as of 2014, public service pay was competitive across ranks in the domestic labor market, but it remained insufficient to attract South Sudanese in the diaspora. Pay for some frontline staff, teachers in particular, had become critically low by 2014 due to the erosion in purchasing power. Most primary school teachers were paid according to salary grades 15 or 16, the equivalent of unskilled or semiskilled workers—with substantial differences between states. As part of the state public service, primary school teachers did not benefit from housing allowances, implying a monthly salary of SSP 288 (constant 2011 $124) as of 2014 (for grade 15). Low pay had also been a problem in the health sector, but NGOs have frequently bolstered the pay of qualified health sector staff. An “inflation allowance” was newly introduced for primary health care workers (that is, at subnational levels) in the 2014/15 budget to begin reducing the disparity in pay between government- and NGO-employed health workers at local levels. These problems have been further aggravated by rapidly rising inflation since 2015, in the context of renewed conflict.

**Public Service Management Bodies**

The Interim Constitution of 2005 provided the MoLPS & HRD with a strong mandate for managing the central public service, including for (1) regulation and oversight, (2) recruitment and promotion within professional grades, (3) the exercise of establishment control, and (4) the training of public servants. As part of a general effort to decentralize authority, the
Interim Constitution also stipulated that states and counties would have the same mandate with respect to their employees. De jure, the MoLPS & HRD has “both executive functions in the recruitment, appointment, promotion, training, discipline and attrition of the higher grades of public service personnel and an oversight function where such powers are devolved to line ministries within GoSS” (World Bank 2008, 12), although its executive functions were barely put into practice. As the creation of state-level MoLPS & HRDs was delayed until 2010, in many cases the Department of Public Service inside the state-level Ministry of Finance exercised these functions prior to becoming a separate ministry.

The other public service management bodies created by the Interim Constitution were a CSC, the Employees Justice Chamber (EJC), and the Public Grievances Chamber (PGC), intended to assume oversight and advisory roles. However, these institutions, modeled on international good practice such as the CSC, have failed to gain much traction in the new public administration, as the culture of impartial regulatory bodies was alien to the preexisting administrative culture (see the “Preconflict Legacies” subsection earlier in this appendix).

In the early years after the CPA, in 2005–07, the MoLPS & HRD followed a laissez-faire strategy. Line-MDAs at both the central and state levels managed recruitment, establishment controls, and payments. Salaries were often distributed in suitcases filled with cash that were then allocated by government officials. This policy reflected basic capacity constraints in the MoLPS & HRD, but it was also influenced by the government’s wish to accommodate all stakeholders, avoid confrontation, and buy off potential spoilers.

Between 2007 and 2011, the MoLPS & HRD made two attempts to impose greater central control over the public workforce. The first effort, in 2008, was aimed at rightsizing the public service to address the problem of wage bill arrears due to excessive hiring. A consultancy firm developed a series of recommendations for a phased downsizing and retrenchment program, but rising fiscal revenues eased the pressure on the wage bill, and the proposals were never implemented. The second major push for reform from the MoLPS & HRD occurred in 2011, shortly after South Sudan gained independence. The ministry sought to tackle the issue of unqualified staff by setting up a screening committee to document the academic certificates of public servants and ensure that their qualifications matched grade levels in the public service.

**Merit Protection**

Reflecting South Sudan’s decentralized administrative structure, between 2005 and 2011 hiring was de facto delegated to the national and subnational ministries, various subagencies, and local government. Within national ministries, the staff overseeing human resource management (HRM) and the establishment were considered as seconded from MoLPS & HRD, but de facto lacked autonomy from the respective line-ministry. At the subnational level, each state had a MoLPS & HRD of its own since 2010.
The 2011 Transitional Constitution reaffirmed state governments’ autonomy in selection decisions. It provided the decentralized recruiting authorities with the power to appoint public servants up to the level of undersecretary.25 The 2011 Civil Service Act provided the MoLPS & HRD with a limited oversight role over hiring at the national level. It set out official criteria for recruitment26 and provided the basis for MoLPS & HRD to establish a recruitment board with a mandate to vet professional appointments and verify the integrity of the selection process.27

The act also provided the MoLPS & HRD with increased influence over recruitment through its role in coordinating and monitoring the national public service. For instance, the ministry developed and maintained a personnel information management system, approved the establishment structure of other ministries, and had power to deem employees of other ministries unnecessary and to propose redeployment or redundancy.

As of 2014, however, there was little evidence that the MoLPS & HRD established influence over hiring in the line-MDAs. A recruitment board proposed in the MoLPS & HRD’s 2012–16 Strategic Plan remained dysfunctional. Given the MoLPS & HRD’s weak authority at the cabinet level, and the general lack of support from other agencies, in 2013 it seemed unlikely that this recruitment board would significantly increase the MoLPS & HRD’s control over hiring in line-MDAs at the national level.

MoLPS & HRD is supposed to supervise the recruitment: advertisement, interview, transparency . . . nothing was followed. Everybody did as they wished: ministers, undersecretaries, states . . . all across the country. Some never, ever went to school and were appointed to senior positions. (Interview with former official in the MoLPS & HRD, 2013)

Further, the preference for hiring former SPLM/A personnel remained. The 2011 Civil Service Act included a preference clause for former SPLM/A personnel. Public servants interviewed for this study acknowledged pressures to favor SPLA fighters regardless of their qualifications, to “pay for their services and compensate them for the lack of study opportunities while in the bush.”28 But this preferential treatment remained controversial. Former SPLM staff, public servants from the CCSS, younger generations, and diaspora returnees held vastly different views, as summarized in box D.2.

Box D.2 Local Perceptions of Patronage in South Sudan

Among public servants, perceptions of patronage differed depending on the age and origin of the interviewee. Senior staff with a SPLM (Sudan People’s Liberation Movement) history found it “absolutely legitimate and fair” to reward ex-combatants with a public job regardless of their skills. As a top official at the Ministry of Labor, Public Service, and Human Resource Development
skills. As a top official at the Ministry of Labor, Public Service, and Human Resource Development (MoLPS & HRD) explained, “those who did not fight were studying abroad and enjoying the bars; it is not fair that they get the jobs in detriment of those who were fighting in the bush without study opportunities. We need to support our fighters, with job and training opportunities.”

By contrast, public servants from the former Coordinating Council for Southern Sudan (CCSS) and the younger generations often criticized patronage practices:

Patronage is practiced openly . . . Nepotism is also truly ripe . . . Senior officials employ their relatives or wives and promote them without shame . . . All this affects the morale, integrity, and performance of the institutions. Moreover, new graduates cannot find entry into the civil service or are not given promotions because the system is packed with overage and unqualified appointees who do not make way for the young. (Interview with public servant, MoLPS & HRD, 2013)

Diaspora returnees were among the most outspoken against patronage. Used to other ways of doing things, they were frustrated with the barriers to entering the public service that they encountered:

The lack of skills is not an issue here. Many diaspora graduates came and could not find a job. It is all about politics! So they are returning to the USA . . . The fact is that top officials are scared of “westernized” South Sudanese who might introduce new ways of doing things at the workplace and threaten their tenures. (Interview with diaspora returnee working for the government of Northern Bhar el Ghazal State, 2013)

**Box D.2 Local Perceptions of Patronage in South Sudan (continued)**

**Wage Bill and Payroll Control**

In the early years after the CPA, there were almost no wage bill and payroll controls. The unfiltered merger of the CANS and CCSS, coupled with pressure to incorporate SPLA soldiers into the armed forces, meant there was little attempt to limit the overall size of public employment or to ensure that the qualifications of public servants were related to grades.

The rollout of the SSEPS since 2010 and the removal of thousands of ghost employees significantly strengthened the center’s ability to control the wage bill (see box D.3). As noted, the SSEPS covered over 300 government institutions at the national and state levels. This gave the central government some influence in monitoring subnational staff through payroll reports and sector-specific systems, particularly in the health and education sectors. South Sudan’s progress in increasing the integrity of the payroll through SSEPS was reflected in the relatively high 2012 Public Expenditure and Financial Accountability (PEFA) score (B) for PEFA PI-18 (i): the “degree of integration and reconciliation between personnel records and payroll data” (see table D.2). Despite this progress, as of 2013, central bodies’ ability to control the size of public employment remained limited by several factors.
Box D.3  South Sudan’s E-Payroll System: A Modest Success Story

Between 2008 and 2012 the Ministry of Labor, Public Service, and Human Resource Development (MoLPS & HRD) introduced an electronic payroll system, which significantly enhanced control over the public service. It helped identify thousands of ghost workers and ghost institutions at both the central and state levels.

The need for payroll reform was acknowledged almost from the establishment of the Government of South Sudan (GoSS) in 2006: from day one, there were concerns about inconsistencies in employees’ posting, grading, and pay; about “ghost workers,” absenteeism, and poor performance; and about the lack of accountability, particularly for the use of conditional grants, over which GoSS had little oversight once they left the Treasury.

Salary structures were totally abused—everyone just paid to themselves. There were many students in the payroll; indeed, there were no payrolls, just pay lists where you put names of your dogs, trees, cows, etc. (Interview with a former top official, MoLPS & HRD, 2013)

It took two years, however, before this issue rose to the top of donors’ and the GoSS’s agendas. Reform began for education and health employees, who were geographically among the most dispersed. With support from development partners, an education head count in early 2008 recorded details of 33,007 education employees. Implementation of a basic computerized payroll system began in October 2008 and was largely completed by December 2009. Rollout of the same system took place for the health sector in 2009. That same year a pilot rollout took place across the whole government in Eastern Equatoria State, specified and funded by the state government.

In autumn 2009, the GoSS launched the South Sudan Electronic Payroll System (SSEPS) across the whole government, at the national and state levels. The rollout of the SSEPS was launched in May 2010, setting a target for full implementation by the end of 2010. The system components were designed for limited connectivity, information technology (IT) infrastructure, and skills. They incorporated a structured and automated Excel tool for states, a secure website through which states could upload their tools, and a secure permissioned central database, capable of synchronization in on- and offline modes. The rollout timeline was met, and in 2011 and early 2012 attention turned to the decentralization of payroll processing, the building of skills to handle first- and second-line technical support within the government, and the development and piloting of other systems, notably a human resources information system and an attendance management system.

As of 2013, officials operated the system substantially without external support. Pay for 150,000 public servants, across more than 300 ministries, departments, and agencies, was processed and reported through the SSEPS each month. Almost every public service institution across the GoSS, at both the national and state level, was compliant and sent information to the MoLPS & HRD with names and categories of those employed. The Ministry of Finance and Economic Planning and MoLPS & HRD demonstrated, notably to the South Sudan Police Service, that they were willing to withhold funds until pay was processed through SSEPS, which boosted compliance significantly.

* box continues next page
First, the budget process in South Sudan had little credibility. Expenditure outturns, including for salaries, often vastly differed from approved budgets. With "politically powerful spending agencies spending substantially more than their approved budget" (GoSS 2012b, 25), the budget was not an effective instrument for wage bill control.

Second, the MoLPS & HRD’s ability to exert payroll controls remained weak. De jure, establishment officers were to manually check the monthly payroll (SSEPS) against the nominal roll, as contained in the Human Resource Management Information System (HRMIS). However, in practice, such checks remained difficult, as central HRMIS data were unreliable, due to lost or

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<th>Table D.2 PEFA Scores for the Effectiveness of Payroll and Expenditure Controls in South Sudan, 2012</th>
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<tr>
<td><strong>Score</strong></td>
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<td>Effectiveness of payroll controls (PI-18 aggregate score)</td>
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<td>PI-18 (i) Degree of integration and reconciliation between personnel records and payroll data</td>
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<td>PI-18 (ii) Timeliness of changes to personnel records and the payroll</td>
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<td>PI-18 (iii) Internal controls of changes to personnel records and the payroll</td>
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<tr>
<td>PI-18 (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers</td>
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<tr>
<td>Effectiveness of internal controls for nonsalary expenditures (PI-20 aggregate score)</td>
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*Source: GoSS 2012b.*

However, an attempt in 2013 to upgrade the SSEPS failed, in part because the new software was little suited for the context and in part because the resurgence of violence stalled most reform efforts.
outdated records held at headquarters and due to the lack of unique personal identifiers (GoSS 2012b, 62). The initial HRMIS, created with support from the U.S. Agency for International Development (USAID) in 2009–10, lacked a mechanism to interface with the operational payroll, and an attempt to import a FreeBalance HR system failed.

Building on these efforts, work on the HRMIS recommenced in mid-2012, but initial problems with collecting basic data on public servants, followed by the outbreak of conflict in 2013, stalled progress in implementing the HRMIS in most departments. As of 2014, a viable HRMIS existed only in the health sector, which had successfully established a database of public sector employees and automated core HR functions. Consequently, as of 2014, the SSEPS, rather than the HRMIS, remained the main instrument for recording basic information about public servants. The MoFEP remained the de facto gatekeeper to the payroll, with MDAs reportedly often bypassing the MoLPS & HRD with requests to add staff to the payroll: "We do not know how many civil servants there are in the state . . . You should ask the payroll managers at the MoFEP."29

Third, line-MDAs in South Sudan regularly diverted nonsalary budgets to paying salaries, according to interviews, including through petty cash advances and through extrabudgetary spending of oil and other revenues. This is consistent with weak internal controls for nonsalary expenditures (PEFA PI-20; see table D.2).

Controls over whether public servants had the qualifications for their jobs also remained dysfunctional. The MoLPS & HRD had limited influence because of weak payroll controls and because recruitment authority for most public servants was delegated to states. In 2011, Minister Awut Deng Acuil, the head of MoLPS & HRD, attempted to strengthen establishment controls by implementing a program to verify whether public servants’ qualifications matched the requirements of the positions they held. This proposal was rejected by the cabinet, a minority of whom were former SPLM fighters and did not have the necessary qualifications. As an official commented at the time: “We all knew that the decision to form such a committee would rub many people the wrong way. There are scores of people in public service who lack qualifications and removing them will not be an easy task” (Sudan Tribune 2011b). As the president was not ready to support these reforms, Minister Awut Deng Acuil resigned:

Sixty percent of the public servants were unclassified staff! So I said, let’s streamline and screen. If you claim to be a graduate, let your certificate be approved by MoE [the Ministry of Education]. So the president approved a decree to collect and screen certificates across the government. The strategy was to do three categories: (1) for those with certificates—OK, put them on track for promotion; (2) for those without certificates, provide an exit strategy, with three-year salary compensation and training; and (3) for those with fake certificates, this would be a crime and would require a punishment to be defined. But I was never allowed to do the job because of the personal interest of some individuals. . . . I was told by some members of the cabinet: “Do you want all of us to lose our jobs?!” So I left. (Interview with Awut Deng Acuil, 2013)
**Administrative Reform**

The MoLPS & HRD was the central body responsible for public service reform in South Sudan, but the main reform impetus came from the MoFEP. The MoLPS & HRD’s executive functions have barely been put into practice due to lack of political clout within the cabinet and reluctance to antagonize SPLM elites in the line-MDAs.

Many interviewees in this study agree that despite the limited political and financial support received from the government, the MoLPS & HRD has made notable progress since 2005, even if at a snail’s pace. In the early years after the CPA, with donor assistance, a small team under Minister Deng developed public service laws, regulations, and policies. It introduced a cross-cutting pay scale that decompressed pay from 6:1 to 10:1. The new pay scale was adopted in 2006, but the Civil Service Act, like most of the bills created in this period, stalled at the level of the Legislative Assembly or cabinet, and was not passed into law until after independence in 2011. Besides the rollout of the SSEPS, the MoLPS & HRD’s main achievements since the CPA were to draft key legislation such as the Civil Service Act and the Pensions Bill and to orchestrate the training of public servants.

In 2011 and 2012, the MoLPS & HRD developed a Strategic Plan for 2012–16 and a Medium-Term Capacity Development Strategy for 2011–13. These documents outline a set of public service reforms that would enable the MoLPS & HRD to exert much stronger control over public servants in the line-MDAs, but the impact of austerity and the outbreak of conflict derailed progress on these plans.

**Parallel Structures**

**Aid Architecture and Overview**

Following the CPA, the aid architecture in South Sudan was designed to allow donors to coordinate aid through the World Bank–managed MDTF, meant to provide the primary channel for harmonized international assistance. Other pooled funding mechanisms such as the Basic Services Fund (BSF), the Capacity-Building Trust Fund (CBTF), the Sudan Recovery Fund (SRF), and the Common Humanitarian Fund (CHF) were created to complement and supplement it. By relying on the use of country systems, the MDTF was designed to help build the capacity of government systems, taking a calculated risk that this would adversely affect its performance in the short run, given low government capacity. At the same time, there was significant political pressure for rapidly implementing the MDTF, to deliver a “peace dividend” (Fafo Institute 2013, 9).

To address capacity concerns, JAM proposed to create a super-PIU (project implementation unit) that would coordinate all the MDTF’s projects, but the SPLM rejected this proposal, as it was eager to retain control over aid disbursement. Consequently, the MDTF did not have PIUs but project management teams (PMTs, responsible for daily management, composed of public servants and other team members recruited competitively) embedded within the
implementing agency’s structure (for example, a ministry’s directorate), and typically headed by a public servant.

These implementation arrangements slowed disbursements under the MDTF, together with other factors, including slow World Bank mobilization, an extremely difficult work environment, procurement procedures unsuited to the context, and an increasingly independent-minded attitude of the GoSS. By the end of 2008, only about 35 percent of available MDTF donor funds had been disbursed (Fafo Institute 2013, 11). After 2007 many donors decided to create new modalities and/or shift to bilateral implementation as their operational capacity in South Sudan grew in proportion to their dissatisfaction with the MDTF’s performance. “On average, the top 12 donors delivered 28 percent of their aid budgets through pooled funds in 2012, down from 33 percent in 2010, reflecting a general trend toward growing bilateralism” (MoFEP 2012b, 16–17). The two major pooled funds—MDTF and BSF—were closed in 2012/13. According to an independent evaluation, the MDTF did not deliver the anticipated rapid “peace dividend” and only delivered partially on its original targets. However, the evaluation finds that the MDTF’s outcomes were strongest with regard to building the capacity of state institutions (Fafo Institute 2013, 13), in part owed to its execution through government systems.

Following the recommendations of JAM, the GoSS initially contracted out several core functions as an interim measure. These included accounting, procurement, and external auditing. While JAM also expected the government to contract the delivery of basic health services to NGOs, this was mostly managed directly by donors.

Despite the intention of the donor community to use country systems, South Sudan saw a proliferation of parallel structures. An Organisation for Economic Co-operation and Development (OECD) survey carried out in 2010 accounted for 109 parallel PIUs, the second-highest number out of 87 countries (OECD 2011, 74). The government’s desire to maintain control over public financial management (PFM), coupled with widespread political interference and lack of capacity to design and manage contracts, severely undermined project performance. Yet despite performance shortcomings affecting many of the MDTF projects, interviewees generally agreed that the capability of public servants and the institutions they work for improved substantially, both at national and state levels.

The World Bank and other donors also advised the government to inject capacity into the public service through the use of technical assistants (TAs) in advisory roles. Initially reluctant to host international advisers in its ministries, the government relented, and a number of TAs were brought in, although significantly fewer than in other postconflict countries in this study.

The question of whether injecting more TAs in key ministries would have been beneficial at the early stages of the reconstruction process remained contested (see box D.4). Some government officials believed that the number of TAs was often excessive and hindered permanent staff from assuming responsibilities and developing capacity (Republic of South
Box D.4 Wrong Assumptions Guiding Technical Assistance in South Sudan

The rationale for supporting South Sudan’s government with technical assistants (TAs) appeared strong: capacity gaps were vast, most stakeholders perceived immediate action as mandatory, and recently appointed officials often demanded external support.

However, supplying TAs to supplement lacking policy-making capacity relied on assumptions that did not necessarily hold in South Sudan. The first assumption was that even if the TA developed policies and plans, national officials would still determine their own sovereign policies. Second, without policies and plans in place, the transition from conflict to recovery would be doomed. Third, knowledge gaps are the binding constraints that impede sound decision making. Therefore, filling these gaps will lead to better decisions.

As Beesley, Cometto, and Pavignani (2011) highlight, in South Sudan these three assumptions were flawed. TAs often drafted policies and plans for government officials (instead of with them); the officials were frequently unable to analyze and digest the output and lost ownership in the process. Thus, decisions taken by outsiders often lacked legitimacy, and hence, impact. As a TA with broad experience in the country jokingly described it:

Policy papers are NEVER read by the policy makers who sign them! Many top government officials cannot even read, often due to vision problems after so many years in the bush . . . The thing with biggest impact that development partners could have done is check everybody’s eyes and provide glasses! (Interview with a TA, 2013)

The outcome across sectors was a proliferation of unrealistic policies and plans. They often failed to sufficiently take into account (1) political constraints, (2) the officials’ personal career interests in a shifting environment where recent appointees were seeking to secure their tenure, (3) the institution’s capacity constraints, (4) the limited absorption capability by the leadership to analyze and digest the recommendations, and (5) the external context. In addition, conflicting internal agendas and views among donors and other actors competing for the government’s attention often translated into sharp and inefficient shifts of ministerial strategies.

Source: Adapted from Beesley, Cometto, and Pavignani 2011.

Sudan and Multi-Donor Trust Fund 2012). One TA pointed to the challenges of coordinating many TAs:

More technical assistance? You have to be very careful: there is danger of conflicting advice. Among TAs it is important to choose the right ones and be clear on the work to be done by each one, not to overlap. At the MoFEP, coordination among TAs funded by different donors was indeed a challenge that could have been solved with higher involvement from GoSS. (Interview with a former TA from the MoFEP, 2013)

Treasury Department

The initial setup of South Sudan’s treasury function was shaped by the pressure to rapidly build capacity to manage high expected oil revenues and an extremely low skill base. In 2005, the SPLA officers managed about $100,000 using
cash payments. By 2006 oil revenues were expected to increase the budget to $1.3 billion—that is, about 10,000-fold. To handle the massive increase in revenues, two accounting agents were contracted out, one to manage the government’s Treasury (the government accounting agent, GAA) and one to manage the MDTF (the project accounting agent, PAA).

The choice to separate the function for MDTF projects from the government treasury function shaped the evolution of South Sudan’s Treasury. The decision to contract out the accounting function for the MDTF was made to “provide fiduciary comfort [to donors] for MDTF resources” (World Bank 2010, 36). This approach did improve accounting on MDTF projects but limited capacity building because interactions between the MoFEP staff and the GAA team were limited.

Government contracted the same service provider for the GAA. The terms of the GoSS’s agreement with the provider over the management of the GAA, and in particular the disbursal of oil revenues, were kept secret. This enabled the government to utilize oil funds without external oversight. The government’s decision to contract out the GAA while retaining fiduciary responsibility for payments went against the advice of the World Bank, but reflected a desire to ensure control over the proceeds of oil revenues. The “World Bank’s recommendation to fully outsource [the] treasury did not have any traction because GoSS did not want that the payments . . . done outside the budget [be] publicly known.”33

The MoFEP lacked the capacity to formulate and supervise the GAA contract, and problems over the GAA’s lack of accountability to the MoFEP, combined with the government’s attempt to obscure certain payments from public accounts, hindered the performance of the GAA.

In 2009, the government decided to discontinue GAA services due to discrepancies between the provider, the World Bank, and the MoFEP on the terms of the contract that was to be renewed. The government decided to replace the provider with three international accounting specialists contracted in through the World Bank’s Low-Income Countries Under Stress (LICUS) program. Additional support was provided by a USAID program that provided advisers and financed the cost of the FreeBalance FMIS and associated training. Apparently the use of advisers was effective, and the Treasury attained “some progress in strengthening budget execution and internal control” (IMF 2012, 7).

The government and the World Bank also decided to replace the PAA with individual consultants as a result of the fallout over the provider’s handling of the GAA. The new public financial management unit (PFMU) included six consultants (three regional and three local) and two seconded civil servants, an
arrangement that improved the knowledge transfer to some extent. Despite these changes, the PAA continued to effectively act as a separate unit, outside the government Treasury, running a separate accounting system.

The performance of South Sudan’s Treasury has been severely limited by political interference, lacking commitment to fiscal transparency, and severe capacity shortcomings both at the center and in the spending agencies. There was, however, some progress transitioning from outside contractors and moving responsibilities in-house: The ratio of TAs to civil servants declined from 7:41 in 2008 to 2:60 in 2012/13 when the Directorate of Accounts (DoA) was largely operated by civil servants, with only part-time support from two or three TAs.

South Sudan’s Treasury-related PEFA scores are the lowest among all five comparative cases (~ C−), a result that reflects a general lack of political will to keep budget discipline and enforce commitment controls. Spending decisions are typically made in-year at the discretion of the most influential MDAs, limiting the role of the Treasury to making payments and bookkeeping. Accordingly, the leadership does not set incentives for the roughly 40 civil servants at the DoA to enforce basic accounting standards or due process, and the commitment control functions of the FMIS remain unused. Typically, “the agency that shouts more gets more money,” and as a result the strongest agencies (SPLA, the President’s Office, and the MoFEP) spend several times their budget, while the MoH, Ministry of Education, and MoLPS & HRD typically underspend due to lack of political clout.

**Budget Directorate**

The capacity of South Sudan’s Budget Directorate has improved considerably since 2005, especially in terms of budget preparation and due regard to government policy. Although lack of expenditure controls gives little credibility to the budget, and the reliance on external consultants within the department was still significant in 2012/13, it is clear that the budget function improved much faster than the treasury function. Several factors facilitated this progress: (1) a relative lack of political interference; (2) effective TA interventions that allowed for knowledge transfer; and (3) the fact that technical skills for budgeting are relatively easy to acquire.

The nature of the TA provided to the Budget Directorate apparently was instrumental in the relative success of the department (see table D.3). It has been described by several assessments as “well-targeted” and “useful” (World Bank 2012b, 2), as well as more significant, focused, and adapted to the context than other functions of the MoFEP.

Following lessons learned in other postconflict contexts, the designers of South Sudan’s budget system kept it simple. According to interviewees in the Budget Directorate, the information technology (IT) system implemented was designed specifically to take into account the low-capacity environment:

In Afghanistan they implemented a program-based budgeting. It was just so complicated! That impeded the Budget Directorate to transition out of technical assistance. And it is something we’ve been trying to resist here, and have a very simple structure. (Interview with a former TA and PFM specialist, 2013)
New budget preparation software was developed and successfully implemented for the preparation of the 2012/13 budget. These reforms were successfully implemented in part due to substantial TA support, but they also illustrate that strengthening upstream planning and budgeting systems is easier because “it is not as IT-intensive as the strengthening involved in downstream areas, the amount of change management is less, and vested interests opposed to change may be fewer” (World Bank 2012c, 51).

Given the complete lack of capacity at the time of the CPA, the Budget Directorate progress was remarkable. Several donor studies attest to the existence of robust planning and budgeting systems, and South Sudan received a score of B for the PEFA indicator on classification and comprehensiveness of the information included in the budget documentation. As of 2013, significant weaknesses still needed to be addressed, including the budget’s low credibility, a lack of transparency in important areas, gaps in linking budget allocations to sector program priorities, little political ownership, and the lack of medium-term perspective and strategic plans from spending agencies.

Perhaps the principal reason behind the improvement of the budget function was the relative lack of resistance to upstream PFM reforms from the government. In contrast to the Treasury, where the government wanted to maintain control over payments, here TAs were allowed greater latitude to implement reforms, resulting in a heavier donor footprint in budgeting. Government actions, however, do continue to undermine the credibility of the budget, as aggregate expenditures remain driven by available revenues rather than budget allocations. On behalf of “national security,” the government uses public funds at will, first

### Table D.3 Donor Projects Supporting the Budget Directorate in South Sudan, 2005–13

<table>
<thead>
<tr>
<th>Donor</th>
<th>Project name</th>
<th>Implementing agency</th>
<th>Time frame</th>
<th>Budget</th>
<th>Activities with impact on the budget function</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom, Netherlands, UNDP</td>
<td>Support to Economic Planning</td>
<td>UNDP</td>
<td>2007–09</td>
<td>$2.0 million</td>
<td>One economic policy adviser (advisory support to MoFEP on planning, budgeting, and aid coordination).</td>
</tr>
<tr>
<td>World Bank LICUS program</td>
<td>PFM Support to MoFEP</td>
<td>MoFEP</td>
<td>2005–07</td>
<td>$2.2 million</td>
<td>From 2005–07, one TA at the MoFEP, working closely with the minister. Among other tasks, he performed as budget adviser.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>ODI fellows</td>
<td>ODI</td>
<td>Since 2007</td>
<td>—</td>
<td>One to two TAs at the Budget Directorate in line-functions.</td>
</tr>
</tbody>
</table>

**Sources:** Authors’ compilation, based on interviews with public officials and on ODI, UNDP, USAID, and World Bank project documents.

**Note:** LICUS = Low-Income Countries Under Stress; MoFEP = Ministry of Finance and Economic Planning; ODI = Overseas Development Institute; PFM = public financial management; TA = technical assistant; UNDP = United Nations Development Programme; USAID = U.S. Agency for International Development; — = not available.
during the budget planning process—without due justifications—and then on the budget execution phase, spending far beyond what has been allocated.

The oil revenues started in December 2005. By the end of 2006, $500 million remained unspent, so the SPLA requested them, and it was granted without any justification! Its budget jumped from $150 million to $650 million, and it never came down. The people in parliament did not understand the consequences of their actions. Technical support to [members of parliament] might have helped, but SPLM/A was (and still is) a tight circle . . . (Interview with a former TA and PFM specialist, 2013)

The staffing of the Budget Directorate grew from just 4 in 2006 to 36 in 2012/13, 23 at the professional level and with a university education (see table D.4). Assistance to the Budget Directorate was still provided by Deloitte and Overseas Development Institute (ODI) fellows; the part-time help of the Budget Strengthening Initiative (BSI) is also from ODI. The ratio of TAs to civil servants dropped from 1:4 in 2006 to 1:9/1:12 in 2012/13.

Dependence on external consultants was still significant (World Bank 2012b), with some of the foreign TAs performing line-functions. Donors have sought to reduce the risk of creating dependency by focusing on capacity building (for example, USAID/Deloitte), or by working intermittently so as not to take over line-functions:

We do not have full-time advisers—we work part-time, across budget and aid. One of the reasons not to work full-time is not to take over managerial functions, which is easy to do when you are embedded. (Interview with a TA at the Budget Directorate, 2013)

**Notes**

1. The organized forces have largely operated as a reserve militia rather than as public servants since 2005.

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**Table D.4  Staff Numbers at the Budget Directorate in South Sudan, 2006–12/13**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total staff</td>
<td>4 (2)</td>
<td>—</td>
<td>31 (n.a.)</td>
<td>31 (n.a.)</td>
<td>—</td>
<td>—</td>
<td>36 (23)</td>
</tr>
<tr>
<td>TA staffing</td>
<td>1–2</td>
<td>3–4</td>
<td>2–3</td>
<td>2–3</td>
<td>2–3</td>
<td>3</td>
<td>3–4</td>
</tr>
<tr>
<td>TA funding/origin</td>
<td>UNDP , UNDP, World World World Bank</td>
<td>BP</td>
<td>ODI Bank, (USAID), (USAID), fellows</td>
<td>ODI (UK)</td>
<td>ODI fellows</td>
<td>ODI (UK)</td>
<td>ODI fellows</td>
</tr>
</tbody>
</table>

**Sources:** Authors’ compilation, based on interviews with public officials and on ODI, UNDP, USAID, and World Bank project documents. **Note:** BSI = Budget Strengthening Initiative; ODI = Overseas Development Institute; TA = technical assistant; UNDP = United Nations Development Programme; USAID = U.S. Agency for International Development; n.a. = not applicable; — = not available.
3. The origin of the administrative structure in Sudan was the White Paper Colonial 197 issued in 1950, which set out measures proposed to improve the quality and efficiency of the Colonial Service of the British Administration, including the setting up of Public Service Commissions: “Public Service Commissions should be established in the Colonies. [...] the selection and appointment of candidates in the Colonies to posts in the local service will lie with the Governor of the Colony. It is desirable that the Governor should be advised in these matters by a Public Service Commission appointed by him and so composed as to command the confidence of the Service and the public” (cited in Opolot 2008, 103).

4. Following the Juba Declaration, most SSDF soldiers joined the SPLA, and the SSDF’s chief of staff, Major General Paulino Matip, became deputy commander of the SPLA under Salva Kiir as commander. More than 50,000 of Matip’s forces were integrated into the SPLA and other organized forces (Young 2006).

5. See De Waal (2014, 355): “Kiir [South Sudanese president Salva Kiir] was afraid not only that militia leaders could disrupt southern Sudan, but also that Khartoum’s security paymasters would use cash to buy the support of discontented southern Sudanese provincial elites, who could make the referendum impossible or swing the results towards unity.”


7. The Interim National Constitution of the Republic of the Sudan, 2005, Article 178 (1): “There shall be legislative, executive and judicial organs at [a] state level which shall function in accordance with this Constitution, the relevant state constitution and, in respect of the states of Southern Sudan, also in accordance with the Interim Constitution of Southern Sudan.”

8. Interview with top official at MoLPS & HRD, 2013.

9. The factionalism also reflects the fundamental pattern of South Sudanese society: the prevalence of martial values, the tradition of cattle raiding, the limited spread of modernization, and the ongoing conflict between pastoralists and peasants. Hence, political disputes quickly take on an ethnic or tribal dimension, as government officials rely on their local communities for support in disputes.

10. Based on data from the Armed Conflict Location and Event Database (ACLED) between 2009 and 2012 (http://www.acleddata.com/). The region has a history of confrontations with the government, including an extremely violent attempt to disarm the White Army in Jonglei in 2006 (Young 2006).

11. Although this struggle took on an ethnic dimension, not all Nuer groups have rebelled against the government. The Bul Nuer clan, long led by Paulino Matip, remained loyal and as a result the government has maintained control over large parts of northern Unity State.

12. See De Waal (2014, 361) for a fuller analysis of the rationale behind the elite bargaining of various groups in South Sudan: “Since 2006, and most noticeably since the 2010 elections, a growing phenomenon in southern Sudan has been ‘rent-seeking rebellion,’ namely the mutiny of army commanders or local political leaders with armed constituents, seeking a larger share of the resources dispensed by government.”

13. In 2010, donors were providing no budget support (Paris Declaration Monitoring Survey; OECD 2010). Stakeholders in Southern Sudan “felt that donors use humanitarian aid as a means of financing public service delivery beyond immediate crises for
a number of reasons. In some cases this is because of a lack of appetite for engagement with government, in others it is to avoid using national systems or supporting frequently weak sector strategies, or because humanitarian aid allows for more flexible engagement and disengagement on the part of the donor” (OECD 2010, 56).

14. Real educational attainment levels were likely even lower, because this survey was based on self-assessments.

15. The grade structure introduced by the MoLPS & HRD in 2007 grouped the 17 grades into the following five categories: supergrades (1–6) comprise managerial and senior professional staff (directors, chief technical officers); administrative and professional grades (7–9) comprise the body of professional staff (assistant to senior officer); subprofessional and technical grades (10, 12, 14—e.g., accountants); unclassified skilled grades (11, 13, 15—e.g., mechanics, drivers); and unclassified unskilled grades (16 and 17—e.g., messengers, cleaners).

16. Interview with a government official at the Office of the Secretary General, 2013.

17. The public service retirement age was not formally defined in South Sudan but was commonly seen to be 60 years.

18. The pension issue was further complicated by the Sudanese tradition of receiving a lump sum upon retirement, which would have resulted in a high initial outlay to compensate the large number of public servants who were past retirement age in 2005.

19. “In January 2014, the Government decided that salary payments should be switched to a direct verification process to ensure that only those who remained present (and loyal to the Government) would be paid, in particular in the SPLA and the organized forces. At the same time, government decided to restore allowances to their pre-austerity levels—despite the renewed and escalating fiscal strain” (World Bank 2015, 62).

20. The pay levels for 2007 in figure D.9 (panel b) are about twice as high as the equivalent pay levels shown in table D.1 because they are reported in constant international dollars and hence are adjusted for inflation. Pay levels in table D.1 are reported in current U.S. dollars.

21. “Costs of living are high due to the high cost of transportation; the reliance on imports even for basic consumption goods and cereals and the high cost of services due to less than adequate infrastructure” (World Bank 2013, 8).

22. Article 142 (1) (m) of the Interim Constitution of South Sudan states that “all levels of government in Southern Sudan shall be responsible for the recruitment, appointment, promotion, transfer and dismissal of employees of the civil service in their administrations.”

23. This also applied to the other central bodies at the state level; in 2013 only seven states had a budget for the state Employees Justice Chamber (EJC), and none of them had a budget for the state CSCs and Public Grievances Chamber (PGC).

24. See the Interim National Constitution of the Republic of the Sudan, 2005, Articles 137 (1), 139 (1), and 143 (1) for the full range of official remit of these institutions.

25. The Transitional Constitution of the South Sudan, 2011, Part 9, p. 139: “All levels of government shall be responsible for the recruitment, appointment, promotion, transfer and dismissal of employees of the Civil Service in their administrations guided by uniform norms and standards set out in this Constitution and the law.”

26. The criteria include years of experience, assessment of past performance (including of service in the SPLA), and relevant education. Geographic balance was included as a criterion for recruitment (although ranked second to last).
27. Article 33, (3) and (4) of the 2011 Civil Service Act (GoSS 2011a) gave the MoLPS & HRD a limited oversight role: “Civil Service appointments, other than those to Skilled and Unskilled Worker grades shall be processed through The Ministry of Public Service”; [...] and the Ministry “shall verify whether the selection process has followed the approved selection criteria.”


29. Interview with an official at the MoLPS & HRD, 2013.

30. A significant exception was USAID, the biggest bilateral donor, which, due to internal policies, never participated in the South Sudan trust funds.

31. For further discussion of this issue, see Davies (2009).

32. As reference, the average was 31 parallel PIUs per country, with other postconflict countries having significantly fewer parallel structures (for example, Afghanistan, 28; Timor-Leste, 22; Liberia, 4; Sierra Leone, 3).

33. Interview with a former member of the cabinet, 2013.

34. “There has been very little adherence to the Budget once passed, with institutions at both GoSS and State level entering into spending plans and contracts which far exceed the resources available to them” (GoSS 2008).

35. Out of a total of 60 staff, 41 employees hold posts with accounting responsibilities. No staff of the directorate possessed formal professional qualifications in accounting, although a number held degrees in accounting from local (and in some cases foreign) universities (Chartered Institute of Public Finance & Accountancy 2012, 10).

36. Interview with a government official, MoFEP, 2013.

37. “First, the technical assistance provided to support strengthening the upstream areas may have been more substantial and more focused, the strengthened systems being more tailor-made and modeled on the experience in East African countries, particularly Uganda, and also more closely aligned to the pace of capacity development. The amount of external support was indeed substantial, starting off with support from UNDP [the United Nations Development Programme] and Overseas Development Institute fellows (all under multiyear contracts and sitting side by side with their counterparts in MoFEP) and then from Deloitte and Overseas Development Institute fellows. In contrast, the amount of hands-on technical assistance provided in the downstream areas was relatively small, with only one expatriate accountant (contracted by Deloitte) working side-by-side with counterparts in the Finance Directorate” (World Bank 2012c, 51).

38. “The budget preparation processes are well defined, with a clear distinction between the strategic and detailed estimation phases of budget preparation” (World Bank 2012b, 2). “The budget is organized on a program basis, which shows the linkage between policies and spending. A budget calendar is in place and largely adhered to, and a budget call circular, issued at the beginning of the estimation phase, contains spending ceilings within which spending agencies must fit their budget submissions” (World Bank 2012c, 2).

Bibliography


Overview

Following the 1999 independence referendum in Timor-Leste, organized violence orchestrated by pro-Indonesian militias resulted in the death and displacement of thousands of people. Much of the public administration’s infrastructure was demolished; 70 percent of private homes and public buildings were burned to the ground, and almost all government archives, office equipment, and consumable materials were destroyed or removed. The majority of Indonesian public servants, who filled most senior and technical posts in the Timorese administration, left in the aftermath of the referendum, creating an extreme shortage of qualified personnel. By the end of 1999, the country had 2 power engineers and 23 doctors, and only 20 percent of its secondary school teachers remained (World Bank 1999, 14).

Under the Indonesian occupation (1975–99), some Timorese public servants had adopted an attitude of passive resistance; doing nothing on the job—the so-called “702” (“come at 7, do zero, leave at 2”)—was regarded as a form of resistance against the occupying authority, but it resulted in a highly inefficient administration. Minimal investment in infrastructure, health, and education also contributed to a dramatic shortage of qualified staff in the wake of independence. This lack of a skilled workforce was one of the main challenges faced by the United Nations Transitional Administration in East Timor (UNTAET) and successive Timorese governments during the reconstruction of the state.

Timor-Leste’s postconflict trajectory was shaped by an exceptionally high level of international influence in the immediate postindependence period, with United Nations (UN) staff running the Transitional Administration. To fill the vacuum left by departed Indonesian public servants, UNTAET was set up to provide an interim government, create a functioning public administration, and prepare Timor-Leste for self-government. UNTAET rebuilt the
Timorese public service from scratch and introduced public service institutions based on an Anglo-Saxon administrative model that had little in common with existing traditions. Timor-Leste became a full-size experiment for the aid community, “a test case . . . even a laboratory test where we can transform utopia into reality.”

The UNTAET’s decisions regarding the public service strongly influenced and limited choices of the subsequent elected governments. In 2002 the Revolutionary Front for an Independent East Timor (FRETILIN) won the first Timorese general election and assumed control of the public administration but remained heavily reliant on international technical assistants (TAs) for day-to-day operations. The new government rejected the public service institutions imported by UNTAET, preferring a model with stronger political control over the public service. It abolished the Public Service Commission (PSC) introduced by UNTAET, placing public service management fully under the control of the Ministry of State Administration (MSA).

One consequential UNTAET decision was the design of the public service pay scale. It was set too high, in part because the Joint Assessment Mission (JAM) had underestimated public service growth. It also demotivated public servants because it lacked progression opportunities. However, once the scale had been set, the FRETILIN government had few options but to freeze public salaries at nominal levels to contain wage bill spending.

In 2006 a political crisis sparked by army protests and regional rivalries resulted in widespread social unrest, leading to dozens of violent deaths on the streets of the capital, Dili, and the displacement of tens of thousands across the country. The 2006 crisis, combined with oil windfalls, was a watershed moment in Timor-Leste’s public service trajectory. A few months later a newly elected government under Xanana Gusmão, a hero of the resistance movement, replaced the FRETILIN administration and ended public sector austerity. The new government utilized oil revenues to “buy peace” by handing out “jobs for the boys,” providing generous pensions for ex-combatants, and spending billions of U.S. dollars on infrastructure projects to generate economic growth. The resulting expansion in public employment and social assistance helped Gusmão’s administration achieve political stability, but at the cost of a skyrocketing wage bill only affordable due to the massive increase in oil revenues.

The 2006 crisis also entailed changes in public service institutions and a partial revival of the PSC that the UNTAET had established. The new coalition government responded to public concerns around corruption in the public service by announcing “A Year of Administrative Reform.” A key component of this agenda was the establishment of an independent Civil Service Commission (CSC). As Gusmão commented in his speech to mark the beginning of the initiative:

There will be no place in our civil service for political patronage, favoritism, corruption or bad performance, and it will be the role of the Civil Service Commission to ensure our managers and employees understand their responsibilities and obligations. (Gusmão 2008, 3)
This decision to re-create an independent body to regulate and oversee the public service provides a rare example of an originally externally imposed public service institution being adopted and pushed for by domestic political actors.

Timor-Leste made impressive progress in a short time in core areas such as peace building, state building, and democratic governance. Government officials and civil society and donor representatives interviewed for this study broadly agreed that the key drivers of this success were international support, oil revenues, and the small size of the country, all of which have made it easier to tackle national security and service delivery problems in the health and education sectors. According to a former finance minister, “Central to Timor-Leste’s success has been our recent wealth as a result of oil and gas deposits and the initial approach to development focused on achieving realizable short-term objectives in partnership with Development Partners” (OECD 2011, 3).

The cost of rapid development was long-term sustainability. The size and cost of the public service continued to grow, and the public sector wage bill poses a significant sustainability risk, given the foreseeable depletion of Timor-Leste’s current oil field. Lack of technical capacity among public servants in many ministries remained a key factor in the poor quality of service provision, with language barriers providing a particularly significant obstacle. Timor-Leste continued to rely on expensive international and local TAs to make up for the “missing middle” of managerial and technical civil servants. The performance of public institutions was also limited by the slow development of an enabling environment, including a legal framework adapted to the context, a functional judicial system, and law enforcement mechanisms.

Sociopolitical and Historical Contexts

Preconflict Legacies
Under the Indonesian occupation, the reputation of Timor-Leste’s public service had suffered from patronage, corruption, and inefficiency. To achieve a clean break with the past, and as most Indonesian public servants fled, the UNTAET decided to rebuild the public service from scratch.

The break with the past was also institutional. The 1999 JAM observed that “the decimation of the civil service also presents an opportunity for reform” (World Bank 1999, appendix A, 4). In this spirit, UNTAET decided to introduce public service institutions inspired by the Anglo-Saxon model. This created tension with the Indonesian/Portuguese civil law administrative tradition, which had shaped Timor-Leste’s prior public service trajectory.

Conflict and the Political Settlement
In August 1999, following a referendum wherein 78.5 percent of East Timorese voters chose independence from Indonesia, pro-Indonesian paramilitary groups launched a series of attacks against civilians that rapidly
expanded to general violence throughout the country, with hundreds of civilians dead and hundreds of thousands of forced displacements to West Timor. The bloodshed reached an end only after the deployment of an international peacekeeping force in September and the subsequent withdrawal of Indonesian troops in October.

Before the referendum, there were 28,000 public employees (3.4 percent of the total population). Indonesians occupied 25 percent of all public service jobs, concentrated mostly in high-ranking and technical positions. During the postreferendum violence, most public buildings in the country were destroyed and looted. But even worse than the material destruction was the disintegration of the public service workforce, which was literally dismantled. Indonesian public servants returned to their country, leaving Timor-Leste with a dramatic shortage of qualified staff, for both technical and management positions.

After four centuries of colonization by the Portuguese, more than two decades of occupation by Indonesia, and 25 years of guerrilla warfare, reliance on social ties (extended family, clan, and so on) as parallel safety net systems had become deeply ingrained. Similar to other fragile states, this helped compensate for the failure of the state in guaranteeing the rule of law and in protecting its citizens. After the UNTAET’s transitional period, this reliance on social ties translated into resurfacing patronage dynamics and into a political system that openly awarded those who participated in the liberation struggle with generous cash transfers, public jobs, and infrastructure contracts.

In 2006 one-third of the military were dismissed for protesting alleged practices of favoritism and discrimination within the army. Widespread violence, mainly in Dili and particularly among youth gangs, led to dozens of deaths. More than 100,000 people were displaced, and international troops were called in to restore order (UNHCR 2006). Although the catalyst was a labor dispute within the armed forces, widespread poverty, inequality, and youth unemployment, as well as unresolved land disputes, contributed to the social unrest, in a society still largely affected by the legacy of armed conflict.5

The political fallout from the 2006 crisis led to the resignation of Prime Minister Mari Alkatiri and the end of the FRETILIN administration. After parliamentary elections in 2007, Xanana Gusmão (who was the nation’s president prior to May 2007) became the new prime minister at the head of a new party, the National Congress for the Reconstruction of Timor-Leste. Gusmão formed a coalition government, the Alianca Maioria de Parlamentar (AMP), which subsequently increased public spending in an unveiled effort to “buy peace.”

Government revenues were distributed to the population through three principal avenues: (1) cash payouts to various segments of the population; (2) the introduction of social-protection programs and an expansion of the public service; and (3) the awarding of infrastructure contracts (International Crisis Group 2013, 6). The “petitioners,” a group of disgruntled ex-soldiers who were
behind the 2006 crisis, were bought off with cash rewards for their surrender.\textsuperscript{6} The government also tackled the problem of internally displaced persons following the 2006 crisis by spending $56.8 million in recovery grants, mostly in the form of family grants of $4,500 for those who could produce evidence of their home’s destruction (International Crisis Group 2013, 3). These generous compensation programs led to pressure on the government to provide pensions for the veterans of the 24-year resistance struggle, who felt they were not seeing benefits from the rapidly expanding oil revenues. In April 2008 payments to veterans began and rapidly grew to $95 million in the 2013 budget, exceeding the entire health budget ($69 million).

Patronage dynamics thus played an important role in maintaining peace and stability both at social and political levels. Nevertheless, the degree of tolerance and endorsement of patronage in the Timorese society was not static: it evolved as democratic values slowly permeated the local culture. At the time of research, there was growing tension between the new “democratic” values (associated with transparency, merit, equal opportunities for all, and the rule of law) versus the family- and party-based loyalties that traditionally substituted for the role of the government and sought to favor the inner circle. This tension could be perceived in the increasing criticisms received by the nouveaux riches, who flaunted newly acquired wealth from the infrastructure contracts. The poor returns attained from massive capital investment, compounded with the high levels of poverty, unemployment, and inequality, were apparently accelerating changes in societal views, with patronage increasingly perceived as a barrier to development and a potential source of social instability.

**Bargaining**

In Timor-Leste, as in other postconflict societies, public service recruitments provided an essential tool for securing the legitimacy of the state and its political leaders. The first elected government under Prime Minister Alkatiri tried to balance factional interests within his administration against the need to build effective government. Alkatiri claimed that the East Timor Transitional Administration’s (ETTA’s) recruitment of public servants was always based on technical competence, and there is some evidence to suggest meritocratic appointments.\textsuperscript{7} However, it is also clear that his government used appointments in the public administration to ensure political stability by placating figures that could mobilize large numbers of people to destabilize society.\textsuperscript{8} Despite these measures, the perceived failure of the FRETILIN administration to dispense rewards to party members led to grievances within the party and was a factor behind the 2006 crisis:

Some people inside FRETILIN expected rewards but did not get them, like being ambassador to some other country or being a minister, or some that have studied overseas—they are not happy. (Interview with Xavier do Amaral, Dili, January 8, 2004, quoted in Knezevic [2007, 253])
**Donor Influence**

From the height of UNTAET, the donor community’s influence in Timor-Leste steeply declined with rising oil revenues. In 2004 Timor-Leste began to benefit from oil revenues derived from the exploitation of offshore fields located in the Timor Sea. Once production was under way, these revenues increased rapidly. By 2008 they represented 97 percent of total own government revenues, and transfers to the state budget from Timor-Leste’s oil fund exceeded official development assistance (ODA). Donors’ decreasing influence, compounded with the pressures that the second elected government faced for scaling up spending following the 2006 crisis, underpinned the rapid expansion in the size and cost of the public sector.

The government’s sustained dependence on TA is a legacy of early donor influence. Under UNTAET, reliance on international TAs was the cornerstone of the reconstruction of the Timorese administration. UNTAET utilized more than 700 international civilian personnel. Following independence the Timorese administration kept 100 “core” and 280 “development” TA posts covering advisory and line-functions. The Timorese government expected this high TA dependence to end within 12–18 months. By 2008, however, an estimate put the total number of donor-funded advisers at 365 (national and international), in addition to the 55 advisers financed directly by the government (De Tray 2011, 4). Given the persistently large number of donor-funded TAs, a 2009 OECD report criticized donors in Timor-Leste for “undermining the Government’s capacity to perform, by engaging in ‘capacity stripping’” (OECD 2009, 50). Growing oil revenues facilitated this continuing dependence on TAs. They enabled the Timorese government to hire national advisers, using its own resources, to replace international TAs. Consequently, there are still a large number of government-funded advisers working in every area of government, with detrimental effects on public service capacity.

**Public Service Size and Structure**

Under Indonesian occupation, there were over 28,000 public servants in Timor-Leste, according to JAM estimates. With 3.4 percent of the population in the public service, the JAM considered it to be overstuffed (World Bank 1999, paragraph 16). Given the legacy of corruption of the former administration, UNTAET set out to completely rebuild the public service. It excluded most Timorese who had worked for the Indonesian administration. By July 2000, there were only 1,579 permanent public employees left (0.2 percent of the total population). The UNTAET rapidly recruited new staff, increasing the size of the public service to about 9,600 by November 2001 (World Bank 2002b, 107) and to over 11,000 employees by 2002. This size followed the JAM recommendation, which suggested that the public service should not exceed a size of 12,200 employees, or about 1.5 percent of the population (see figure E.1).
In 2002, the core civil service represented 15 percent of the public service, education 54 percent, health 12 percent, and the police about 20 percent. With 66 percent, the joint share of education (teachers) and health workers was significantly lower than the 90 percent that was originally recommended by the JAM.

The first elected government endorsed the JAM threshold for the public service in its National Development Plan (GoTL 2002d), which identified the establishment of “a lean, effective, accountable and transparent civil service” as one of its main development goals.13

In practice, however, the public service continued to grow beyond the JAM threshold, with the number of permanent public service posts rising to 17,150 in 2004 (World Bank 2004, 41). At this early stage, there was already pressure from ministries to increase the levels of public employment beyond the JAM threshold. There also is some evidence that ministries were already using temporary staff to sidestep the onerous recruitment processes; there were 1,039 temporary employees on the payroll, with only one-third appointed against permanent posts.14

The main pressure on the JAM threshold was the rising number of core civil servants needed to manage the central administration, according to a World Bank Public Expenditure Review (PER): “There are over three thousand employees of central agencies, about 50 percent more than envisaged at
the time of the Joint Assessment Mission” (World Bank 2004, 43). The police force also grew rapidly, by nearly 20 percent since independence. As of 2004, it accounted for one in five budgeted public sector posts. In 2004, the government was forced to instruct agencies to redeploy staff rather than request new appointments as part of their FY2005 budget proposals. The 2004 PER called for a “thorough assessment of appropriate staffing levels,” with a view to reducing the number of staff in central administration functions and, where necessary, increasing the number of personnel in service delivery functions.

Following the 2006 crisis, the public service continued to grow, mainly through the proliferation of staff employed on temporary contracts. The use of temporary contracts enabled line-ministries to bypass the merit-based selection process required by the National Directorate of the Civil Service (NDCS) and, after 2009, by the revamped CSC. It also enabled the government to bypass the limit of 12,000 public servants recommended by JAM, while maintaining the appearance of a lean public service. By 2010 almost half of the public servants (excluding police) were temporary; 47 percent, or 10,722, were classified as temporary, and 53 percent, or 12,208, were classified as permanent (World Bank 2011, 7). More than 60 percent of temporary employees were concentrated in just three ministries: education, health, and agriculture. In some cases these public servants were recruited in response to urgent needs, but in many cases, particularly in the hiring of teachers, temporary recruits lacked the relevant academic or linguistic (English/Portuguese) qualifications required by the CSC or the NDCS.

In 2011 the government converted most of the staff from temporary to permanent through two decree laws. The integration drastically reduced the number of temporary staff, from 10,722 in 2010 (39 percent of general government) to 806 in 2012 (3 percent of general government). In most cases, however, the merger of temporary staff into the permanent public service was not linked to a functional review or a performance evaluation, and little attempt was made to link the change in employee status to a better matching of staff and positions.

As was shown in figure E.1, by 2013, with about 36,000 employees, or 3.1 percent of the population, the public service had become twice as large as recommended by JAM and approached its preconflict size. The rapid expansion of the core civil service was a key contributor to this growth: between 2002 and 2013, it grew more than sixfold, far outpacing the growth of the education, health, and police workforces (see figure E.2). Consequently, contrary to the JAM recommendation, the share of education and health workers in the public service fell from 66 percent in 1999 to 56 percent in 2013. In absolute terms, however, the education, health, and police workforces grew rapidly, at about twice the rate of population growth. Interestingly, the resulting composition in 2013 resembled that of Indonesia’s public service as of 2007 (see figure E.3), except for the larger share of the police in Timor-Leste.
Timor-Leste’s general government wage bill increased about tenfold in real terms in the period 2002–15 (see figure E.4), in part driven by public service growth. A major additional driver of wage bill growth was the large-scale hiring of national consultants on high salaries, who were paid through professional services budget lines and, hence, not part of the payroll or establishment.
Professional services budget lines were used mainly to hire national consultants to perform line-functions and international senior consultants in advisory roles. Between 2004/05 and 2015, the share of expenditures on professional services lines in the general government wage bill grew from 13 to 36 percent. In the core civil service, in 2015 expenditures for professional services exceeded payroll expenditures.

Thanks to an equally skyrocketing growth in oil revenues, the wage bill represented only a relatively modest share of total expenditures in 2015 and prior years, around 20 percent (see figure E.5). However, it represented a comparatively large share (about 17 percent) of gross domestic product (GDP). In 2015, it amounted to about 138 percent of non-oil revenues, highlighting how high it is compared to economies that do not have access to oil revenues.

As in other postconflict countries, Timor-Leste’s public service suffered from the problem of a missing middle of professional staff. Between 2000 and 2013, the number of public servants in professional grades (levels 5–7)
increased only marginally (see figure E.6). However, figure E.6 does not convey the full picture. As high salaries offered by aid agencies and the financial sector made the salaries of professional-level civil servants unattractive to qualified candidates, government resorted to recruiting them as national consultants from professional services budget lines, at higher salaries. The difficulty in recruiting professional-level staff also led to the introduction of special regimes (see “Pay” section later in this appendix).

The general problem in attracting professional and technical staff in post-conflict countries was exacerbated by a language problem that is particular to Timor-Leste: “Many among the army of advisers and consultants that donors support spoke neither Tetum, nor Portuguese, nor Bahasa Indonesia. To function, they needed multilingual Timorese counterparts, which meant they ended up hiring most of the Timorese who could speak English and Portuguese, were competent, and were able to work in an international culture” (De Tray 2011, 4).
In 2013, education levels among Timorese public servants were considerably higher than in other postconflict public services in this study. Roughly 90 percent of public servants had finished secondary education, and a significant share had bachelor’s and higher degrees (see figure E.7).

In February 2011, the Government of Timor-Leste (GoTL) enacted a law creating a pension system for public servants. However, the pension system did not follow international standards: it allowed public servants over the age of 60 to retire with 75 percent of their final average pay, a high benefit level. Because public employees make no contribution, the full pension cost was to be borne by the government, placing further pressure on the budget. At the time of research, the government intended to repeal and replace this pension...
law because it was deemed too broad in coverage and cost, but it did not anticipate being able to pay benefits from a reformed pension scheme before 2018 (World Bank 2014, 4). In 2013 there was no mandatory retirement age for public servants, and the government did not yet have effective procedures for compelling older workers to retire when their productivity level declines. As a result, by 2013 about 20 percent of public servants were above 50 years of age (see figure E.8).

Why did the public service and the wage bill far outgrow the JAM recommendations? One factor was that the JAM’s vision to cap the size of the public service at 1.5 percent of the population was not based on a differentiated needs analysis of a small, insular country with diseconomies of scale and rapidly growing revenues. Rather, it was a product of a macrofiscal rule-of-thumb estimate of how big the public service should be. Expanding mandates and ambitious development plans in many ministries led to the multiplication of functions and departments; the donor community bore some responsibility due to its implementation of staff-intensive management systems and the financing of a wide range of activities outside agencies’ core functions (World Bank 2004, ix). The lack of private sector employment also placed pressure on the government to act as the employer of last resort, especially as capacity-building efforts increased the number of graduates entering the workforce (approximately 20,000 per year). It is noteworthy that, by 2013, the size and composition of Timor-Leste’s public service approached the pre-independence levels of 1999 (see figure E.1 earlier in this appendix), perhaps in part reflecting slow-changing expectations about its appropriate size.
Declining donor influence over government policy also facilitated public service growth. A major factor was certainly that booming oil revenues dwarfed ODA inflows (see figure E.9), reducing the government’s aid dependency. Rising oil revenues combined with the 2006 crisis resulted in a significant shift in government policy, reflected in the rapid scale-up of public spending.

Rising oil revenues were themselves a cause of rising expectations and social tension; the failure of the first administration to translate increasing revenues into benefits for the Timorese population contributed to the 2006 crisis. In response, the second government abandoned an incrementalist approach to development and used the new oil revenues to bring about rapid social and economic changes. As a result of a raft of fiscal stimulus measures, public expenditure grew exponentially (from $59 million in FY2002/03 to $1,340 million in FY2015), leading to greater demands on the public administration and higher levels of public employment.

The widespread reliance on consultants for professional jobs was both a cause and an effect of the lack of middle- and upper-grade civil servants, and is largely due to the labor market distortion caused by the large donor presence in Timor-Leste (see “Parallel Structures” section later in this appendix). Another contributing factor was the early decision to hire “civil service from the bottom up,” that is, to focus on recruiting junior civil servants and senior political appointees, with the vision that junior staff would grow through the ranks. Senior civil servant recruitments started only from mid-2001 and left the public administration with few Timorese civil servants in the senior- and middle-management levels.
Pay

Under the Indonesian occupation, the public service had “exceptionally low pay levels, encouraging the establishment of legal and illegal fringe benefits.” Hence, JAM recommended that “(a) a blanket increase of 50 percent be given to all civil servants; [and] (b) wage differentials be increased, with senior civil servants receiving a higher increase” (World Bank 1999, paragraph 16).

Taking advantage of the “window of opportunity” following the end of the conflict, UNTAET created a new pay scale (see table E.1) that was characterized by simplicity, high pay levels, and relatively high pay compression, with a simple seven-level structure. On average, pay was high, at three times the level of GDP per capita in 2002 (see figure E.10). A compressed pay structure (ratio 1:4.25) was intended to promote a more egalitarian society. The pay structure was also intended to form the basis of a position-based public service system, with the possibility of lateral entry.

In practice, however, the UNTAET scale proved severely flawed. High public service salaries for clerical jobs drove up private sector pay and weakened Timor-Leste’s regional competitiveness. At the same time, salaries for
Table E.1  UNTAET’s Salary Scale for the Public Service in Timor-Leste, 2000

<table>
<thead>
<tr>
<th>Level</th>
<th>Title</th>
<th>Monthly rate (current US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Manager</td>
<td>361</td>
</tr>
<tr>
<td>6</td>
<td>Senior professional</td>
<td>266</td>
</tr>
<tr>
<td>5</td>
<td>Professional</td>
<td>201</td>
</tr>
<tr>
<td>4</td>
<td>Senior technician</td>
<td>155</td>
</tr>
<tr>
<td>3</td>
<td>Intermediate technician</td>
<td>123</td>
</tr>
<tr>
<td>2</td>
<td>Basic technician</td>
<td>100</td>
</tr>
<tr>
<td>1</td>
<td>General service</td>
<td>85</td>
</tr>
</tbody>
</table>

Source: UNTAET 2000c.

Note: Compression ratio = 1:4.25; UNTAET = United Nations Transitional Administration in East Timor.

Figure E.10  Comparison of UNTAET and General Careers Regime Pay Scales in Timor-Leste

Sources: UNTAET 2000c; GoTL 2008d.

Note: For the UNTAET pay scale (panel a), the monthly base salary is shown for 2002, as earlier consumer price inflation data are not available. GDP = gross domestic product; UNTAET = United Nations Transitional Administration in East Timor.
senior positions were too low for attracting qualified professionals in a context of intense competition. Further, the simple seven-grade structure failed to differentiate sufficiently, for example pooling headmasters and teachers into a single grade (level 3). As there were no steps within each grade, public servants were “stuck” at their grade level, and performance could not be rewarded through within-grade progression.

In its National Development Plan (NDP), published in 2002, the first elected government acknowledged that the UNTAET pay reforms were undermining Timor-Leste’s competitiveness and crowding out other expenditures: “An increase in wage levels under UNTAET, along with a strong U.S. dollar, has weakened international competitiveness” (Planning Commission 2002, 6). However, it did not take action to introduce further in-grade advancement and decompress pay, despite frequent pay reform recommendations from donors. Government options for reforming pay were limited in 2002–04 by lack of fiscal space, with the wage bill consuming around 40 percent of total expenditures (see figure E.5 earlier in this appendix). In addition, the political costs of freeing up fiscal space by cutting pay for the lower grades were prohibitively high and would have endangered the fragile peace. Hence, the government was forced to rely on inflation to reduce the wage bill to a more sustainable level (see figure E.11). The 2002 NDP proposed that base pay should be gradually eroded by ensuring that “growth in public wage levels [is] below price inflation throughout the Plan period” (Planning Commission 2002, 77).

In the aftermath of the 2006 crisis, the new government under Prime Minister Gusmão took a more proactive approach to pay reform, benefitting from growing oil revenues. It implemented a new public service reform program to correct the failings of the UNTAET pay structure.

In January 2009 the government enacted the Regime for the Careers and the Senior and Middle Management Positions in Public Administration. This act, which followed the recommendations of donors (the World Bank and the United Nations Development Programme [UNDP], among others), was introduced to regulate pay and grading (P&G) throughout the public service. The new salary scale was significantly more decompressed, raising the compression ratio from 1:4.25 to 1:7.4, which was more attuned with international standards. The new pay structure also added five new levels of senior- and middle-management positions and within-grade steps to tackle the problem of weak career progression incentives (see figure E.10, panel b). The new salary scale implied significant pay increases across the board for public servants, with increases ranging from about 35 percent for the lowest grades to over 100 percent for the highest managerial grades. However, the new pay levels were not based upon “either a comparator pay survey or related to an assessment of the sustainability of pay within the wider fiscal context” (UN 2011, 38).
Although the General Careers Regime was intended to uniformly apply across the public service, from 2008 the public service pay structure became increasingly fragmented across ministries. Line-ministries, departments, and agencies (MDAs) exploited a loophole in the new legislation, allowing the establishment of “special regimes” for specific functional job groups. Initially the deviations from the general regime took the form of special allowances, intended to attract highly qualified individuals into important sectors. The first group to receive these allowances were professionals in the justice sector and at the National University of Timor-Leste; “The Ministries of Justice and Education consider an additional remunerative system to be indispensable for improving the use of available human resources and the effective pursuit of public interest in the two sectors.” The special allowances consisted of a pay supplement for senior members of the legal profession and lecturers with advanced educational qualifications, and a leadership allowance for the managers in the university administration.

From 2009 onward special regimes proliferated, in a context of dire competition for scarce skilled workers. The government passed a series of decrees that permitted several sectors within the public administration to establish special regimes unique to line-MDAs. By 2013 health professionals, teachers, judges,
police officers, and prison guards all had separate pay scales, which typically offered significantly higher salaries than the general regime. These special regimes undermined centralized pay-setting and equity in the public service. In 2013, mean salaries in some sectors, especially health, far exceeded those in others (see figure E.12).

Neither the CSC nor the Ministry of Finance (MoF) was involved in the preparation of these special regimes before their presentation to the Council of Ministers for approval. “The Council of Ministers therefore [found] itself in the highly politicized and difficult position of determining wage outcomes for civil servants, in the absence of relevant decision-making data” (World Bank 2011, 19). Imposing discipline on the fragmenting pay structure was difficult, as a regular centralized review process was lacking. By 2013 half of the public servants were working under specific regimes with ad hoc salary scales and allowances, and the pay system was characterized by great asymmetries.

Figure E.12 Public Service Pay Differentiation in Timor-Leste through Special Regimes, 2013

![Bar chart showing pay differentiation among core civil service, education, health, police, and agriculture sectors in 2013.](chart)

Source: Based on 2013 payroll data.

Note: The upper and lower error bars, respectively, indicate the pay levels for the 90th and 10th decile in each sector.
Despite the 2009 pay decompression and the proliferation of special regimes, the public service continued to experience difficulties in recruiting staff to fill the missing middle. A World Bank pay comparator study in 2011 found:

The Government continues however to experience major difficulties in recruiting professional staff. Line ministries have responded by recruiting a large number of “national consultants” performing line functions on ongoing employment contracts outside the Career Regime structure on salary packages that are four times or more the monthly salary of Superior Officers at Grade A level. . . . The competition for scarce professional staff is creating distortions in the labor market as well as in civil service remuneration practices. (World Bank 2011, iv)

Highly paid national consultants hence became a key element of Timor-Leste’s pay system. Local UN staff providing TA to line-MDAs contributed to the high salaries for national consultants, as they typically advocate for higher salaries for professional officers in their area of expertise, ignoring the impact on the public service as a whole:

National consultants (University level) working on donor funded projects earned between 300 and 1,500 US$ per month. Those with previous international experience could even make between 1,000 and 2,500 US$ per month. By setting wage rates for U.N. local staff that were unrealistically high, UNTAET influenced wages in the wider economy, thereby contributing to Timor’s internationally uncompetitive labor costs. (UN 2011, 34)

While estimates suggest that in 2013 national consultants represented only a small fraction of public employees (about 3 percent), their salaries (expenditures on professional services budget lines) consumed about 29 percent of total expenditures (see figure E.13).

Public Service Management Bodies

The trajectory of Timor-Leste’s postconflict public service institutions was shaped by a tension between the Indonesian/Portuguese civil law administrative tradition and an imported Anglo-Saxon model set up under UNTAET. This tension in particular reflected in the fate of the PSC. The PSC was originally established by the UNTAET to protect merit in public service appointments, was then abolished by the first government, only to be reestablished in a new form by the second government in 2008. This section traces the evolution of public service institutions through these three phases.

Merit Protection

Following the end of the conflict, the 1999 JAM observed that “the decimation of the civil service also presents an opportunity for reform (World Bank 1999, appendix A, 4). It hence recommended that “pay, recruitment and personnel policy, and oversight of the recruitment process, be managed by an Independent Civil Service Commission, composed of Timorese
representatives and international experts (the latter only during the transitional period). This commission would be responsible for developing personnel policies, setting recruitment criteria and approving recruitment of staff” (World Bank 1999, paragraph 18).

In line with JAM recommendations, UNTAET established the PSC, an independent body composed of seven members with an oversight and regulatory mandate. It also established the Civil Service and Public Employment Department (CISPE) within the Ministry of Internal Administration. CISPE had public service management functions, including the recruitment of public servants (most candidates were interviewed by joint CISPE and agency panels), the maintenance of a personnel database, the formulation and implementation of training strategies, and the development of anticorruption initiatives. It was responsible for setting up the Civil Service Academy. Both the PSC and CISPE were led by international UN staff members.

The PSC was responsible for overseeing merit in public service appointments. It was directly responsible for preparing the short list for the senior-most appointments. For lower-level recruitments, the PSC was to make appointments based on the recommendations of recruitment panels that comprised both representatives from the respective department and from CISPE. Under UNTAET the recruitment panels were made up of both national and international staff to avoid nepotism and cronyism. However, many of the remaining Timorese public servants struggled to adapt to these new institutions, which were rooted in foreign management cultures and which they did not fully understand and accept (UN 2011, 33).
Tight compliance with unrealistically demanding recruitment criteria also made it difficult for the PSC and CISPE to fill management and specialist positions (in the fields of engineering, health, education, information technology [IT], procurement, and public financial management [PFM]). This constrained the transitional administration’s capacity to execute its functions. By the time the first elected government came to power in 2002, less than 50 percent of the management positions (levels 5–7) had been permanently filled (UN 2011, 34). One reason was that international staff prepared job descriptions, often without sufficient input from Timorese counterparts, and frequently included qualifications that were out of step with the Timorese labor market reality. As a result, applicants who had experience with government administration but who lacked the formal degrees or language skills were rejected. Despite improved transparency in the recruitment process, this led to negative perceptions among Timorese. After an initial wave of recruitment, requirements were loosened and the PSC/CISPE could select candidates who did not fulfill the formal criteria, subject to special clearance (UN 2011, 34).

In 2002, the first Timorese administration reorganized public service institutions. CISPE was renamed the National Directorate of the Public Service (NDPS) and embedded in the newly established Ministry of State Administration. It was initially staffed by 11 international staff and 12 national staff. After a period of indecision, the government chose to abolish the PSC and transfer its functions to the NDPS. The Civil Service Academy metamorphosed into the National Institute of Public Administration (INAP), which was also housed in the MSA. These changes served in part to reestablish the career-based system that had existed under the Indonesian occupation and that most government members were familiar with, whereas the new position-based system found little acceptance. Proposing a career system for the public service was core to the mandate of the MSA.

However, the NDCS continued to face the same problems in recruiting qualified staff for technical and professional positions. For example, by 2005 only 25 percent of level 6 and 7 positions had been filled at the MoF (World Bank 2006, 4). The government tried to fill the vacuum by politically appointing administrative officials and “shuffling up” less experienced civil servants from the lower ranks, but this did not solve the capacity-gap problem.

The decision to concentrate both public service regulatory and management functions in the NDPS “led to inequity and the politicization of the civil service . . . a problem which was initially exacerbated under the new government, with changes at the top further politicizing and crippling an already weak administration” (UN 2011, 37). By January 2006, the NDPS was facing allegations of political manipulation and nepotism, and donors suggested “the establishment of an entity whose role would be similar to that of a Public Service Commission” (World Bank and UNDP 2006, 47), with a regulatory and oversight role.
After the 2006 crisis, the second Timorese government faced competing pressures between quickly improving service delivery and redistributing oil revenues, on the one hand, and showing progress in the fight against corruption, on the other. This led to an apparently contradictory approach to public service recruitment: the government sought to streamline recruitment processes, at the expense of merit, while also reestablishing a new CSC in 2009, with a mandate to protect it.

The second Timorese government scaled up the use of temporary contracts, especially in the ministries of education, health, and agriculture, facilitated by fiscal space due to oil windfalls. The approach was pragmatic: temporary contracts evaded the cumbersome merit-based selection processes for permanent public servants and provided line-ministries with more flexibility in recruiting individuals without the required qualifications. Given the difficulties that the government faced in finding sufficiently qualified recruits, temporaries made it easier to respond to public pressures for expanding service delivery. As a result, by 2010, 47 percent of public servants were temporary, restricting central oversight over recruitment to the remaining 53 percent of the public service.

The second government also took steps toward reducing perceived red tape in the selection of permanent public servants. Decree Law No. 34/2008 set out a new procedure for the recruitment, selection, and promotion of personnel, as the existing system was deemed “inadequate to the current reality of the Public Administration.” The new procedures were created “from the perspective of avoiding excess bureaucracy and swiftness of competitions,” and their intention was “to simplify procedures, removing, wherever possible, dispensable formalities and sending suitable vacancy notices to the respective recipients, without, however, compromising the principles of publicity and equality of conditions between candidates.”

At the same time, in 2009, the government created a new CSC, with a mandate to serve as “an independent entity, to be able to ensure a civil service that is politically unbiased and impartial, based on merit and on high standards of professionalism and capable of providing quality services to the State and the population of Timor-Leste.” The CSC was pushed for by a relatively cohesive governing coalition—in part to introduce loyal (or at least neutral) public servants into the administration, but also out of a sincere commitment to strengthening merit in the public service. The CSC undertook extensive merit-based recruitments since 2010, but some interviewees suggested that the centralization of powers in the CSC was “excessive” and raised concerns that sticky nepotism practices were still in play, in part because the first CSC president was the former general director of the NDCS at the MSA. The reestablishment of the CSC in 2009 is particularly interesting, as the “foreign model” initially created by UNTAET and rejected by many Timorese civil servants was subsequently revived and strengthened by the government itself.
Wage Bill and Payroll Control

UNTAET initially put in place a system of rigorous establishment control. Agencies’ proposals for new posts required the endorsement of CISPE, which verified job descriptions to avoid excessive duplication of functions. The number of establishment posts was determined during the budget process through approved staffing structures and based on limits for personnel expenditures. By 2004, these limits had been complemented by aggregate limits on permanent staffing levels negotiated as a part of the Transition Support Program. CISPE acted as the gatekeeper of the public service, overseeing the recruitment of candidates and the preparation of contracts, which would be signed by the minister of the respective agency. New staff were entered on the MoF’s payroll against the presentation of signed contracts—with the significant exception of teachers, who were entered on the basis of a list prepared by the Ministry of Education. Each month, the Treasury distributed a draft payroll to each ministry for updates and verification of attendance before executing payment. CISPE’s role was, in principle, maintained by its successors: first the NDCS and then the CSC.

In practice, however, under the national governments, the ability of central bodies to control the establishment weakened. The 2004 Civil Service Act did not clearly define establishment control mechanisms. The first legislation to deal with this issue was the Decree Law on the Career Regime (27/2008), which previewed sound establishment control mechanisms, in principle. In its chapter 4, this law required ministries to prepare staffing tables, covering current staff and vacancies, and to submit them to the MoF during the budget formulation process, in order to establish the affordability of the proposals. In a second step, the MSA was then required to analyze the proposed staffing tables and propose limits for the addition of new vacancies prior to submitting a recommendation to the Council of Ministers. In 2009, the CSC replaced the MSA as the body in charge of exercising this establishment control function.

In practice, however, line-ministries did not follow the procedures specified by the Career Regime. Neither the CSC nor the MoF exercised control over the staffing proposals submitted to the Council of Ministers; “line ministries present their own staffing proposals directly to the Council of Ministers at ‘Budget Retreats’ with only limited input from the Civil Service Commission and almost no input from the Ministry of Finance” (World Bank 2011, 4). The large-scale recruitment of temporary employees outside the formal establishment further undermined the CSC’s ability to exercise both merit and establishment control.

At least since 2010, Timor-Leste has established relatively strong internal payroll controls, with the CSC reviewing all changes to the nominal roll before entry to the payroll. This is reflected in high scores in PEFA (Public Expenditure and Financial Accountability) indicator PI-18 (iii) (see table E.2). Also, by 2014, most public servants were paid directly through electronic transfers to their bank accounts. However, the matching of the public service database at the
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CSC with the payroll database at the MoF remained an unresolved issue in 2013. In 2002, donors highlighted the discrepancies between both databases and recommended their prompt integration. More than a decade later, in 2013, this integration had not yet happened, in part due to software incompatibilities. The 2014 PEFA assessment noted that the Personnel Management Information System (PMIS), operated by the CSC, and the payroll, operated by the MoF Payments Directorate, were reconciled manually every month, requiring “a large amount of labor” (Pohl Consulting & Associates 2014, 48). This disintegration was reflected in the low PEFA PI-18 (i) score (C in 2014) for the “degree of integration and reconciliation between personnel records and payroll data” (see table E.2). An interface for connecting the PMIS and the payroll was to become operational in early 2014.

**Administrative Reform**

Under UNTAET, the primary task was to rebuild the public service from scratch, rather than to reform a preexisting set of institutions and body of public servants. Its main achievements were establishing the key regulations to structure the public service. Regulation 2000/3 established the PSC, tasked with this function. The other pressing issue confronting UNTAET was the need to establish a salary grid for newly recruited public servants. In June 2000, Directive 2000/4, “On the Terms of Employment of Public Servants,” created the P&G system that remained in place through 2008.

Under the first Timorese government, the Ministry of Internal Administration (MIA)—later renamed the MSA—became “the government department responsible for designing, executing, coordinating and assessing the policy for the civil service” (Decree-Law No. 3/2002). Although the body in charge of public service reform changed, the new government managed to pass the Civil Service Act (8/2004) in 2004, which was a significant achievement. The act set out the legal framework for the public service, drawing from different experiences around the world and introducing elements of both the position system (job-in-rank system) and the career system (man-in-rank system). The Civil Service Act was the product of three years of drafting and consultations; most articles were stated in broad

| Table E.2 PEFA Scores for the Effectiveness of Payroll Controls in Timor-Leste, 2007, 2010, and 2014 |
|-----------------------------------------------|------------|-------|-------|
| Effectiveness of payroll controls (PI-18 aggregate score) | 2007 | 2010 | 2014 |
| PI-18 (i) Degree of integration and reconciliation between personnel records and payroll data | D+ | D+ | C+ |
| PI-18 (ii) Timeliness of changes to personnel records and the payroll | C | D | C |
| PI-18 (iii) Internal controls of changes to personnel records and the payroll | A | B | A |
| PI-18 (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers | C | A | B |
| Note: PEFA = Public Expenditure and Financial Accountability. |

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terms and referred to the development of subsidiary regulations, which led to significant delays in the act’s full implementation. Initial drafts specified which authorities should be in charge of managing the public service and included a proposal for a new P&G system, but both the references to the competent authority and the new P&G system were finally removed from the approved version.

Following the 2006 crisis, the government was eager to gain legitimacy by reforming the public service. In his speech on May 8, 2008, at the Ministry of Foreign Affairs, Prime Minister Gusmão outlined the following measures as the first steps to reform the public service:

We will deliver improved governance through the initiatives of the Year of Administrative Reform. These reforms are:

- The establishment of a CSC
- Boosting the powers of the Office of the Inspector-General to enable it to become the Government’s independent auditor, and
- The establishment of an Anti-Corruption Commission. (Gusmão 2008)

In August 2008 the new government passed Decree-Law No. 27/2008, “Regime for the Careers and the Senior and Middle Management Positions in Public Administration,” which regulated P&G policies for the public service. The following year, the 2009 Civil Service Commission Act (Decree Law No. 7/2009) created the new CSC, with strong political support from the prime minister. The act provided the CSC with a comprehensive mandate, comprising merit protection, the improvement of human resource (HR) planning, performance management, advising on pay setting and training, among other responsibilities. The CSC, however, had limited capacity and financial resources, and it struggled to fulfill its legal mandate. For example, the implementation of periodic functional reviews had only begun in 2013, and only by a few MDAs. Nevertheless, the CSC grew considerably, increasing from a staff of originally 46 to 175 in 2013, and as a result it was steadily closing the gap between the de jure and the de facto exercise of its mandate. While the CSC act explicitly mandated the CSC to “develop policies and procedures” for the public service, its role in administrative reform was not explicitly addressed, and this function de jure remained within the MSA, following Decree-Law No. 6/2008.

Overall, personnel management was given much lower priority than PFM in Timor-Leste’s development agenda, despite the fact that human resources were a critical bottleneck in state building. Under UNTAET and in the years following independence, there were few regulations to guide basic management functions or disciplinary procedures. Without a clear regulatory framework, routine personnel management transactions, such as transfers, promotions, and disciplinary actions, were stymied. Most public servants were appointed using generic terms of reference (TORs) with the rationale for specific posts often poorly defined. The approval of the Civil Service Act in 2004 provided a basic framework for the establishment of a personnel management system. However, the development of implementing regulations, guidelines, and procedures was still ongoing in 2013.
Parallel Structures

Aid Architecture and Overview

Following the end of conflict, the international donor community rushed to fill the vacuum left by the Indonesian administration. The most important element was UNTAET, which was essentially a parallel structure running the entire government. Alongside it, bilateral and multilateral aid agencies, international NGOs, and other actors intervened to provide services. In the early years, there were efforts to coordinate the various actors; the Consolidated Fund for East Timor (CFET) was created to help the Timorese government fund budget expenditures, while the Trust Fund for East Timor (TFET) was set up to mobilize resources for reconstruction and development activities in health, education, agriculture, transportation, power, and other key sectors. However, the multiplicity of actors caused significant problems for the government; there were “many cooks in the kitchen, all baking different kinds of cakes” (Pires and Francino 2007).

UNTAET had more than 700 international civilian personnel. By the time of independence it was suggested that it retain 100 “core” and 280 “development” TA posts covering advisory and line-functions. By 2008, an estimated 365 donor-funded advisers (national and international) remained, in addition to 55 advisers financed directly by the GoTL (De Tray 2011, 4). Initially under UNTAET, TAs had been running line-MDAs. Following the election of the first government, they continued in these roles, under ministerial supervision. The TAs were primarily deployed to handle PFM in the Treasury, the Department of the Budget (DoB), and the Petroleum Fund (PF). From 2006 onward government-funded TAs progressively replaced donor-funded TAs across the public service.

Most international TAs focused on rebuilding the core functions of the state, while relatively few were devoted to budget execution in line-ministries responsible for service delivery. Complex, overly centralized processes, weak capacity, and high fiduciary accountability requirements led to initially low levels of budget execution in line-ministries, particularly for capital and development projects that were critical for delivering tangible benefits to the population.

Although it was the exception rather than the rule, the government made the decision to contract out a number of key functions. Deloitte was appointed to handle the external audit, a FreeBalance team was permanently deployed in Timor-Leste to provide technical support to the MoF and the PFM departments of line-ministries, and the provision of primary health services—as well as some legal services—was initially carried out by NGOs.

There were no standard arrangements for donor project financial management; even for a single donor, several financial management setups existed, some evolving over time and others remaining constant throughout a decade.

Most interviewees suggest that while the UNTAET was relatively successful in running the government, restoring peace, and providing security and stability, it fell short in preparing the handover of responsibilities to the first
elected government. It left a legacy of heavy reliance on international advisers performing line-tasks, rather than building the capacity of their national counterpart.

As a Transitional Administration, they focused too much on their administrative role and too little on its transitional component. It was just at the end of their mandate that they felt the urgency to shift their attention toward what would come next, but they did too little, too late. The transition should have been present in all the components of UNTAET’s agenda since the first day, with a much stronger focus on capacity development and empowerment of both individuals and institutions. (Interview with a lead researcher, La’o Hamutuk, local NGO, 2013)

Timor-Leste’s early reconstruction relied on community, NGOs, and voluntary groups to provide service delivery to citizens while donors focused on rebuilding central state structures. This strategy of relying on nonstate entities for downstream functions while the central state structures were created was quite effective; the health sector provides an example of a successful, sequenced “transitional strategy” in which health management and service delivery were initially carried out by NGOs until the government’s capacity was developed. However, this focus on central state structures also contributed to the lack of PFM expertise devoted to budget execution in the line-MDAs, which did subsequently prove to be a major hindrance to improving service delivery. Partly as a result of this focus on rebuilding at the center, and partly as a result of poor coordination among donors, reconstruction “efforts focused on Dili, with little attention to building relevant institutions and human resource capacity at the district level” (IEG 2011, 149).

Parallel structures were less successful in transferring capacity from TAs to public servants. According to sources inside the MoF, “the whole idea of technical assistance (and capacity development) has acquired a slightly discredited image in Timorese eyes given its association with poor outcomes and the supply of high-priced international experts.” A World Bank Independent Evaluation Group (IEG) evaluation named several obstacles to skills transfer: a lack of time to train local staff, language barriers, and the failure of foreign advisers to include the transfer of skills as part of the performance monitoring and evaluation system. Anecdotal evidence suggests that in 2013 international consultants were gradually less involved in day-to-day line-functions, focusing more on high-level analytic and policy-development tasks. However, they had often been replaced by government-hired Timorese TAs, suggesting that capacity transfer was (at least partly) unsuccessful.

The varying performance of the TFET project management units (PMUs) highlights the trade-offs between national ownership, capacity building, and speed of reconstruction. PMUs were established in each ministry to manage project implementation, with varying degrees of integration with counterpart ministries. Those PMUs that were more closely integrated, with strong Timorese ownership, achieved good institutional capacity-building results. By contrast,
those PMUs that operated outside the department structure often achieved physical reconstruction targets much faster, highlighting the trade-off between capacity building and the speed of reconstruction.

The large presence of the donor community in Timor-Leste drove up pay levels for international and national TAs and for public servants. Under the UNTAET, some efforts were made to limit the impact of high wages for international consultants on the labor market. Guidelines were issued on wages for NGO staff, although these were often ignored for professional and managerial hires by NGOs. Although such coordination failures were to some extent inevitable, UNTAET exacerbated the situation by setting UN salaries at unrealistically high levels, encouraging NGOs to ignore the guidelines and forcing the public service to raise pay to attract staff:

Analysis of market rates for national staff across major international institutions (e.g., UN, World Bank, Embassies) reveals that in many instances advisors on the State Budget are often paid well above Timorese market rates. The GoTL has decided it must pay these higher rates in order to attract qualified Timorese out of international agencies and back into the government, where they are so desperately needed. This situation, if not carefully managed, could create disparities with rates paid to public servants, undermining civil service management structure, threatening long term affordability, and creating distortions within the local economy. (MoF 2011a, 11)

Treasury Department
The UNTAET rebuilt the MoF and the Treasury from scratch after 1999. One reason was that the MoF had been destroyed during the 1999 violence, and most of its qualified staff left the country. The UNTAET also adopted a “tabula rasa” approach to rebuilding the MoF, in the desire to break with the legacy of the Indonesian period. According to some observers, this helped establish sound PFM procedures.

The treasury function under UNTAET consisted of two bodies: the Department of Accounting (DoA) and the Department of Payments (DoP). The DoA was responsible for making and accounting for payments from both the CFET—that is, the government’s own revenues—and from the multi-donor TFET. However, for donor projects outside CFET and TFET, no centralized financial management unit was in place.

International TAs dominated the treasury function. As international TAs had little experience running government financial management systems, they introduced multiple unintegrated IT systems (for PFM) in different UNTAET agencies. Consequently, experienced Timorese civil servants could not resume their jobs, lacking the IT and English skills required to operate the new systems.

From this difficult starting point, by 2013 Timor-Leste had made significant progress in setting up and strengthening PFM systems, creating an institutional framework for PFM and upgrading an Integrated Financial Management Information System (IFMIS). However, Timor-Leste’s PFM continued to be
characterized by weak compliance with rules and regulations, shortages in the number of qualified staff, and limited familiarity with PFM systems and processes. All these factors constrained public spending; between 2002 and 2007, Timor-Leste’s central financial management challenge was spending the full extent of its annual budget; underspending limited the government’s capacity to provide goods and services, undertake development projects, jump-start economic growth, and contribute to the acceleration of job creation.

After 2008 the government pushed for a major increase in public expenditure, effectively loosening controls and delegating authority to allow for faster disbursement speeds. Increasing political pressure to spend negatively affected the performance of the Treasury, eroding checks and balances. Some denounce increasing political interference in the Treasury’s procedures and payment processes, warning of the risk of potential wastage and embezzlement of public funds.

With regard to sustainability, in 2013, the Treasury seemed to be on the right track, and dependence on external TAs was declining. The number of consultants decreased from seven in 2006 to three in 2013, and the remaining TAs focused on analytical work, planning, and policy advice, while day-to-day functions were carried out by civil servants (see table E.3). However, Timorese officials still pointed to low HR capacity as a key challenge that remained to be addressed; there were shortfalls in personnel who possessed specialized technical skills (for example, in IT and accounting) as well as strategic planning, policy-making, and analytical skills.

One of the most important capacity-building efforts undertaken by the World Bank and supported by a number of development partners was the Planning and Financial Management Capacity-Building Project (PFMCBP). It focused on strengthening the expenditure side of PFM, as well as on developing the IFMIS. The project delivered “substantial benefits in recent years through the financing of a substantial number of foreign advisors in support of budget planning and execution” (IEG 2011, 57), although the original project required significant restructuring to bear fruit.

Early program implementation of the PFMCBP had been slow due to political instability, capacity constraints, lack of a Project Implementation Unit (PIU), delays in integrating existing bilateral projects into the program, and insufficient in-country support and supervision from the World Bank. Following the 2006 crisis, the newly elected GoTL pushed for a different approach to

<table>
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<tr>
<th>Table E.3 Evolution of Staff Numbers at the Treasury Department in Timor-Leste, 2006, 2012, and 2013</th>
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<tbody>
<tr>
<td>2006</td>
</tr>
<tr>
<td>Total staff (civil servants)</td>
</tr>
<tr>
<td>Professional public servants</td>
</tr>
<tr>
<td>Technical assistants</td>
</tr>
</tbody>
</table>

Sources: Government of Timor-Leste budget books and budget execution books; interviews with civil servants at the Ministry of Finance.
public spending, with a focus on fostering economic activity. In order to adapt to this new political climate, a country-based task team leader was appointed in 2007, and a PIU was established two years later. These changes had a significant impact on the effectiveness of the PFMCBP and were instrumental in increasing budget execution rates and getting public money flowing into the economy. A second restructuring in early 2010 brought the PFMCBP more in line with the government’s priorities and reduced its complexity.

Despite early problems in implementing the PFMCBP, the project played a critical role in improving budget execution and in scaling up public spending. A key success factor was the project’s flexibility, which allowed it to respond quickly to the change in the government’s public spending priorities and adapt to a new political agenda. The focus on supporting the government’s new public spending agenda (for example, petroleum revenue management, legal advice, and macroeconomic modeling), however, implied that external support had to be extended and came at the cost of capacity development.

**Department of the Budget**

Timor-Leste made significant progress in strengthening the transparency and effectiveness of the budgeting function, although the coverage and accuracy of the budget forecasts remained problematic. This was mainly due to line-ministries’ weaknesses in planning and execution, the exclusion of external sources of funds from the budget, and the existence of supplementary budgets. “The budget is not a good predictor of aggregate expenditure outturn. This is caused on the one hand by repeated and large supplementary budgets, on the other hand by substantial under-execution of the budget” (IMF 2010, 8).

Substantial TA support was provided to the DoB, mainly by the Australian Agency for International Development (AusAID) and the World Bank, through a sequence of capacity-building projects to support line, planning, and advisory functions. In 2013, national staff were capable of performing many tasks, but for some tasks TA support was still required. These related mostly to IT (for which the DoB received support from a FreeBalance team permanently based in Timor-Leste) and analysis, strategic planning, and reporting, for which an international adviser was still needed. Despite remaining weaknesses, particularly in HR capacity, by 2013 Timor-Leste’s budgeting function had made remarkable progress relative to other postconflict states. In the perception of a TA working at the DoB:

The DoB has progressed a lot since the time when there were five advisers [running it]. Now really there is no adviser . . . I have been very impressed . . . how they are managing the entire process. Very efficiently! I have worked in Kosovo and Afghanistan . . . [Compared to those countries] in Timor-Leste, they’ve all done very well!

In comparison with other departments and ministries, capacity transfer from TAs at the DoB was highly successful: “[Nowadays] the international
adviser does almost nothing on the budget, all of the budget is done by the national staff, by the local staff. As far as I can see, they do everything, the whole process, so what [the TA] has just been doing is things that are outside the normal work."45 While the IMF (2010) affirmed that the PFM system’s dependence on foreign international experts was “still large,” in 2013 this was no longer the case for the DoB. There, significant reliance on TAs during the UNTAET (both due to IT and language-skill barriers) had gradually shifted toward reliance on civil servants (see table E.4):

Compared to [the] past, the power is now more with the national staff . . . during the UNTAET time we were more dependent on international TAs, due to difficulties in understanding the system and barriers of language . . . After the first government started, some tasks started to be taken by local staff . . . With the fourth government we started to minimize the support of TAs. Tasks were gradually taken over by the national staff, with the TAs taking more a role of assisting with advice and clarification . . . Now, with the fifth government, this directorate has only one international adviser. (Interview with a government official, MoF, 2013)

A number of factors contributed to the DoB’s relative success in building the capacity of its civil servants:

- **Low political interference.** As in other postconflict countries, the budget function attracted less political interference than downstream PFM functions where money was actually managed, which facilitated the work of civil servants and led to better results.

- **Simplicity of IT systems.** Another comparative advantage of the budgeting function was the simplicity of its IT systems, relative to the systems used in accounting. This reduced the capacity gap and allowed for the faster phasing out of external TAs.

- **Restructuring of the Ministry of Finance.** The improved performance of the DoB was in part due to the restructuring of the MoF in 2011, which clarified roles and responsibilities and improved communication and management.

- **New PFM legislation.** By 2013, the government had made considerable progress toward fiscal transparency through a number of reforms in line with international good practice, and some of this new legislation had a positive impact on the budget process.

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**Table E.4 Evolution of Staff Numbers at the Budget Directorate in Timor-Leste, 2006, 2011, and 2013**

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<tr>
<th></th>
<th>2006</th>
<th>2011</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total staff (civil servants)</td>
<td>25</td>
<td>43</td>
<td>39</td>
</tr>
<tr>
<td>Professional-level civil servants</td>
<td>15</td>
<td>26</td>
<td>23</td>
</tr>
<tr>
<td>Technical assistants</td>
<td>5</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

Sources: Government of Timor-Leste budget books and budget execution books; interviews with Ministry of Finance civil servants.
• New IFMIS. One key part of the PFM reform was the introduction and rollout of new software (FreeBalance), which facilitated communication across MDAs, increasing efficiency and eliminating the duplication of tasks.

• Leadership. The MoF is a positive outlier within the government. This was likely due to competent leadership, combined with significant donor support.

Primary Health Care Function
Following the 1999 referendum, Timor-Leste faced a health workforce crisis. In the ensuing violence, Indonesian health workers withdrew and the health workforce shrunk from 3,540 to 1,500. In the early stages of reconstruction, Timor-Leste relied upon humanitarian assistance, provided by the International Committee of the Red Cross and various international NGOs and supported by the United Nations Children’s Fund (UNICEF), the World Health Organization, and the United Nations Population Fund. From this starting point, Timor-Leste successfully transitioned to government provision of health services. By 2002 the Ministry of Health (MoH) had already taken control of managing health services and programs. The unpaid volunteers who had helped restore public health services started to staff the public service.

The transition strategy in the health sector can be broken into four phases, through which the health authorities gradually moved toward an integrated public health management system:

• During the initial emergency phase, NGOs reestablished essential services, saving lives and alleviating the suffering of a population traumatized by violence. An Interim Health Authority was established in February 2000 comprising 16 senior Timorese health professionals in Dili and one in each district along with a small number of international experts.

• The health authority (later called the Department of Health Services [DHS]) started establishing a policy framework, medium-term planning for the sector, and national preventive programs, including immunization campaigns. During the second half of 2000, the DHS signed memoranda of understanding with NGOs for each district formalizing district health plan service standards, and initiated a basic system for distribution of pharmaceuticals.

• In April 2001, the MoH took over the financing of a majority of the NGOs in the districts. By the third quarter of 2001, the first round of recruitments of health staff to the public service had been completed. Most of these staff had previously worked with NGOs or on government stipends. Several senior DHS staff members were also sent for public health management training.

• At the request of the government, NGOs gradually withdrew from the districts between September and December 2001, and the management of all health facilities was placed under the control of the MoH. International
doctors were hired to replace departing NGO practitioners while Timorese doctors were being trained overseas, and five public health specialists were deployed to serve as relays between the MoH and district health centers. New autonomous medical stores and associated tracking systems were established for pharmaceutical distribution. A few NGOs remained to provide specialized services on a countrywide basis.

Core to this transition was an effective strategy for filling capacity gaps of medical personnel, which relied both on hiring foreign medical personnel and sending nationals abroad for training. An influx of a large number of Cuban doctors at the initiative of the Cuban government vastly improved the availability of medical personnel compared with the situation at independence. Under the same program, over 600 Timorese were sent to Cuba for medical training. The World Bank, with support from Austria and the European Union, helped 300 students train for work as midwives, radiology technicians, and pharmacists, among other positions. Additionally, around 180 students studied medicine locally under a program conducted by the Cuban Medical Brigade in cooperation with the National University of Timor-Leste and the MoH.

Timor-Leste made progress in increasing both access to and the quality of basic health care services. As a result, the overall health of the population improved along many dimensions. DPT immunization coverage for children 12–23 months increased significantly between 2002 and 2016, from 54 percent to 85 percent. The proportion of babies delivered by a health care professional increased from 18 percent in 2003 to about 30 percent in 2009–10. Infant mortality rates fell from 85 deaths per 1,000 live births in 2000 to 42 deaths per 1,000 live births in 2016. Although these data are of mixed reliability, the trend toward improved health outcomes is clear.

By 2010, 1,407 health personnel (234 physicians, 805 nurses, and 368 midwives) were employed in the public health system. The Cuban Medical Brigade constituted a major component of the clinical workforce, providing two out of every three doctors. Despite the significant increase in medical personnel, a shortage remained of nurses, midwives, radiologists, physiotherapists, pharmacists, laboratory technicians, and managers. Excluding the Cuban doctors, in 2008 there were 11 international TAs and 13 local TAs in the MoH. By 2013, these numbers had increased to 22 international and 17 local TAs, but the size of the MoH had increased from 1,957 staff (2008) to 3,789 (2013). Hence, the ratio of international TAs to staff remained roughly constant, while the ratio of local TAs to staff decreased.

The relative success of health care provision in Timor-Leste rested largely on a high degree of enthusiasm and commitment among stakeholders (community members, volunteer workers, NGOs, the government, MoH, international donors), who managed to effectively coordinate their provision of services and help the government reestablish control over the provision of health. Also, the Timorese public was used to a public health system before independence,
setting an expectation that the government would continue to provide health services. Finally, and perhaps most important, the relatively small size of Timor-Leste helped quickly scale up health provision. Relatively small interventions, such as the arrival of a few hundred Cuban doctors, made a major difference. A similarly rapid injection of health capacity would not have been possible in a larger country.

Notes

2. The increase in public spending was funded by oil revenues that increased the government budget from $315 million in FY2006/07 to $1.85 billion in FY2013.
3. “The language tangle, made up of a combination of Portuguese, English, Tetum and Bahasa Indonesia, is perhaps the most intractable of any country in the world. Only 5% of GoTL [Government of Timor-Leste] civil servants, for example, understand Portuguese, the language of law and justice and the constitution. Few teachers have enough fluency to comply with its use as a teaching language. Very few GoTL officials can speak and read the main language of TA [technical assistance], i.e. English and, to a lesser extent, Portuguese. The learning processes inherent in effective TA which depends critically on interpersonal and intergroup communication are thus severely hampered” (MoF 2011a).
4. According to an Independent Evaluation Group report (IEG 2011), as of 2011 “institutional capacity [was] uneven across ministries, and remain[ed] weak in many of them . . . Overall, the human skills base [was] still very low and the government remain[ed] highly dependent on advisors, many of them foreign, with only limited success in transferring knowledge and skills between the advisors and national staff.”
6. Each petitioner was eligible to receive $8,000—that is, 70 times the monthly minimum public service wage.
7. See Knezevic (2007, 253): “Merit-based recruitment was clearest at senior government levels where there was an understanding for the need to separate issues of politics from building an effective administration. With FRETILIN’s political ascendency, observers expected the government would replace all non-FRETILIN CNRT [National Council of Timorese Resistance] appointed officials in district administrations and chefes de suco [village chiefs], neither of which happened. The appointments of non-FRETILIN figures . . . to senior positions was taken as an indication of the government’s commitment to building the capacities of the public administration.”
8. Knezevic (2007, 254): “Some secretary of state positions [were] awarded to FRETILIN members who had proved weak administrators of ministerial portfolios, but who were effective at mobilizing voters for the party. In other cases, such as that of Elle Sette, advisory positions were awarded to influential ex-combatants in the hope they would not agitate against the government.”
9. The AMP presided over a fourfold increase in revenue and a fivefold increase in the state budget between 2006 and 2012. A surge in oil and gas money resulted in budgeted expenditures increasing from $348 million to $1.7 billion (figures from IMF 2012).
10. “By mid-2002, the departure of the bulk (about 70%) of the foreign personnel and the local counterparts engaged by UNTAET will leave a major gap in the capacity of the Government. To facilitate a more orderly transition, this gap is planned to be filled at least temporarily by about 300 foreign personnel with expertise in finance, management, development administration and other technical fields. They are to be deployed in various line ministries (including the Ministry of Finance) and departments at the center in Dili, and in the districts. This should ease the situation and allow time for building the capacity of the civil service in the next twelve to eighteen months” (GoTL 2002d, 29–30).

11. World Bank (1999, paragraph 16): “However, the decimation of the civil service also presents an opportunity for reform. Under Indonesian occupation, the civil service was characterized by: (i) overstaffing, with over 28,000 civil servants: 3.4% of the population compared to an Asian average of 2.6%; (ii) too many layers of bureaucracy for a small country, fostering inefficient decision making and opportunities for graft; (iii) duplication of functions between line ministries and decentralized departments; (iv) a top-down organizational culture, with little community participation and marginalization of traditional local decision-making structures; (v) exceptionally low pay levels, encouraging the establishment of legal and illegal fringe benefits. The window of opportunity for reform must be balanced against the need for speedy action to restore services, which does not allow for a lengthy analysis, consultation and planning exercise.”

12. World Bank (1999, paragraph 17): “Transitional governance and policy recommendations. It is recommended that reforms during the transitional period focus on civil service numbers and pay rather than on structures, roles and functions of the state, since the latter demands a lengthier societal debate. The Mission recommends that aggregate numbers in the civil service not exceed 12,200 in the first three years, with just under 90% of these constituting teachers and health workers. This number presupposes no rehiring of paid civil servants at the village level, and substantial cuts in management and administrative staff. Recruitment would be paced, reaching approximately 60–65% of complement in the first year, 80–85% in the second and 100% in the third.”

13. The rationale behind the low JAM employment threshold was “both to remove unproductive functions and to allow space in the budget for more competitive wage levels.” See Rohland and Cliffe (2002, 4).

14. The line-MDA with the smallest number of budgeted posts filled was the Ministry of Justice, while positions were easier to fill in the ministries of interior, health, and education.

15. According to World Bank (2004), the public service faced pressure to recruit graduates from the University of Timor-Leste (2,000 per year). Demands for higher levels of staffing from within the administration to fulfill expanding agency mandates also contributed to the pressure to raise numbers.


18. The lack of analysis prior to this decision was in large part due to the short window of opportunity available to donors following the end of the conflict: “The window of opportunity for reform must be balanced against the need for speedy action to restore services, which does not allow for a lengthy analysis, consultation and planning exercise” (World Bank 1999, paragraph 16).

19. World Bank (2004, 44): “Under current arrangements, there are no incentives for improved performance or for assuming additional responsibilities: all primary school teachers are classified in grade three, for instance, with school directors and teachers paid the same salary.”

20. See World Bank (2002a, 2002b, 2004) and UNDP (2006). “The UNDP [United Nations Development Programme] HRM [human resource management] project was to mobilize a Pay and Compensation Specialist to review and propose the salary structure and reward and promotion system. Several missions/studies did indeed take place to address pay and compensation reform, through a major effort supported by WB [World Bank] funding in parallel to the preparation of the Civil Service Statute. But experiences from other fragile environments indicate the importance of timing, and economic and political stability for pay reforms. They tend to create high expectations among civil servants which governments are often unable to meet” (UN 2011, 36).

21. Poverty levels remained high, and many Timorese had yet to see any peace dividend since the end of the conflict. There were also disaffected ex-combatants who were on the public sector payroll.

22. Decree-Law No. 27/2008, “Regime for the Careers and the Senior and Middle Management Positions in Public Administration.”

23. Decree-Law No. 27/2008, 11: “The present decree-law establishes the general regime for the careers in Public Administration, the senior and middle management positions, and provides for the special regime of the careers that are integrated in specific sectors of activity.” Chapter 5, Article 28: “The establishment of special regime careers shall be governed by specific statutes and shall be justified in accordance with the following elements: (a) Specialty of the functional area; (b) Need for own structure and development.”


26. Until 2006, the MoF was called the Ministry of Planning and Finance (MoPF). To simplify, it will be referred to as Ministry of Finance (MoF) throughout this appendix.


28. Regulation No. 2000/3, “On the Establishment of a Public Service Commission,” Article 1.4: “With respect to the appointment of the most senior (Level Five) officials, except as separately provided for in regulations governing appointments to the judiciary, for each post the Commission shall prepare a short list of qualified candidates, for appointment by the Transitional Administrator.”

the Central Personnel Recruitment Office, it shall be the primary function of the Commission to recommend qualified officials for the public service of East Timor, for appointment by the Transitional Administrator. The recruitment panels will be composed of representatives of the department concerned and the Central Personnel Recruitment Office, selected in accordance with guidelines to be drawn up by the Commission.”


32. Government Resolution No. 42/2010 of November 17 established that civil administration agents could be converted to permanent civil servant personnel if they had accomplished more than six months of their contract by November 17, 2010, provided they met certain minimal requirements.


34. Interview with a government official, 2013.

35. As of 2013 a Tribunal das Contas (Court of Accounts) had been established, which is expected to eventually take over the external audit functions.

36. Some (outreach) primary health services continue to be carried out by NGOs directly paid by the state budget, although these are gradually being phased out and the Ministry of Health is assuming full charge of the implementation of health services.

37. Interview with a government official, MoF, 2013.

38. Similarly, a 2011 MoF analysis of the 82 “advisory” positions supported by AusAID found that “even those advisors which are engaged as capacity building advisors [about half] are largely absorbed by operational demands and rarely have the time or skills required to ‘build capacity’” (MoF 2011a).

39. By 2002 public sector spending in Timor-Leste was disbursed through four distinct channels: the CFET, the TFET, bilateral projects, and assessed contributions to the United Nations. CFET accounted for 22 percent of programmed expenditures in FY2002. It was financed from two sources: domestic revenues, which covered 39 percent of expenditures in FY2002, and budgetary support grants disbursed from a UNTAET trust fund, which covered the remaining 61 percent. Twenty-two donors made voluntary contributions amounting to $58 million of budgetary support in fiscal years 2000, 2001, and 2002.

40. TFET accounted for roughly 19 percent of programmed expenditures. Financed by a consortium of donors, it supported programs in the agriculture, roads, water, education, health, and community development sectors, as well as activities in the areas of microfinance and enterprise development.

41. Bilateral projects accounted for 39 percent of programmed expenditures. Most of these were stand-alone interventions, following donor-specific procedures; some were projects implemented by NGOs with only nominal government involvement in management and oversight. Assessed contributions to the UN accounted for 19 percent of programmed expenditures, and covered some international staff and some government operating costs.

42. The system, inherited by the first elected government from UNTAET, was not interfaced with software used by other government agencies (for example, GRIMS by the Planning Directorate, and CHRIS for payroll). This required the same basic data to be
entered several times, duplicating the use of staff time and increasing the risk of error in data entry. The system precluded complete tracking of transactions and forced line-agencies to maintain shadow ledgers, which were not reconciled by the agencies with data in the Ministry of Planning and Finance system (World Bank 2006).

43. See IEG (2011, 62) for a fuller account of changes.

44. The donor projects that have supported the DoB include: Economic Institutions Capacity Building Project (TFET); Planning and Financial Management Capacity-Building Project (World Bank); PFMCP Restructuring (World Bank); Transition Support Program (World Bank); Ministry of Planning and Finance Capacity Building Project (AusAID).

45. Interview with a foreign adviser, MoF, 2013.

Bibliography


Timor-Leste Case Study


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More information about the Bank’s environmental philosophy can be found at http://www.worldbank.org/corporateresponsibility.
Building a capable public service is fundamental to postconflict state building. Yet in postconflict settings, short-term pressures are often at odds with this longer-term objective. To ensure peace and stabilize fragile coalitions, the imperative for political elites to hand out public jobs and better pay to constituents dominates merit. Donor-financed projects that rely on technical assistants and parallel structures, rather than on government systems, are often the primary vehicle for meeting pressing service delivery needs. What, then, is a workable approach to rebuilding public services postconflict?

*Paths between Peace and Public Service* seeks to answer this question by comparing public service reform trajectories in five countries—Afghanistan, Liberia, Sierra Leone, South Sudan, and Timor-Leste—in the aftermath of conflict. The study seeks to explain these countries’ different trajectories through process tracing and structured, focused methods of comparative analysis. To reconstruct reform trajectories, the report draws on more than 200 interviews conducted with government officials and other stakeholders, as well as administrative data. The study analyzes how reform trajectories are influenced by elite bargains and highlights their path dependency, shaped by preconflict legacies and the specifics of the conflict period. As the first systematic study on postconflict public service reforms, it identifies lessons for the future engagement of development partners in building public services.

"Rebuilding the bureaucracy is possibly the most underappreciated policy and research question in fragile states today. This is one of the most politically astute and thoughtful books I’ve read on postconflict policy making of any kind."

—Christopher Blattman, Ramalee E. Pearson Professor of Global Conflict Studies, Pearson Institute for the Study and Resolution of Global Conflicts, Harris Public Policy, University of Chicago

"Rebuilding states after conflict is the greatest challenge in development today. And yet we know precious little about the actual experience of countries that have tried to rebuild their civil service and restore public services. This is a monumental study based on extensive empirical data and field-based research across multiple cases that actually opens up the black box of state building in conflict-affected countries. It should be required reading for anyone who takes on this extraordinary challenge."

—Joel S. Hellman, Dean, Edmund A. Walsh School of Foreign Service, Georgetown University

"There isn’t a more pressing problem in international development than formulating practical strategies for building institutions in fragile states. This book is a remarkable distillation of the frontline experiences of the World Bank in tackling this task. Finally, we have the basis for an empirically grounded assessment of what works and why. Unputdownable."

—James Robinson, Reverend Dr. Richard L. Pearson Professor of Global Conflict and University Professor; Institute Director, Pearson Institute for the Study and Resolution of Global Conflicts, Harris Public Policy, University of Chicago