International Public Administration Reform examines public administration reform experiences and outcomes in a range of countries over the past 10 to 15 years and offers commentary and analysis that are particularly relevant to the Russian Federation.

The result of a request from the Russian Federation authorities for comparable experiences and best practices, this book analyzes the public administration reform experiences of 14 countries: Australia, Brazil, Canada, Chile, China, Finland, Germany, Hungary, the Netherlands, New Zealand, Poland, the Republic of Korea, the United Kingdom, and the United States. For each country, the case study starts with “what was broken” and moves on to assess what reformers actually did, what they achieved, and why reformers faced with similar problems in different countries did very different things.

The authors discover that the level and type of reform activity was determined primarily by the degree of “traction”—or leverage—available to reformers in each country and the malleability of basic public sector institutions. In some countries reformers with considerable leverage were able to launch comprehensive reform programs relatively quickly. In countries with low traction and comparatively complex constitutional arrangements for the structure of the public sector, implementing public administration reform was particularly difficult.

Finally, the authors identify a number of practical suggestions for implementing public administration reform. These will be helpful particularly for policymakers and reformers in low-traction countries, such as those in the Russian Federation, but also for reformers in other countries engaged in public administration reform.
Contents

Acknowledgments vii
Abbreviations and Acronyms xi
Executive Summary xiii

1. The Countries Selected 1

2. Reformers’ Concerns: What Was Broken? 6
   What Did They Want to Do? 6
   Reducing Public Expenditure 6
   Improving Policy Responsiveness and Implementation 7
   Improving Government as Employer 8
   Improving Service Delivery and Building Public and Private Sector Confidence 9
   Mapping Reformers’ Concerns 10
   Notes 12

3. Reformers’ Activities: What Did They Do? 13
   The General Picture 13
   The Ingredients of Public Sector Reform 13
   “Basic” Reforms: Achieving or Strengthening Discipline 16
   “Advanced” Reforms 19
   Choices in Advanced Reforms 25
   Coherence of Reforms 28
   The Level of Reform Activity 29
   Notes 32

4. Reformers’ Achievements: What Did They Gain? 33
   Results Are Difficult to Determine 33
   Reductions in Public Expenditure 34
Efficiency Improvements 36
Other Gains 37
Unintended Consequences 37
Notes 40

5. Reformers’ Traction: Why Did They Do Different Things? 41
   A Model for Explaining Reform Activities 41
   Points of Leverage 42
   Institutional Malleability 43
   Mapping Reformers’ Traction 44
   Explaining Patterns of Reform 44
   Notes 46

6. The Challenge for Low-Traction Reformers: How to Achieve Basic Reforms 47
   A Dilemma Facing Low-Traction Reformers 47
   Seizing Opportunities in Basic Public Expenditure Management Reforms 48
   Seizing Opportunities in Civil Service Personnel Management Reforms 49
   Seizing Opportunities in Reforming the Organizational Structure of the Executive 50
   Seizing Opportunities in Changing the Role and Policy Load Carried by Government 51
   Lessons from Low-Traction Countries Needing Basic Reforms 51

7. Implications for the Russian Federation 54
   Realism and Managed Expectations 54
   First Things First 54
   Create More Traction 55
   Seize Opportunities 56
   Create Opportunities 58
   In Looking for Useful Experiences, Look for the Like-Minded 59
   Notes 59

Appendixes
   A. Summaries of Individual Country Reform Experiences 62
   B. Reformers’ Concerns: Methodological Note 74
   C. Points of Leverage for Reformers: Methodological Note 84
   D. Institutional Malleability: Methodological Note 88
   E. Glossary 92
References 106

Index 108

Boxes
1. Australian Reform Concerns 7
2. Reform Activities in China 14
3. Reform Activities in Canada 15
4. Associating Performance Information with the Budget in the United States 18
5. Senior Executive Services in Australia, Hungary, and New Zealand 19
6. Advanced Accounting Reforms in the Netherlands 20
7. Budget Reform Activities in Finland 21
8. The Civil Service in New Zealand—An Unusual Case 22
9. Reform Activities in Brazil 24
10. Decentralization in Poland 25
11. Contractual Arrangements within the U.K. Public Sector 27
12. Reform Activities in Chile 29
13. Australian Reform Activities 30
14. Program Review in Canada 35
15. Mixed Signals on Australian Efficiency Savings 36
16. Mixed Reform Outcomes in the United Kingdom 39
17. Unintended Consequences in the Netherlands 40
18. Reform Management in New Zealand and the Republic of Korea 56
19. Dispersed Reform Management in Canada 57
20. Stronger Central Agency in Finland 84
21. Cabinet Office in Australia 85
22. Majority Government in Canada 86
23. Organizational Heterogeneity in Brazil 87
24. Federalism in Canada 88
25. The Civil Service and the German Administrative Tradition 90

Tables
1. Size of the Country and the Economy Relative to the Russian Federation 2
2. Fiscal Decentralization 4
3. Measures of Governance 4
4. Reformers’ Concerns 11
5. The Elements of Basic and Advanced Reforms 26
6. Reform Activities 31
7. Reformers’ Traction 45

Figures
1. General Government Employment as Percentage of Total Employment 3
2. Breadth of Reformers’ Concerns 12
3. Two Stages in Public Sector Reform 16
4. Overall Reform Activity 30
5. A Model for Explaining Reform Differences 42
6. Reformers’ Traction and Reform Activity 46
7. Russia’s Reformers in Context 59
Acknowledgments

This paper was produced by the World Bank Russia public administration reform team in response to a request from the Russian Federation government. It has benefited from discussions in a series of initial seminars held in December 2000 in Moscow and subsequent detailed discussions in Moscow from January 2001 to June 2002 with officials and experts engaged in preparing the Russian Federation’s Civil Service Reform Program. Experts from the Russian State Service Academy, the Higher School of Economics, Moscow State University, the Institute of State and Law of the Russian Academy of Sciences, the Experts for Labor Foundation, the Institute for Economies in Transition, the State University of Management, and the Siberian State Service Academy participated in the seminars and subsequent discussions, as did officials from the Ministry of Finance, the Ministry of Economic Development and Trade, the Ministry for Labor and Social Development, the Apparatus of the Government, and representatives from the Administration of the President.

The authors would like to express their thanks to all the experts and officials who participated in the seminars and discussions and who all gave so freely of their time and insights—in particular, Professor Lev Jakobson from the Higher School of Economics, who kindly convened and hosted the seminars and discussions.

Nick Manning and Neil Parison prepared this paper with assistance from Yelena Dobrolyubova, Kathy Lalazarian, Jana Orac, and Jeffrey Rinne. It draws from a series of country reform summaries that were prepared by the following experts:

**Australia:** Geoff Dixon, Geoff Dixon & Associates, Canberra

**Brazil:** Geoffrey Shepherd, Sector Lead Specialist, Public Sector, World Bank, and Jeffrey Rinne, Public Sector Group, World Bank

**Canada:** Gord Evans, Senior Consultant, Institute of Public Administration of Canada

**Chile:** Geoffrey Shepherd, Sector Lead Specialist, Public Sector, World Bank
China: John P. Burns, Professor, the University of Hong Kong, with Chau-Ching Shen, Senior Financial Management Specialist, World Bank

Finland: Seppo Tiihonen, Senior Public Sector Specialist, World Bank

Germany: Dr. Elke Löffler, Public Sector Consultant, Birmingham, United Kingdom

Hungary: Georgy Gajduschek, Researcher, Hungarian Institute of Public Administration, with Jean-Jacques Dethier, Senior Economist, World Bank

The Netherlands: B. J. S. Hoetjes, Professor and Senior Research Fellow, University of Maastricht and Netherlands Institute of International Relations, Clingendael

New Zealand: Graham Scott, Principal, Graham Scott (NZ) Ltd., and Executive Chairman, Southern Cross International Ltd.; Lynne McKenzie, Managing Director, Southern Cross International Ltd.

Poland: Helen Sutch, Sector Manager, World Bank; Michal Dybula, Research Analyst, World Bank; Ryszard Jerzy Petru, Consultant, World Bank; Jacek Wojciechowicz, External Affairs Officer, World Bank; Marcin Przybyla, Research Analyst, World Bank

Republic of Korea: Hakyung Jeong, Director, Planning and Coordinating Unit in the Civil Service Commission of the Korean Government; Dae-Ki Kim, Senior Financial Economist, East Asia Financial Services, World Bank; Kookhyun Kim, Director General, Ministry of Government Administration and Home Affairs; Jeffrey Rinne, Public Sector Group, World Bank

United Kingdom: Jeremy Cowper, Head, Modernizing Government Secretariat, Cabinet Office, government of the United Kingdom

United States: William P. Shields, Jr., Program Associate, National Academy of Public Administration; J. William Gadsby, Director, Management Studies Program, National Academy of Public Administration


The paper has also benefited from many discussions with World Bank staff and others. It has gained particularly from the useful points made by Bob Bonwitt, OECD SIGMA, and Chris Pollitt, Erasmus University, who kindly acted as external peer reviewers, and by Robert Beschel and Dana...
Weist, internal World Bank peer reviewers. Additional valuable comments were made by Gord Evans, Malcolm Holmes, and Allen Schick. Task manager for the Russia public administration reform work is Neil Parison. The sector managers responsible for providing oversight were Shekhar Shah and Helga Muller, with sector directors Pradeep Mitra and Cheryl Gray and country director Julian Schweitzer.

This is a practical document, and text references have been kept to the minimum. Many references are provided to pages within the World Bank website on administrative and civil service reform at http://www1.worldbank.org/publicsector/civilservice/. The relevant pages of that site provide the key readings. The authors would like to acknowledge the work of the many contributors to the website whose insights are referred to in the technical annex, particularly including Ismail Radwan, Martin Rama, and Guy Peters.

Comments are very welcome and should be forwarded to Nick Manning (Nmanning@worldbank.org) or Neil Parison (Nparison@worldbank.org).

This paper does not necessarily reflect the views of the World Bank or its executive directors. In addition, contributions provided for the case study country reform summaries by serving civil servants and officials represent only their personal opinions and do not necessarily reflect the views of the government of the country in question.

Nick Manning and Neil Parison
(with Yelena Dobrolyubova, Kathy Lalazarian, Jana Orac, and Jeffrey Rinne)
February 2003
Abbreviations and Acronyms

CCMD  Canadian Centre for Management Development
EBRD  European Bank for Reconstruction and Development
ERC  Expenditure Review Committee of Cabinet
EU  European Union
GDP  Gross domestic product
GIA  Gallup International Association
GPRA  Government Performance and Results Act
IMF  International Monetary Fund
ISIC  International Standard of Industrial Classification
IT  Information technology
NGO  Nongovernmental organization
NPM  New public management
OECD  Organisation for Economic Co-operation and Development
MARE  Ministry of Federal Administration and State Reform (Brazil)
PPP  Purchasing power parity (current international $)
PSAs  Public Service Agreements

Vice President:  Johannes Linn (Europe and Central Asia)
Sector Director:  Cheryl Gray (Europe and Central Asia Poverty Reduction and Economic Management)
Sector Leader, Public Sector Reform:  Helga Muller (Europe and Central Asia Poverty Reduction and Economic Management)
Team Leaders:  Neil Parison (Europe and Central Asia Poverty Reduction and Economic Management)
              Nick Manning (South Asia Poverty Reduction and Economic Management)
Executive Summary

This paper has four objectives:

1. To offer an analysis of public administration reform experiences in a set of countries chosen to illustrate the range and depth of recent administrative change
2. To pick out from this analysis those variables that seem particularly relevant to the current condition in the Russian Federation
3. To suggest a way of organizing thinking about a very complex and contested field
4. To provide some pointers toward a reform strategy for policymakers in this area in the Russian Federation.

Identifying the key country comparators and the relevant variables and offering a way of thinking about their significance are particularly important for the Russian Federation authorities as they prepare for implementation of the Program for the Reform of the Civil Service System in the Russian Federation. As reforms intensify, there will be a flood of serious, experienced international advisers and management experts, but there will also be those with “snake oil” to sell. Reformers need some lenses through which they can critically examine reform proposals and evaluate advice from experts.

The paper draws its conclusions from an analysis of 14 countries selected by representatives of the Russian Federation government: Australia, Brazil, Canada, Chile, China, Finland, Germany, Hungary, the Netherlands, New Zealand, Poland, the Republic of Korea, the United Kingdom, and the United States. The World Bank was asked to look at a number of countries that faced similar challenges to those facing Russia in this area, while also looking at some countries that faced different problems but achieved interesting results.

The analysis of these 14 countries also served to demonstrate that there is at present little international convergence of ideas on administrative reform. The paper focuses on the reform concerns and activities of gov-
ernments in these countries over the last 10 to 15 years. However, it is in
the nature of administrative reforms that their beginning and end are dif-
ficult to discern exactly; thus this period has been interpreted relatively
freely. The paper has also deliberately focused on central or federal gov-
ernment, although it was noted that some of the major developments are
at lower levels of government (state, provincial, regional, or local gov-
ernments).

The analysis of these 14 country experiences starts with the question
“what was broken?” It sets out the broad reform concerns that to differ-
ent degrees were publicly stated by those 14 governments:

- To reduce public expenditure
- To improve policy responsiveness and implementation
- To improve government as employer
- To improve service delivery and build public and private sector confi-
dence.

The paper demonstrates that the set of countries identified as com-
parators can be placed along a very rough scale, ranging from the com-
prehensive reform concerns of China to the specific and focused concerns
of the Netherlands on pay and incentive issues.

The paper next asks what they did. It is common knowledge that the
period from the mid-1980s to the end of the 1990s saw a huge volume of
major and complex public administration reform programs. Here we
offer a framework for viewing the four areas of public sector institution-
al arrangements and public policy that are amenable to relatively short-
term change:

1. Public expenditure arrangements
2. Personnel management and civil service
3. Organizational structure of the executive
4. Role of and policy load carried by government.

The paper maps the depth of reform activity in these 14 countries and
provides an overview of the impact of reforms in terms of reductions in
public expenditure, efficiency improvements, and other gains such as
political satisfaction with the policy flexibility and responsiveness that
the new arrangements have provided. It also seeks to identify some of the
unintended consequences of reform programs.

Given that many governments were driven by very similar sets of con-
cerns, why then did they often pursue different reform activities?
Generally, the paper finds that they did different things because:
They were constrained by the basic architecture of public administration: Some reformers found themselves able to gain more traction on administrative structures than others.

Some reformers were concentrating on some basic “must-do” reforms, and others that had sound basics in place were selecting from an optional menu of “could-do” reforms.

Those reformers grappling with basic reforms had to be distinctly opportunistic—that is, they had to take advantage of idiosyncratic developments as they emerged.

Circumstances dictated action, but the leverage available to reformers—the points of entry to comprehensive reform programs—and the malleability of basic public sector institutions varied considerably among countries. Overall, the paper concludes that the level of reform activity is significantly determined by the resulting traction that was available to reformers.

The framework recognizes that many reforms rest on a discipline that is ingrained in the behavior of civil servants and the organizational culture of public sector agencies. Discipline means, in essence, formality—that actual behavior follows the written rules and the budget on paper that parliament agreed to bears a close relationship to the budget that is executed. The framework identifies two stages in public sector reform: basic reforms intended to achieve or strengthen public sector discipline and advanced reforms. It then distinguishes between different paths followed by the advanced reformers. For example, contractualism has become an important technique, but it is certainly not the only way to go. Beyond the basics, there is more of a choice.

Finding a point of entry is the underlying problem facing the reformers who have little traction and certain nonoptional basics to achieve. This paper reviews some of the opportunistic strategies seized by reformers in this situation.

Finally, review of the possible entry points to public administration reform for the Russian Federation suggests that it could be appropriate for the reform team in Russia to seek to

- Keep firmly in mind the need for realism and managed expectations
- Start with the basics and focus on fundamental civil service reforms
- Create more traction, particularly through developing central agency capacity
- Seize opportunities through forging partnerships with regional administrations, cities, municipalities, and districts, and encourage pilot reform schemes and experiments at the agency or subnational level
• Create opportunities through the judicious use of functional reviews and stimulate external pressure on the executive (including the cautious introduction of some freedom of information legislation and the development of an ombudsman’s office)
• Look particularly at the experiences of other low-traction countries that also have broad reform concerns and some need to focus on the basics: Brazil, Hungary, Poland, and the Republic of Korea.
The Countries Selected

This paper presents a summary assessment of recent experiences in public administration reform. It draws its conclusions from 14 countries selected by representatives of the Russian Federation government: Australia, Brazil, Canada, Chile, China, Finland, Germany, Hungary, the Netherlands, New Zealand, Poland, the Republic of Korea, the United Kingdom, and the United States. The World Bank received a request to examine countries that faced similar public administration challenges to those confronting Russia, while also looking at other countries that faced different problems but achieved interesting results.

The analysis of these 14 countries also demonstrated that there is little international convergence of ideas on administrative reform. Some commentators believe that the international debate has been overly influenced by the experiences of Australia, New Zealand, the United Kingdom, and the United States. This somewhat skewed debate has masked what are perhaps the more idiosyncratic country realities. Many countries have clearly been much less enthusiastic about new public management than these.

The 14 countries are a very mixed bag. Table 1 shows that only one (Brazil) is within 10 percent of the Russian Federation in relation to population, size of labor force, and per capita gross domestic product (GDP).

The scale and structure of general government employment are clearly very different among these countries. In terms of employment, figure 1 suggests that Australia, Canada, Finland, the United Kingdom, and the United States have a considerably larger core public sector than the Russian Federation (excluding state-owned enterprises). However, cross-country comparisons of data on public sector employment and wages must be treated with great caution. Numerical comparisons are complicated by the variation in functions undertaken by governments, as well as by varying approaches to categorizing data. As a result, these data should be considered only as a broadly indicative overview. The data for the Russian Federation may significantly understate actual total employment because of classification difficulties.
Table 1. Size of the Country and the Economy Relative to the Russian Federation  
(Russian Federation = 100)

<table>
<thead>
<tr>
<th></th>
<th>New Zealand</th>
<th>Australia</th>
<th>Brazil</th>
<th>Korea, Rep. of Kingdom</th>
<th>United States</th>
<th>United Kingdom</th>
<th>Finland</th>
<th>Germany</th>
<th>Hungary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total population, (million)</strong></td>
<td>13</td>
<td>115</td>
<td>21</td>
<td>10</td>
<td>857</td>
<td>4</td>
<td>56</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>3</td>
<td>26</td>
<td>32</td>
<td>41</td>
<td>190</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GDP per capita, PPP (current international $)</strong></td>
<td>329</td>
<td>94</td>
<td>351</td>
<td>116</td>
<td>48</td>
<td>309</td>
<td>318</td>
<td>153</td>
<td></td>
</tr>
<tr>
<td>324</td>
<td>256</td>
<td>113</td>
<td>210</td>
<td>296</td>
<td>426</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total labor force</strong></td>
<td>12</td>
<td>101</td>
<td>21</td>
<td>8</td>
<td>967</td>
<td>3</td>
<td>53</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>25</td>
<td>31</td>
<td>38</td>
<td>184</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PPP = Purchasing power parity.

*Note:* See glossary for further details of GDP per capita and PPP and the definition of the labor force.

*Source:* World Development Indicators, all data for 1999.
The 14 governments are structured very differently, according to the degree to which they are decentralized. Table 2 highlights that China, Hungary, the Netherlands, New Zealand, Poland, the Republic of Korea, and the United Kingdom are, in fiscal terms, much more centralized than the Russian Federation.

The countries also differ along some dimensions of governance. The measure of contract-intensive money (see note to Table 3) suggests that the Russian public is relatively more reluctant to save money in the banking system. Measures of perceptions of corruption in government and
Table 2. Fiscal Decentralization

<table>
<thead>
<tr>
<th>Australia</th>
<th>Brazil</th>
<th>Canada</th>
<th>Chile</th>
<th>China</th>
<th>Finland</th>
<th>Germany</th>
<th>Hungary</th>
<th>Netherlands</th>
<th>New Zealand</th>
<th>Poland</th>
<th>Russian Federation</th>
<th>Korea, United States</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subnational expenditures as percent share of GDP</td>
<td>19.83</td>
<td>18.34</td>
<td>30.00</td>
<td>2.21</td>
<td>10.68</td>
<td>18.37</td>
<td>19.36</td>
<td>13.34</td>
<td>4.32</td>
<td>9.91</td>
<td>15.68</td>
<td>8.16</td>
<td>10.45</td>
</tr>
<tr>
<td>Subnational revenues as percent share of GDP</td>
<td>12.59</td>
<td>12.51</td>
<td>23.36</td>
<td>2.02</td>
<td>6.56</td>
<td>14.24</td>
<td>14.29</td>
<td>6.48</td>
<td>4.84</td>
<td>6.42</td>
<td>13.28</td>
<td>3.05</td>
<td>3.07</td>
</tr>
</tbody>
</table>

Source: IMF Government Financial Statistics, various years. Note: The dates for these data are Republic of Korea, 1978; Brazil, Canada, and the Russian Federation, 1995; China, Hungary, the Netherlands, Poland, and the United Kingdom, 1997; Australia, Chile, Finland, Germany, and the United States, 1998; and New Zealand, 1999.

Table 3. Measures of Governance

<table>
<thead>
<tr>
<th>Australia</th>
<th>Brazil</th>
<th>Canada</th>
<th>Chile</th>
<th>China</th>
<th>Finland</th>
<th>Germany</th>
<th>Hungary</th>
<th>Netherlands</th>
<th>New Zealand</th>
<th>Poland</th>
<th>Russian Federation</th>
<th>Korea, United States</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract-intensive money, %</td>
<td>94</td>
<td>91</td>
<td>93</td>
<td>93</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>90</td>
</tr>
<tr>
<td>Public perceptions of corruption in the government, %</td>
<td>84</td>
<td>98</td>
<td>86</td>
<td>73</td>
<td>94</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population considering that the government is responding well to crime, %</td>
<td>20</td>
<td>23</td>
<td>11</td>
<td>36</td>
<td>7</td>
<td>44</td>
<td>69</td>
<td>72</td>
<td>14</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Contract-intensive money refers to the percentage of the money supply held in bank accounts and as other financial assets. See glossary for details.

Sources: Contract-intensive money is calculated from IMF Government Financial Statistics, 1999. Survey data on perceptions of corruption in the civil service and protection from crime are provided courtesy of the Gallup International Association (GIA) from the Gallup International Millennium Survey 2000.
confidence that the government is seeking to protect them from crime are worse in the Russian Federation than in most of the other 14 countries for which data are available.

The reform concerns and activities of governments in these 14 countries over the last 10 to 15 years are the focus of this paper. However, because the beginning and end of administrative reforms are difficult to discern exactly, this period has been interpreted relatively freely. The paper has also deliberately focused on central or federal government, although it was noted that some of the major developments are at state, provincial, regional, or local levels of government.

Note

Reformers’ Concerns:
What Was Broken?

What Did They Want to Do?

Reform of public administration is not a self-evident priority. Given the enormous difficulties entailed in shifting vested interests, there is no intrinsic reason why administrative reform should rank alongside structural reforms or social reforms as a priority for action. There is, of course, a growing recognition that institutions are important for development, but it is not at all clear which institutions are the most crucial, and there is very little evidence that the specific details of government structure and accountability arrangements affect growth. There is also only modest evidence that administrative reform is an independent variable. A reasonable argument can be made that it is the consequence rather than the cause of other aspects of liberalization.

There are four broad reform concerns that to different degrees were publicly stated by governments in the 14 countries studied for this report:

1. To reduce public expenditure, maintaining the attractiveness of the investment climate and the competitiveness of national firms
2. To improve policy responsiveness and implementation by overcoming resistance from vested interests to the implementation of legitimate policies or the reduction of some programs
3. To improve government as an employer by making government a responsible employer, that is, attracting sufficient numbers of appropriately skilled employees while restraining aggregate employment costs
4. To improve service delivery and build public and private sector confidence by enhancing the degree of respect and trust accorded to government by the private sector and by the public.

Reducing Public Expenditure

Fiscal pressures lie behind all four areas of concern, and reform rhetoric generally highlights the anticipated savings that will result from the reform pro-
gram. However, the extent to which the search for savings in public expenditure has contributed to reforms in public administration is not clear.

This uncertainty arises because in middle- and high-income countries, sociodemographic changes, more than any other single force, have driven increases in public expenditures. The rising proportion of the elderly in the population and the dramatic increase in transfer payments for pensions, unemployment, and other benefits are fundamentally questions of policy rather than public management. Reducing the fiscal pressures that arise from these changes in demography and social expectations requires that benefits increases be constrained and user charges be introduced as a device for cost sharing. These policy changes can, in principle, be introduced independently of administrative reform.

As section 4 of this paper points out, there is only modest evidence that savings have been made as a result of reform programs.

**Improving Policy Responsiveness and Implementation**

Many reformers emphasize the need to improve the capability of government to implement legitimate policy changes. They seek to remove obstacles facing governments as they try to change the direction of social and sectoral policy. Typically, these reformers emphasize that such obstacles arise either from resistance within the civil service or from limited capability. They note less often that some civil service resistance stems from....

---

**Box 1. Australian Reform Concerns**

The first phase of the reforms was triggered by the 1983 Labour government’s desire to introduce an expensive social reform agenda without putting additional pressure on the budget deficit. This meant cutting programs inherited from the previous government to make room for the new spending measures. However, the new government had little confidence in the capacity or the willingness of the federal public service of that time to advise on or implement the restructuring of public spending. Even before winning the election, the Labour party had announced a reform strategy for the public service.

The first phase was intended to shift the focus of the bureaucracy from the routine renewal and disbursement of budget appropriations, which were largely unchanged from year to year, to the results being achieved from these entrenched expenditures and better ways of spending budget funds. The second phase of the public sector reforms, undertaken in the 1990s, was intended to increase the efficiency of the delivery of government goods and services by the introduction of commercial principles.
cynicism that follows a large number of hollow or unimplemented reform directives. Reform ambitions focus on improving the merit basis of public sector employment and changing the incentives that individual civil servants face, aligning them with the overall policy goals of government.

Improving merit and reducing patronage is claimed to improve competence while reducing the risks that political opposition will find expression through the civil service. Such reforms are often aimed only at the central ministries. Access to civil service positions, and responsibilities of civil servants, is often legally redefined within a unified and career-protected civil service, with statutory definitions of the scope of the civil service and subsidiary regulations describing procedures. Codes of conduct and equivalent frameworks that govern the behavior of civil servants are also frequently revised.

In many cases, the stated target of reform has been the nature of the employment contract between the civil servant and the state, but the direction of reform sought has been distinctly varied. For countries without a well-entrenched tradition of merit-based civil service employment, the ambition has been to define legally how access to civil service positions (and the responsibilities of civil servants) is to be obtained. The intention is to place checks and balances around the employment contract of civil servants so that they form a distinct and unified corps, with security of tenure and objective bases for promotion used as protections against capricious political action.

However, for some other countries that already have a secure, legal, and customary regime for civil service employment, the intention has been to move in the opposite direction. For these, primarily anglophone Organisation for Economic Co-operation and Development (OECD) member countries, the stated direction of reform has been to reduce (although not abandon) security of tenure and the significance of seniority in decisions concerning promotion and career advancement. Individual performance contracts have become more important, with civil servants more easily rewarded for results. In effect, some reforms are associated with the introduction of career systems in which initial entry to the civil service is determined by independent testing, a relevant university degree, or academic credentials. Some other reforms in systems are position based, where the emphasis is on selecting the best-suited candidate for each position to be filled, and have encouraged more open access, with lateral entry becoming more common.

**Improving Government as Employer**

Reformers can seek to achieve a better balance between the fiscal burden of public employment and the need to provide incentives that attract
competent staff. The ideal has been reducing the aggregate wage bill while improving pay.

Although comparisons with GDP and population are useful only as very rough guides to judgment concerning aggregate employment and affordability of the wage bill, there is an understandable tendency to compare numbers of civil and public servants and the fiscal weight—public sector wage bill as a percentage of GDP—against international practice.\(^4\)

In checking that monetary incentives are effective at the level of individual civil servants, reformers generally note that levels of pay should be sufficiently competitive to recruit, retain, and motivate qualified staff at all levels. They note that often some groups of staff are overpaid by comparison with private sector equivalents, and others underpaid.\(^5\)

Some pay reforms seek to address the absolute shortage of qualified labor in particular professional skills areas in the country.\(^6\) The challenge is in offering pay levels that are sufficient for government to recruit, motivate, and retain technical, professional, and managerial staff within the country in competition with domestic private sector and foreign employers. This may be politically challenging if it implies radical decompression of formal pay scales and an accompanying large increase in pay at senior levels.

**Improving Service Delivery and Building Public and Private Sector Confidence**

Finally, some reformers seek to improve the confidence of the public and of business that the civil service is both honest and efficient.

Low respect for the public service is more than the response of disappointed consumers to an inadequate level of service. Government is more than a service provider, and finding the right balance between skepticism and confidence in government will always be difficult. Certainly, though, very low confidence and widespread cynicism about the performance of government can have pernicious consequences, undermining democratic institutions and reducing the attractiveness of the public service career to those with talent. Survey evidence in OECD countries has shown some troubling signs that public cynicism about the public service is increasing. Survey data indicate that citizens often have more confidence in public servants than in politicians. Still, there is only modest comfort in this finding. Citizens tend to rate the ethical standards of both public servants and politicians lower than in other professions.\(^7\)

Public concern about corruption is a significant driver of low public respect. The World Bank report, *Anticorruption in Transition* (2000), has usefully distinguished between state capture and administrative corrup-
tion. “State capture” refers to the actions of individuals, groups, or firms in both the public and private sectors to influence the formation of laws, regulations, decrees, and other government policies to their own advantage as a result of the illegal transfer or concentration of private benefits to public officials. By contrast, “administrative corruption” refers to the intentional imposition of distortions in the prescribed implementation of existing laws, rules, and regulations to provide advantages to either state or nonstate actors as a result of the illegal transfer or concentration of private gains to public officials. However, reformers have rarely offered this level of specificity in referring to the corruption that they would like to reduce.

In improving service delivery, many reformers’ actions have been geared toward forcing greater responsiveness from the bureaucracy by empowering consumer groups through distributing basic data on performance and implementing methods for client feedback (report cards and other types of client surveys).8

Mapping Reformers’ Concerns

In reviewing the breadth and emphasis of the administrative and civil service reform programs of the 14 countries selected for this study, this report uses the following six headings to summarize reformers’ concerns:

1. Reducing government consumption, including aggregate wage bills (reducing public expenditure)
2. Reducing patronage (improving policy responsiveness and implementation)
3. Developing flexibility in employment contracts (improving policy responsiveness and implementation)
4. Improving monetary incentives (improving government as employer)
5. Addressing perceived corruption and low public respect (improving service delivery and building public and private sector confidence)
6. Improving operational inefficiency and poor service delivery (improving service delivery and building public and private sector confidence).

Table 4 provides a summary of the reformers’ concerns. The full set of reform summaries prepared for this paper is available at http://www1.worldbank.org/publicsector/civilservice/designimplementing.htm. Appendix A provides single-page summaries of the country situations. Appendix B provides a methodological note that sets out detailed background for this classification of reform concerns.9
| Public expenditure and aggregate wage bill concerns | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Patronage | ✔ | ✔ | ✔ |
| Employment contracts and tenure | ✔ | ✔ | ✔ | ✔ | ✔ |
| Ineffective monetary incentives | ✔ | ✔ |
| Perceived corruption and low public respect | ✔ | ✔ | ✔ | ✔ |
| Operational inefficiency and poor service delivery | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |

*Source:* Authors’ assessments from the country studies.
Broadly, the set of countries identified as comparators can be placed along a rough scale, ranging from the comprehensive reform concerns of China to the specific and focused concerns of the Netherlands on pay and incentive issues. Figure 2 provides a rule-of-thumb count of the number of reform targets explicitly addressed in the administrative reforms.

**Figure 2. Breadth of Reformers’ Concerns**

- China, Hungary, New Zealand, Rep. of Korea (Broad)
- Australia, Brazil, Poland, United Kingdom
- Canada, Chile, Finland, Germany, United States
- The Netherlands (Narrow)

*Note: This chart is a heuristic device to illustrate that country situations differ. No claim is made about precision.*

**Notes**

9. The World Bank Administrative and Civil Service Reform website classifies the problems that administrative reforms seek to address under similar headings and provides further background on these topics at http://www1.worldbank.org/publicsector/civilservice/.
Reformers’ Activities: What Did They Do?

The General Picture

The period from the mid-1980s to the end of the 1990s saw a huge volume of major and complex public administration reform programs undertaken. Although many of the reform programs were driven by the need of governments to solve similar problems (notably concerns about inefficiency, poor service delivery, responsiveness and accountability, and fiscal pressures), it is noteworthy that a common reform paradigm has not emerged. Some of the reform programs can be characterized by extreme radicalism (reinvention, new public management) and others more by incrementalism.

The policy debate has been dominated by consideration of “new public management.” This approach has the advantage of being the most internally coherent set of reform measures, but it has only been attempted by a small number of countries with broadly similar characteristics (Australia, New Zealand, the United Kingdom). These characteristics include the absence of institutional and constitutional constraints to radical, top-down, reform program development and implementation and the presence of relatively simple state structures. New Zealand and the United Kingdom are both unitary states without written constitutions, and Australia, although a federal state, has traditionally had a strong federal level of government. The reform experiences of other countries we have examined have been less widely studied and less broadly disseminated.

It appears that most reform programs have been driven primarily by political and civil service elites rather than pressure for change from the public. Responding to public discontent and dissatisfaction clearly was important to these political elites, but there is a chicken-and-egg issue here. In many cases, public dissatisfaction was encouraged by the reformers to justify and accelerate the reform programs.

The Ingredients of Public Sector Reform

Broadly speaking, there are four areas of public sector institutional arrangements and public policy that are amenable to relatively short-term change:
1. Public expenditure arrangements
2. Personnel management and civil service
3. Organizational structure of the executive
4. Role and policy load carried by government.

The public expenditure arrangements include the mechanisms for limiting aggregate expenditures, prioritization within those, ensuring efficient use of public funds, and the accounting and auditing arrangements that allow public expenditures to be allocated, monitored, and evaluated.

Personnel management and civil service arrangements include the mechanisms that determine civil service careers, constrain the action of individual public officials, generate their incentives for action, and determine how and when staff are to be recruited.

Box 2. Reform Activities in China

The Chinese government conducted major organizational reforms in 1982, 1988, 1993, and 1998 that heavily involved streamlining government agencies. For example, in 1982, authorities reported that they cut the number of state council agencies from 100 to 61 and the number of employees from 51,000 to 30,000. In the 1988 restructuring, officials reportedly reduced the number of ministries and commissions from 45 to 41, the number of directly subordinate bureaus from 22 to 19, and the number of state council employees from about 50,000 to 44,000. Many of the cuts in 1993 were made at the local level. Significant cuts were also reported beginning in 1998. The idea was that many of the laid-off staff would enter the growing private sector. However, in spite of sustained effort to cut the number of government employees, the state bureau of statistics has reported continuous growth of government employment during these years.

The government implemented a fixed tenure system for government officials, establishing mandatory retirement ages at 60 for most men and 55 for most women. This has secured a younger generation in government; from 1982 to 1987, for example, the average age of ministers and governors fell from 67 to 59 and from 65 to 55, respectively. The 1993 Provisional Regulations on Civil Servants require that civil servants be recruited into the service through open, competitive examinations rather than labor allocation. They also indicate that wage markets will be used to determine civil servants’ salaries, and training for civil servants will be revamped to meet the needs of a market economy. China’s civil service does not strongly value political neutrality.
Organizational structure of the executive refers to the reporting lines and accountability arrangements for departments, ministries, and other organizational units and the determination of their responsibilities. In Anglo-Commonwealth terms, this is referred to as the “machinery of government.”

The role and policy load carried by central or federal government refers to the way in which responsibility for core governmental tasks is divided between central or federal and subnational governments and the ability or willingness of government to contract out services or shed services by reducing the level of service or stopping providing the service altogether.

Box 3. Reform Activities in Canada

Between the mid-1960s and the early 1970s, public sector reform was concerned with the creation of the welfare state. During this period, the major social programs were established and government involvement in the economy increased.

By the mid-1980s, pressures to curtail government growth existed, but few concrete actions were taken. The 1985 Nielson Task Force, drawn primarily from the private sector, recommended the elimination of more than 1,000 government programs costing Can$7 billion, but few recommendations were ever implemented. In 1989, Public Service 2000 was launched to renew the public service, but again the resulting changes were very modest. In contrast to New Zealand, Australia, and the United Kingdom, very little of the international enthusiasm for new public management resonated in Canada.

Real restructuring did not begin until 1994 with the launch of Program Review. Unlike its predecessors, this reform initiative produced significant changes in the role and size of the public sector. The key was that, in the public’s mind, future prosperity was linked to the restoration of fiscal responsibility. Measures included cutting 45,000 civil service jobs, reducing provincial government transfers by Can$4.5 billion, eliminating 73 government boards, commercializing or restructuring 47 others, ending agricultural and transportation subsidies, and reducing business subsidies by 60 percent. By using fiscal urgency as a backdrop, public support for the cuts and restructuring was maintained.

A further reform effort, La Relève, was initiated in 1997 and dealt with less controversial issues, such as attracting and retaining skilled public servants. Increasing emphasis was also placed on e-government.
“Basic” Reforms: Achieving or Strengthening Discipline

To the extent that any consensus exists among observers of public sector reform, it is that many reforms rest on an ingrained discipline in the behavior of civil servants and politicians that has become entrenched in the organizational culture of public sector agencies and in the political culture. Discipline means, in essence, formality—that actual behavior follows the written rules, and that the budget on paper that parliament agreed to bears a close relationship to the budget that is executed (Schick 1998).

This formality can be most easily recognized in two areas: personnel management and budget management. In personnel matters, the differences between recruitment, promotion, and pay determination based on explicit rules monitored by a central agency and arrangements in which personal connections determine who gets hired and how much they get paid are stark. In budget management, there are clear differences between a budget process in which policy choices are made by politicians and disciplined by budget realities, and an informal process whereby the budget is made and remade constantly during execution, as well as between a formal budget agreed on in advance by parliament and an informal process driven by the availability of cash. Formality is a necessary base on which other public management reforms can be built. These “basic” reforms are undertaken to achieve or strengthen public sector discipline. The cases examined for this study bear out the distinction between the “basic” and “advanced” reforms.

In public expenditure management reforms, the basics include hardening the budget constraint as part of a more top-down approach to budget formulation and strengthening the discipline with which input-oriented line-item budgeting is enforced.2 Other public expenditure

Figure 3. Two Stages in Public Sector Reform

Stage 1:
Reforms intended to achieve or strengthen public sector discipline

Weak basics:
Informal public sector behavior

Stage 2:
Advanced reforms

Formality threshold:
Tradition of rule following is well entrenched

Incremental modernization

New contractualism
management reforms at this stage include the strengthening of cash accounting capacity through training and improved remuneration to attract competent staff, and strengthening traditional financial and compliance audit. Again, some performance auditing could be undertaken, but at this stage of the reforms, this is unlikely to be a major activity.

In addressing the basics, a general performance orientation has been usefully given to the budget through circulating some information on performance, and this provides a reminder that ultimately it is service delivery rather than simple compliance with the budget that is the goal. However, at this level of reforms, performance information has relatively few direct implications for resource allocation at the center, and this performance orientation is generally achieved simply by the greater dissemination of performance monitoring data. Despite the widespread use of terms such as output-based budgeting or performance-based budgeting, there are few examples of mechanical connections being made between measures of performance and budget allocations. Although not examined in this assessment in any detail, it should be noted that reforms in the area of public procurement are also noteworthy features of the overall reform programs in a number of the countries examined.

In civil service personnel management reforms, basic reforms include enhancing job security, strengthening protection from political interference, and creating a legally defined civil service cadre with common terms and conditions. Reforms that affect individual incentives in the civil service include the standardized application of promotion and reward rules and the encouragement of long-term careers within the civil service, building a relatively closed career system.

Reform approaches in this area show considerable differentiation. In some countries, particularly at the early stages of reform, the priority need has been to create a small, senior-level, civil service–wide cadre. The intention has been to reduce fragmentation, provide strengthened civil service management capacity, and provide a better basis for civil service management development. Senior executive services can be one of the leading players in the further development and implementation of reforms.

In some countries experiencing recruitment and retention difficulty, there has been a concerted approach to make civil service pay and conditions more competitive with those prevailing in the private sector.

Some countries have sought to strengthen application of the merit principle through centralized use of a check and balance external to the executive, such as a civil, state, or public service commission. In other settings, the decentralization to unit management of greater powers to recruit, transfer, promote, and fire unit employees may have led to a
weakening of the application of the merit principle, with consequential implications for fairness and equity concerns.

It is also possible to discern some increased emphasis on civil service ethics. This is partly a response to concerns that have arisen from the weakening of the public sector ethos through extensive external recruitment and the setting up and exposing to market and competitive pressures of new types of autonomous service delivery bodies and agencies.

Box 4. Associating Performance Information with the Budget in the United States

In 1993, the U.S. Congress enacted the Government Performance and Results Act (GPRA) to improve the effectiveness, efficiency, and accountability of federal programs by having agencies focus their management practices on program results. The GPRA seeks to help federal managers improve program performance; it also seeks to make performance information available for congressional policymaking, spending decisions, and program oversight. With regard to spending decisions, the GPRA aims for a closer and clearer linkage between resources and results. The act can be seen as the most recent event in a now 50-year cycle of federal government efforts to improve public sector performance and link allocations to performance expectations.

The GPRA requires each agency to develop strategic plans covering a period of at least five years. Agencies’ strategic plans must include a mission statement, identify long-term general goals (including outcome-related goals and objectives), and describe how the agency intends to achieve these goals through its activities, human capital information, and other resources. Under the act, agency strategic plans are the starting point for setting annual program goals and measuring program performance in achieving those goals. To this end, strategic plans must include a description of how long-term general goals will be related to annual performance goals, as well as a description of the program evaluations used to establish those goals. Strategic plans must be updated at least every three years.

The GPRA also requires each agency to prepare an annual performance plan that includes the performance indicators that will be used to measure the relevant outputs, service levels, and outcomes of each program activity in an agency’s budget. The annual performance plan provides the direct link between strategic goals outlined in the agency’s strategic plan and what managers do day-to-day.

Past efforts failed to link executive branch performance planning and measurement with congressional resource allocation processes. The GPRA requires explicit consultation between the executive and legislative branches on agency strategic plans.
In reforming the organizational structure of the executive, basic reforms include the simplification and consolidation of ministry structures. There is a very limited use of performance contracts between government and some arm’s-length agencies. If public agencies are given targets, then they tend to be indicative within annual plans, with no automatic consequences if they are not achieved.

In reducing the role and policy load carried by government, basic reforms are likely to include some minor changes of responsibility among levels of government and some equally minor reductions in service provision. Contracting out will be restricted to the easily specified support tasks.

"Advanced" Reforms

If the first set of reform activities comprises a series of changes that, although politically challenging, can in principle be made by fiat, the sec-

**Box 5. Senior Executive Services in Australia, Hungary, and New Zealand**

In Australia, at the federal level, a group of senior public servants has been identified as a Senior Executive Service. This is a mobile cadre of senior executives that have broad management expertise and an overview of public sector values and responsibilities. The purpose of the senior executive service is to prevent the management of individual departments from becoming ingrown and promote policy coordination among departments.

A similar term is used in Hungary. A bill on the amendment of the civil service act has been submitted to parliament. A crucial part of the amendment is to establish a cadre of a few hundred senior civil servants. These people could hold this status for five or six years and could not be removed by the next government. The salary of this group would be 5–10 times higher than that of the average civil servant. There is some concern that the proposal seeks to lock a politically loyal set of civil servants into position.

In New Zealand, provision was made in the State Sector Act 1988 for the creation of a Senior Executive Service. Individuals would be designated members, transferred around ministries and departments, and trained for senior management positions. This has not been a success. It has not been supported by chief executives or actively promoted by the state services commission. Chief executives expressed dissatisfaction with investing in people they might subsequently lose from the organization. Although this is arguably a narrow and shortsighted view, it is a powerful one.
ond generation builds on an entrenched discipline in the behavior of civil servants and a strong organizational culture of following the rules.

Advanced reforms in public expenditure management to achieve aggregate cost reductions include “block” or “frame” budgeting, where budgetary resources are provided to line agencies in a single block, with fewer line-item constraints on managers concerning how the resources can be applied. This flexibility is coupled with stronger mechanisms for holding managers to account for the performance results that they achieve. In many cases, the format of the budget is changed to indicate more clearly to parliament and other actors during budget preparation the likely effectiveness of funds allocated to different purposes. Advanced accounting reforms include double-entry bookkeeping and the introduction of accrual accounting. Advanced auditing reforms include an institutionalization of performance auditing in the supreme audit institution and in internal audit.

Advanced civil service personnel management reforms are in many ways the opposite of the basic reforms. In career management, many advanced reformers are decreasing tenure and making terms and conditions more equivalent to those found in the private sector. The unity of the civil service is being reduced through fragmented and diversified pay arrangements that are determined at agency level. Annual performance targets increasingly inform individual incentives, although the use of performance-related pay remains limited and controversial. This trend has been reinforced in those cases where the government moves to open external recruitment at all levels for posts in particular areas, often managerial, finance and accounting, or information technology (IT). In other areas, the impact of opening up a service to competitive tendering, combined with the move away from service-wide pay and benefits—and terms and conditions—to agency-specific arrangements, has been to worsen the pay position of some employees, particularly but not exclusively in blue-collar areas. Use of fixed-term contracts, particularly for

---

**Box 6. Advanced Accounting Reforms in the Netherlands**

During the 1980s, extensive financial management reforms were instituted in both central and local government. A key element of this consisted of the introduction of “encumbrance” accounting in central government, to be applied in conjunction with the cash accounting already in use. This approach accounted for obligations to assist in controlling spending. Arguably, this is not as developed as the full accruals accounting being introduced in Australia, New Zealand, and the United Kingdom, but it clearly represents a significant reform.
management positions—together with full, open, external recruitment for such positions—has also been comparatively widespread. Other advanced civil service reforms include strong moves toward position-based systems, where the emphasis is on selecting the best-suited candi-

---

**Box 7. Budget Reform Activities in Finland**

By 1995, all of central government was formally operating through a results-oriented budgeting system in which the line ministries have the authority to allocate resources to their administration within given budget guidelines decided by the government. In this system of budgeting, the government sets politically binding budgetary ceilings for the ministries in February for the following year and for two years thereafter. These budget ceilings and guidelines create an absolute expenditure cap. Ministries have full responsibility in allocating the funds for each agency under their control and full responsibility for steering and controlling the budget process in their sector.

This system allows the government to integrate the process of multi-year budgetary planning and strategic planning in the ministries into the annual budget process. The top-down expenditure ceilings have enhanced budgetary discipline in the ministries and increased efficiency in the use of existing resources. The budget ceilings have restrained bottom-up expenditure demands.

The system of budget ceilings has been criticized by members of parliament, who argue that they are given no opportunity to participate in the process of setting the budget ceilings. In March 2000, the government submitted the budgetary appropriation guidelines for the next four years to parliament for the first time, to encourage parliamentary participation in the budget process.

Parallel reforms were undertaken in financial control and evaluation. The most important steps were taken in the early 1990s, when ex ante budget controls were replaced with ex post reporting, auditing, and evaluation. In 1998, the government accounting system was changed to business accounting based on accrual concepts. Full cost attribution has been regarded as an important contribution to effectiveness. In 1991, a pension charge on the wages and salaries paid by agencies was adopted, and a system of charging market-level rent for state-owned office premises was introduced in 1994–95. Finland adopted accrual accounting systems in all agencies in 1998.

All agencies and ministries are responsible for preparing an annual report. Performance information on the annual reports is included in the government report on public finances to parliament. In the future, the system will be developed so that the reports include more information on progress in the effectiveness, quality, and economy of the services and production activities of the agencies and ministries.
date for each position to be filled, with increased opportunity for lateral entry.

In the anglophone OECD countries, the direction of reform has been most striking in reducing security of tenure and downplaying seniority in promotion and career advancement. In these settings, the unity of the civil service has also been reduced somewhat as individual agencies become more akin to separate private sector employers with divergent terms and conditions for their staff. In other settings, concern that there was no well-entrenched tradition of merit-based civil service employment caused the focus to change to improvement of the legal arrangements defining access to civil service positions and the responsibilities of civil servants.

---

Box 8. The Civil Service in New Zealand—an Unusual Case

Nearly all OECD countries have legislation that provides civil servant status for some employees. The recent reforms in New Zealand have made it one of the few exceptions. Public employees in New Zealand are covered by the general labor law. A sample of 34 OECD and European Union (EU) accession countries showed that 31 had civil service laws that covered some of the public employees. These laws

- Define job duties and responsibilities in 25 cases
- Delimit tenure and security in 29 cases
- Set out disciplinary arrangements in 25 cases
- Determine the methods for setting rewards and wage bargaining in 28 cases.

From the same sample of 34 countries:

- Health employees are considered national civil servants in 14 cases.
- Education employees (teachers) are national civil servants in 16 cases.
- Police are national civil servants in 22 cases.
- Subnational government employees (excluding education, health, and police) are defined as national civil servants in 18 cases.

In 11 cases, there is a separate civil service for subnational government. The judiciary in the OECD member countries is rarely made up of civil servants. However, they are often subject to civil service–like arrangements that define their employment status. This is generally provided by a judicial career law, which applies to judges at all levels—from traffic court to supreme court justices, although rarely to constitutional court judges. Judicial support staff (such as court administrators and clerks) are often civil servants, but this is not inevitable and practice varies widely.
Similarly, advanced reforms show diversity in relation to politicization. On the one hand, the increased use of political advisers in increased numbers in the United Kingdom has, when combined with the now extensively used method of filling senior posts with external applicants on fixed-term contracts, possibly led to an increased politicization of the senior civil service. In other countries, such as Hungary and Poland, the problem was more to disentangle and unbundle political appointees from career civil servants. A number of countries have used the introduction of a state secretary position as the most senior civil service position in a central ministry to clarify the exact boundary between career civil servants and political appointees.

The case of performance-related pay merits separate comment. There appear to have been many negative experiences of applying performance-related pay schemes to individual employees as opposed to individual work teams. Such schemes by their very nature reward a small percentage of employees, with the risk then being that the remaining majority experience some demotivation, a risk greatly increased if the process of selection for recipients of any significant performance-related supplements is not perceived by unit staff as credible and fair. There appear to have been some more positive experiences with the use of performance awards for teams instead of individuals. Even here, in many parts of the public sector, it can be problematic to seek to relate outcomes, which also may not be visible except in the medium to long term, to individual team contributions.

Advanced reforms to the organizational structure of the executive are again in many ways moving in the opposite direction from the basic reforms. Specialized, single-purpose agencies are created. Increasing use is made of contract-like mechanisms within the public sector, and agencies are given specific binding targets, with real consequences for the tenure of the agency head if these are not met.

Finally, advanced reforms that change the role and policy load carried by government include major reallocation of responsibilities from central to subnational government, radical service shedding of previously accepted government tasks, and the extensive use of contracts across the public sector, not just in the easily specified areas of maintenance and cleaning. The principle of subsidiarity—decentralizing the provision of public service to the lowest possible appropriate level of government—has been an important component of these reform programs.

Many approaches in this area center around privatization. Of the countries assessed, this is a particularly significant part of the reform programs in New Zealand and the United Kingdom, and to lesser degrees and to varying extents in Canada, Finland, and the Netherlands. Outcomes in this area are extremely clear—shrinking the public sector
through one-off disposal of state assets. Opportunities in this area for reforming countries will be determined by how minimalist a view they take of the role the state should play. This view may itself be shaped by affordability concerns, a desire to achieve one-off revenues for the budget, or both, together with an assessment at the level of the political elite of the political costs and benefits of pursuing such initiatives.

This level of change also includes contracting out core functions, well beyond the usual janitorial and clerical services to the policy and programs undertaken by government. These more advanced areas for outsourcing include payroll, some aspects of policy formulation, and some areas of audit and inspection.

A further key area here is deregulation, which can both significantly improve the country’s business environment and considerably reduce the number (and aggregate cost) of its public sector, while also reducing administrative corruption.

---

**Box 9. Reform Activities in Brazil**

The reforms planned by the first Cardoso Administration (1996–99) envisaged that regulation, inspection, public safety, and basic social security functions would be undertaken by autonomous agencies that would operate under a management contract. The director of each agency would be given wide-ranging freedom if performance targets were met. Universities, hospitals, and museums would be converted into even more arm’s-length social organizations, which would receive specific authorization from the legislature to sign management contracts with the executive branch to receive budgetary allocations. Parallel civil service reforms were to permit public workers to be fired for unsatisfactory performance, or to reduce an excessive salary burden, and pay was to be more tightly controlled. In fact, few autonomous agencies and social organizations have been created, partly because the government was not prepared to provide priority in the flow of budget funds to such agencies. However, these reform efforts did succeed in some public rehabilitation of a public administration that had fallen into disrespect, and they also succeeded in putting further performance-based managerial reform firmly on the agenda.

Under the second Cardoso Administration, the emphasis has been on budget reforms. The government’s business is organized into programs that stress the desired output rather than the logic of production. Programs have simple, self-explanatory titles, objectives, subsidiary actions necessary to obtain these objectives, and output indicators for these actions. This information is publicly available through the Internet. The 2000–03 multiyear plan system is strongly committed to an evaluation system, but this has not yet been designed.
Table 5 summarizes the elements of these two stages of reform.

**Choices in Advanced Reforms**

Reformers have followed different paths once they are well past the threshold of formality. In some settings—most notably New Zealand, but to a lesser extent, Australia and the United Kingdom—the advanced reforms have enabled the public sector to be driven to a large degree by a set of contractual relationships. In its most developed form, in New Zealand, ministers “purchase” outputs from their departments through formal contracts. Chief executives of departments and agencies in turn purchase outputs from other public sector bodies in more or less the same way that they contract with private sector providers. The language of contractualism pervades the entire public sector, and much of the reorganization has been driven by the need to split large departments and ministries into separate purchaser and provider units so that a contract can be established between them. There has been much discussion of the relevance of this new contractualism outside these particular settings.4

The basic reforms embodied a general trend to reduce the number of central ministries and focus these remaining ministries more closely on providing core policy analysis and advice to politicians. Among the advanced reformers, New Zealand provided an extreme case of contrac-
Table 5. The Elements of Basic and Advanced Reforms

<table>
<thead>
<tr>
<th>Public expenditure management reforms</th>
<th>Aggregate cost reductions</th>
<th>Hardening budget constraints</th>
<th>Block or frame budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Efficiency improvements</td>
<td>Input-oriented, line-item budgeting—perhaps circulating some performance information</td>
<td>Changing format of the budget to link it to future plans</td>
</tr>
<tr>
<td>Accounting reforms</td>
<td>Strengthening cash accounting</td>
<td></td>
<td>Introducing double-entry bookkeeping and accrual accounting</td>
</tr>
<tr>
<td>Auditing reforms</td>
<td>Strengthening traditional financial and compliance audit and undertaking some performance auditing</td>
<td></td>
<td>Institutionalizing performance auditing in the supreme audit institution and in internal audit</td>
</tr>
<tr>
<td>Civil service personnel management reforms</td>
<td>Career management</td>
<td>Enhancing job security and protection from political interference</td>
<td>Decreasing tenure</td>
</tr>
<tr>
<td></td>
<td>Unity of the civil service</td>
<td>Creating a legally defined cadre with common terms and conditions</td>
<td>Fragment and diversify pay arrangements</td>
</tr>
<tr>
<td></td>
<td>Individual incentives</td>
<td>Mechanical application of standard promotion and reward rules</td>
<td>Annual performance targets</td>
</tr>
<tr>
<td></td>
<td>Openness</td>
<td>Encouraging career development within a closed system</td>
<td>Moves toward position-based systems, with encouragement of lateral entry</td>
</tr>
<tr>
<td>Organizational structure of the executive</td>
<td>Agency size</td>
<td>Simplify and consolidate ministry structures</td>
<td>Specialized, single-purpose agencies</td>
</tr>
<tr>
<td></td>
<td>Contractualization</td>
<td>Limited use of performance contracts between government and some arm’s-length agencies</td>
<td>Extensive use of contracts across the public sector</td>
</tr>
<tr>
<td></td>
<td>Specification of agency targets</td>
<td>Indicative targets and annual plans</td>
<td>Specific binding targets</td>
</tr>
<tr>
<td>Role and policy load carried by government</td>
<td>Political decentralization</td>
<td>Minor changes of responsibility</td>
<td>Major reallocation of responsibilities from central to subnational government</td>
</tr>
<tr>
<td></td>
<td>Service shedding</td>
<td>Some minor reductions in service provision</td>
<td>Major shedding of previously accepted government tasks</td>
</tr>
<tr>
<td></td>
<td>Contracting out</td>
<td>Contracting out of the easily specified support tasks</td>
<td>Contracting out of strategic or hard-to-specify tasks, such as payroll management or policymaking</td>
</tr>
</tbody>
</table>
tualism in introducing formal contracts between organizations within the public sector. In the “new public management” countries (Australia, New Zealand, and the United Kingdom) in particular, but also in a more targeted and selective fashion in Finland and Germany, reforms have unbundled existing multiclient service providers and restructured them on the basis of specific client orientations. Organizational arrangements have been changed to reflect splits between funding and purchasing and purchasing and providing. Overall, service delivery organizations have been more exposed to competitive pressure through market testing or outsourcing.

Such changes have led to the setting up of what may appear to be a bewildering array of new autonomous or semiautonomous public bodies

Box 11. Contractual Arrangements within the UK Public Sector

The reforms of the current administration are based on the framework of performance management provided by the Public Service Agreements (PSAs) introduced after a comprehensive spending review in 1997–98. These agreements are struck between ministers in charge of departments and the treasury. The second round of 23 PSAs (18 involving just one department and 5 with responsibility shared between or among two or more departments) set out the government’s priorities for delivery and its spending decisions. Each agreement is based on a three-year resource allocation. It sets out the policy outcomes and objectives the department aims to achieve and the measures against which it will report. The number of objectives in the second round of PSAs was reduced from 630 to some 160 in an attempt to simplify performance information overall and make it more useful, in part taking a lesson from experience of agency targets. All PSAs are published.

Ministers are accountable to a ministerial committee, which is advised by the treasury and cabinet office. A new performance information framework and strategy were developed by these two departments and published during the spring of 2001. PSAs are underpinned by Service Delivery Agreements, setting out in more detail how the department will go about its business. The PSAs provide the framework for business planning within departments, resource allocation to executive agencies, and the setting of their performance targets. They are therefore reflected in the personal job plan of individual civil servants, including the head of the department, on which their performance and some elements of their remuneration are judged. The government has recently introduced a series of pilot local PSAs with local authorities.
in place of relatively homogenous and integrated ministries. Executive agencies have been established in Australia and the United Kingdom, special operating agencies in Canada, crown entities in New Zealand, and self-standing managed organizations in the Netherlands. In all cases, such reforms need to build on pre-existing strong systems of financial input control and provide for a greater degree of explicitness in performance management and accountability arrangements.

Contractualization has not always been successful—for example, in the Netherlands, central agency management appears to have blocked a number of planned initiatives. In other cases, delegation of service provision responsibilities to autonomous business units has had the effect of changing the shape of both government and service providers, as happened with delegation of substantial management responsibilities (financial and personnel) to head teachers in the United Kingdom under local management of schools.

Contractualism is certainly not the only way to go. Other advanced reformers have also increased the flexibility available to managers while increasing the focus on monitoring performance—balancing enhanced autonomy with a greater emphasis on results and measuring achievements. This group can be seen as “incremental modernizers.”

Coherence of Reforms

Some reform programs are distinctively sequential. There can be a flow of reform initiatives, each seemingly a logical follow-up to the one before. Alternatively, reform can have a more staccato nature, with a series of episodic, opportunistic reform interventions.

Not all reforms are strictly within the executive. A further important reform area in many of the countries assessed was the strengthening of checks and balances. This includes ensuring the accountability of the executive to the legislature through expanding the remit of supreme audit institutions beyond compliance and toward monitoring of efficiency and effectiveness. Examples include the developing role of the National Audit Office for central government and the Audit Commission for local government in the United Kingdom.

The introduction or strengthening of freedom of information and similar acts in Finland, the Republic of Korea, the United Kingdom, and the United States, and the growing power of parliamentary select committees and other specialized committees, have also enabled more in-depth scrutiny of the activities of the executive. This has been further reinforced by the development of ombudsman’s offices in the Netherlands and the United Kingdom.
Box 12. Reform Activities in Chile

From 1973 to 1990, a military dictatorship governed Chile. That government changed the way the state did business—from owner and service provider to regulator, and from centralized to decentralized service provider. To accomplish this, the authoritarian regime benefited from the pre-existing professionalized civil service. It centralized financial control within the executive, reduced the influence of interest groups, unified civil servant pay scales, strengthened meritocratic rules, and decentralized some activities while devolving others to the private sector. In 1986, the government formalized into law the distinction between policymaking ministries and autonomous agencies providing services.

These reforms led to a system characterized by the combination of a centralized, rigid control of resources (inputs) with decentralized implementation (budget execution, personnel management, and procurement). This reformed system was effective in maintaining macroeconomic control, but less so in the efficient allocation of resources or delivery of services.

Since the elections of December 1989, Chile has been governed by a president and legislature chosen through free elections. The new democratic government sought to devolve further public services to the private sector, improve the performance of regulatory agencies, and improve social services. It also wanted to address the rigidities arising from hierarchical decisionmaking and the emphasis on input controls.

The government has gone about further reform in a gradualist manner. A participative form of strategic planning was introduced in 1993. In 1994, modernization agreements between the president and individual agencies were introduced, and experiments in performance-based pay were introduced in some agencies, covering all agencies by 1999. In 1995, budget-based performance indicators were introduced. At the end of 1996, agencies started producing annual performance reports and a system of evaluating public programs was introduced. These reforms have been accompanied by substantial increases in the resources applied to training.

The Level of Reform Activity

Table 6 provides a summary of the scope and depth of the country programs. Appendix A provides single-page summaries of the country situations.
Box 13. Australian Reform Activities

The first phase of the reforms involved increased financial flexibility for government departments, a more certain operating environment through the introduction of rolling forward estimates–based budgeting, and an increased focus on identifying program objectives and reporting program outcomes. This altered the focus of the annual budget preparation from the financing of existing government programs to the improvement of those programs.

The second phase of the public sector reforms, undertaken in the 1990s, was intended to increase the efficiency of the delivery of government goods and services by the introduction of commercial principles. These included contestable contracts, more flexible personnel management, and service delivery agreements based on the full cost of providing the service, determined in accordance with accrual accounting principles.

If intense reform activity is reflected in wide reform concerns, broad reform scope, and a greater use of advanced reforms, then a rough ordering emerges, as set out in figure 4.

Figure 4. Overall Reform Activity

New Zealand
Australia, United Kingdom
China, Finland,
Hungary
Canada
Brazil, Chile, Poland,
United States
Rep. of Korea
Germany,
Netherlands

Extensive
Selective

Note: This chart is a heuristic device to illustrate that country situations differ. No claim is made about precision.
Table 6. Reform Activities

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>Brazil</th>
<th>Canada</th>
<th>Chile</th>
<th>China</th>
<th>Finland</th>
<th>Germany</th>
<th>Hungary</th>
<th>Korea, Rep. of</th>
<th>Netherlands</th>
<th>New Zealand</th>
<th>Poland</th>
<th>United Kingdom</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Basic reforms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>intended to achieve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>or strengthen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>public sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>discipline</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public expenditure</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>management reforms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil service</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>reforms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>structure of the</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role and policy</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>load carried by</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Advanced reforms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public expenditure</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>management reforms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil service</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>reforms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>structure of the</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role and policy</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>load carried by</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Continuity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of reform</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Episodic</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Sequential,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>continuous</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

Source: Authors’ assessments from the country studies.
Notes

1. That term has some resonance in other settings, although in the United States, its usage includes more political concerns. It is used here to refer to the organizational structure of the executive (including the reporting lines and accountability arrangements for departments, ministries, and other organizational units) and the allocation of functions to those organizations. Usage of the phrase in New Zealand also seems to refer to the softer systems for coordination between these organizational units. This important issue is not implied by the term as used in this note. See http://www1.worldbank.org/publicsector/civilservice/machinery.htm.

2. In some cases, this hardening of budget constraints is accompanied by actual top-down budget reductions in particular sectors. This is equivalent to “cheese slicing” because it entails a top-down reduction in the funds available for several sectors by a relatively small proportion of the total.


5. The term modernizers derives from Pollitt and Bouckaert (2000).
Reformers’ Achievements: What Did They Gain?

Results Are Difficult to Determine

These reform activities show remarkable diversity, but the real test of a reform approach lies in its eventual impact on service delivery, accountability improvements, and aggregate expenditure. Case by case, there are undoubtedly many examples of specific improvements in particular services or in the work of ministries or other organizations. There is, however, remarkably little evidence of the overall impact of reforms.¹

Clearly, there have been results in terms of reformed public management processes. In both radical and incremental or gradualist reforming countries, there has been a willingness to borrow either wholesale or in a more targeted fashion from private sector management models, despite the often significant difference between the two contexts. On the one hand, the private sector seeks comparatively simple outcomes in often very competitive markets with relatively straightforward client-customer relationships and extremely powerful and shared performance incentives. On the other, the public sector seeks an often extremely complex set of outcomes, with providers operating in a situation of limited or no competition. The public sector also must deal with a very diverse set of direct and indirect clients, service users, and beneficiaries, and in a situation of often multiple and sometimes conflicting performance incentives.

Many of the reform programs apparently have delivered only small parts of what their designers had intended. Clear evidence as to the outcomes actually achieved is generally lacking. There has been very limited formal evaluation, either internally or externally, of the system in question. In many cases, there is a continuing controversy as to the outcomes of the reform programs. One such controversy concerns the significance of IT as a driver of organizational operational efficiency improvements, with some arguing that it is the new technologies rather than the managerial changes that are the key.

Other controversies concern the degree to which reform gains are counterbalanced by unintended losses. Some argue that efficiency and
flexibility have been achieved at the cost of staff loyalty. Others suggest that efficiency has been achieved at the expense of coordination. Some critics point to the increasing number of semiautonomous service providers, run on more businesslike lines, that are found within the public sector and suggest that they are individually more efficient but collectively more fragmented and hard to control.

### Reductions in Public Expenditure

A recent review (Pollitt and Bouckaert 2000) of the impact of OECD reform programs points out that although there are some signs of a reduction in general government outlays as a percentage of GDP, with a small but detectable trend toward reduced deficits, gross public debt as a percentage of GDP has in fact increased. Thus, the evidence that fiscal pressures have really been addressed is mixed.

The Canadian Program Review exercise and the New Zealand reforms are among the clearest exceptions. In New Zealand, the fiscal impact of the reforms has been dramatic. Following the reforms, the government moved from a severe fiscal crisis to attain a positive net worth in fewer than four years. Large increases were avoided in the public sector wage bill, and the government has been running a surplus on both cash and accrual bases. Chief executives reportedly treat the parliamentary appropriations as “electric fences,” and breaches are extremely rare.

More generally, however, the study points out that that:

- There seems to be little relationship between the depth of reform programs and any identified savings.
- The effects of larger macroeconomic changes are such that it is unclear that any savings are the direct result of a particular reform program.
- Rather than reform leading to savings, it is equally probable that savings from more or less arbitrary cuts lead to reform (Pollitt and Bouckaert 2000).

One contention of the reformers is that even if expenditures have not been decreased, at least they have not continued to grow at the same rate. The principal outcomes of the “lean state” exercise in Germany were a reduction and streamlining in the number of federal authorities, a more flexible budget law, and a reverse in the staff increases brought about by reunification. The federal administrative apparatus had grown from 300,000 established posts in 1989 to 381,000 by the end of 1992. This number was then reduced to 315,000 by 1998.
Box 14. Program Review in Canada

In fiscal year 1993–94, the federal deficit in Canada stood at Can$42 billion, or 5.9 percent GDP. By 1994–95, net public debt had reached Can$546 billion, or 72.8 percent GDP. The annual public debt interest payments had reached Can$42 billion, or 35 percent of program spending. Worse, by February 1995, public debt charges had increased by Can$7.5 billion beyond the previous year’s forecast as a result of rising interest rates. At this time, Canada was just beginning to emerge from its worst recession since the 1920s. In the public’s mind, future prosperity was linked to the restoration of fiscal responsibility. Program Review was the government’s response.

In the February 1994 budget, the government set an objective of reducing the deficit to Can$24.3 billion, or 3 percent GDP, by 1996–97. This set the deficit on its first sustained downward track in 23 years. To accomplish this, a three-year expenditure reduction target of Can$29 billion was set. Measures included cutting 45,000 civil service jobs, reducing provincial government transfers by Can$4.5 billion, eliminating 73 government boards, commercializing or restructuring 47 others, ending agricultural and transportation subsidies, and reducing business subsidies by 60 percent.

The process involved both the administrative and the political levels. Its objective was “to identify the federal government’s core roles and responsibilities and allocate resources to priority areas in order to provide effective, affordable, government” (Duhamel 1995).

Notional budget reduction targets between 5 and 60 percent were set. To guide the process, departments were instructed to review their operations against six questions: Is a public interest involved? Is this something the federal government should be doing? Can this be transferred to the provinces? Could this be done by the private sector? Can this be made more efficient? Is this affordable?

A committee chaired by the Clerk of the Privy Council (cabinet secretary) reviewed proposals to meet the target with each department. This was followed by a cabinet committee review and then a review by the full cabinet.

From a fiscal perspective, the results were highly successful. By 1997–98, the budget was in surplus. For 1999–2000, the budget surplus rose to Can$12.3 billion, and program spending accounted for only 11.5 percent of GDP, the lowest level in 50 years. Forecasts through to 2006 indicate continuing surpluses of more than Can$10 billion annually against a backdrop of significant tax cuts.
Efficiency Improvements

Difficulties in identifying aggregate expenditure reductions do not, of course, lead to the conclusion that there have been no efficiency improvements. Arguably, expenditure increases would have been more significant, and service quality subject to deterioration, without the efficiency improvements enabled by the reforms.

However, the evidence is uncertain. Even in New Zealand, it is very difficult to assert exactly what has improved as a result of the systemic changes (Boston 2000). Efficiency gains in the departments and ministries have been noted, and others have reported that there is a wide consensus that the reforms have resulted in an improvement in the efficiency of the core public sector (Petrie and Webber 2001, p. 28), not least because capital is used more efficiently as a result of the imposition of a capital charge. However, there have been no comprehensive studies of efficiency gains across a wide selection of departments and ministries, so it is not possible to quantify the level of gains.

Similarly nuanced findings are reported in the United Kingdom (Pollitt, Birchall, and Putnam 1998), where the reforms seem to be achieving about 3 percent year-on-year efficiency savings in the running costs (quoted in Scott and Taylor 2000). Given that running costs are small relative to program costs, this is a rather modest saving.

Box 15. Mixed Signals on Australian Efficiency Savings

Phase 1 of the Australian reforms in the mid-1980s attracted international attention because of the large-scale reprioritization of spending achieved by successive annual budget cycles. At the same time, the aggregate budget outcome was transformed from deficit to substantial surplus.

Phase 2 of the reforms (particularly the introduction of accrual budgeting) has also received international recognition because of the scale of the transition involved. Phase 2 has the potential to further reduce the resources required to deliver “public” goods and services as a result of the introduction of appropriate costing procedures and competitive pressures.

However, the jury is still out on the scale of the benefits. It is clear that there have been some problems in introducing accrual budgeting. It also remains to be seen whether individual departments have fully developed the skills needed to manage service contracts with arm’s-length suppliers well enough to keep costs below levels that were achieved under phase 1 reforms.
Other Gains

Expenditure reductions and efficiency savings were not the only ambition of the reformers, however. In New Zealand, ministers have expressed satisfaction with the policy flexibility and responsiveness that the new public management arrangements have provided. Even the 1999 Labour-Alliance government, which campaigned on making changes in the public sector, has stated that it will not alter the fundamental building blocks of the State Services Act, State Owned Enterprises Act, Fiscal Responsibility Act, and Public Finance Act, although it has modified employment law to increase the potential role of trade unions.

Significant gains have been made in accountability improvements at the level of the whole of government and for individual government agencies. Better specification of organizational performance ex ante and reporting on achievements ex post with comprehensive auditing requirements are providing a more robust basis for judging the performance of public sector agencies. Transparency more generally has increased through much broader availability of performance data. However, although this is widely used by parliamentary select committees, opposition parties, the media, and interest groups in reforming countries, much performance data are still not in a form that is particularly relevant or easily understood by consumers and the public.

In the civil service, the results have been significant, although the impact on outputs is less obvious. Performance-based pay is more discussed than used, and the heads of ministries and departments are still predominantly drawn from the public sector. In many reforming countries, there is an increased ability to appoint new people on fixed contract terms. However, in many settings, there are still problems with attracting high-caliber candidates to head agencies, because these positions are not as attractive as those in the private sector.

Unintended Consequences

Reforms have sometimes generated problems of their own. Autonomous agencies have proved problematic in many countries, including the Netherlands and increasingly in New Zealand. The widespread historical difficulties in enforcing performance contracts with state-owned enterprises have been replicated to some degree in the new generation of arm’s length service delivery agencies. The increased management autonomy has led to some instances of expenditure by government agencies that have attracted adverse political and public comment, such as
spending on air travel, payouts to departing chief executives, and failed implementations of IT systems.

The new public management argument for agencies is that service providers should concentrate on efficient production of quality services, with the distractions of evaluating alternative policies removed. The discussion of the creation of executive agencies in the United Kingdom and the similar developments in Australia, Canada, France, Iceland, New Zealand, and Norway have been replete with references to clear, well-defined targets that allow providers to concentrate on their core business. Similarly, policymaking is seen to be more focused, more rigorous, and sometimes even more adventurous if it can be accomplished without the undertow of concern for the existing service providers. The argument, put simply, is that policymaking and service delivery are distinct tasks, and each benefits from the additional attention it receives if it is not competing for management time with the other. In addition, of course, once purchasing has been detached from policymaking, there are opportunities for creating contract-like arrangements to provide performance incentives.

Still, some commentators and some politicians have expressed concerns that this leads to an erosion of a public service ethos and a loss of continuity and institutional memory (Schick 1996). There has also been some speculation that fragmentation may be undermining policy analysis. Other skeptical observations concern the degree to which the users of public goods can be regarded as freely choosing consumers. One of the ideas that powered the new public management was that consumers could be motivated to complain about public services, whether these were local (such as health services or education) or national (such as the provision of passports or customs control). Skeptics have suggested that the consumerist trappings of citizens’ charters were more symbolic than real (Flynn and Pickard 1996, Miller 1996). They point out that there was little or no chance of judicial intervention to resolve contractual disputes and equally little chance of “exit” for the service users.4
Box 16. Mixed Reform Outcomes in the United Kingdom

One yardstick of the impact of the UK reforms is that, at the start, it would have been unthinkable for prisons to be run by a private company. By the end, this had not only been thought of but was being done, although with some elements of curiosity and hostility.

There has been a marked shift toward a contractual paradigm within government. This has been accompanied by a growth in the supporting regulations to arbitrate between the contracting parties—to such a degree that some observers have pointed to regulation as the growth sector of public administration in the United Kingdom. The Modernizing Government initiative of the current Labour government has sought to build on this acceptance of contracting, with a greater emphasis on collaboration and partnership—moving on (in rhetoric at least) from the managerial agenda of the 1980s to one that puts the users of services and the outcomes they need at the heart of further change.

The administrative reforms of the 1980s and early 1990s strengthened the performance orientation of the public sector and increased technical efficiency. However, the public service ethos in the United Kingdom, as well as staff morale, may have suffered in the process. League tables for schools and hospitals have proved very popular with the public, but much other performance data go unused.

To sum up, the 1980s saw the development of a model of public administration that was focused on the efficiency of business processes, the idea of the distinction between policy and operations, and multiplication of performance indicators.

This model delivered substantial advances and is still at the heart of further improvement. But in many respects, this model has come up against limits. Recent government analysis identified problems in terms of horizontal coordination and capacity to tackle the deep-seated social problems that cut across traditional ministerial and organizational portfolios. The analysis suggested the limitations of the paradigm for the new, information-age environment and raised questions concerning its impact on the motivation of public servants.
Box 17. Unintended Consequences in the Netherlands

The General Administrative Law Act has made all government decisions liable to appeal in an independent court of law, instead of having a separate channel of administrative appeal in specialized courts.

In practice, the law has enabled groups of citizens to fight any policy decision in court. Because this entails a huge burden of juridification in the courts, most government institutions have created preliminary committees of appeal to handle citizens’ appeals in different fields of policy, including personnel issues (reorganization, transfer and dismissal, and so on). The act has widened the possibilities for appeal and slowed down the pace of internal reform and reorganization in the public service.

At the same time, the large number of parliamentary inquiries into policy failures has led to an investigation culture, which has made public servants increasingly cautious and reluctant to take on initiatives and responsibilities.

Notes

4. Schick (1998) makes the related point that expectations of standards of conduct migrate between the private and public sectors: Low expectations of business conduct translate into low expectations of government performance.
5

Reformers’ Traction: Why Did They Do Different Things?

A Model for Explaining Reform Activities

This paper has examined public administration reforms in four thematic areas:

1. Public expenditure arrangements
2. Personnel management and civil service
3. Organizational structure of the executive
4. Role and policy load carried by government.

It has set out two levels of reforms: basic reforms intended to achieve or strengthen public sector discipline, and advanced reforms that build on an entrenched discipline in the behavior of civil servants and a strong organizational culture of following the rules. It has also suggested that the advanced reforms allow a choice between the new contractualists and the incremental modernizers. To the extent that many governments were driven by very similar sets of concerns, why did they pursue different reform activities?

One set of answers must lie in country-specific political economy issues. The particular alignment of interests and the historical momentum that different factions have obtained must be a (if not the) major factor. However, such analyses offer little comfort for other observers, because there are few political economy stories that can be readily transported from one setting to another. Consequently, this paper looks at the institutional arrangements within government that have given traction to reformers. It points out that much of the pattern of reform can be explained by the leverage that was available to reformers and the intrinsic malleability of state structures. Figure 5 emphasizes that these seem to rank alongside the idiosyncratic political economy issues as key explanatory variables in determining why different reform paths were followed.
Points of Leverage

Some reformers had more leverage than others, because institutional arrangements provided them with some powerful points of entry to comprehensive reform programs. In examining leverage for reform, the intention is not to suggest that all reforms are equally valuable and therefore all opportunities that facilitate reform are to be welcomed.

There is a diverse range of levers available to some reformers. Governments that have control over a single strong central agency have often been able to drive through major changes. Single-party majority governments are particularly well positioned to drive through complex reform programs that would create tensions within coalition governments. When the system is such that senior civil servants frequently become ministers at some point in their careers, and vice versa, ownership of reforms is likely to be deeper at senior levels. Also, some public sector environments find it easier to tolerate experimentation and are more likely to foster innovations.

The leverage available to reformers can be identified under four headings or traditions:

1. A single, strong central agency
2. A single-party majority
3. Integrated mandarin/ministerial careers
This is an incomplete list. Many forces outside this rather narrow set of internal and institutional arrangements could be construed as levers. A discontented public can be a radical force for reform. There is seemingly a distinction to be drawn, however, between the pressures for change arising from a public that considers government corrupt, and to some degree illegitimate, and the pressure for change from a public that has a grudging respect for the probity of the civil service but considers that it is unduly bureaucratic and self-interested. Put starkly, there is a difference between the pressures that mounted in Indonesia and the forces that initially welcomed change in New Zealand.

Another set of opportunities outside the public sector arises from the pressures that can be mounted and contributions that can be made by think tanks, management consultants, and academics. Again, the examples of the United Kingdom and New Zealand suggest that these radical reformers were helped considerably by the presence of intellectually, financially, and politically powerful think tanks.

Appendix C provides a methodological note that gives further background on this classification of reform levers.

**Institutional Malleability**

While reformers may have distinctively different leverage in the public sector, the basic institutions of the public sector can be more or less malleable. Malleability is not all good; a reformer’s rigidities are, of course, someone else’s checks and balances. As one example, a strong political lead in the United Kingdom was able to produce radical changes in the pattern of public sector employment and reporting arrangements within the public sector, with remarkably few legislative obstacles. That same malleability also facilitated the abolition of an entire tier of government in London and other major metropolitan areas in England in a manner that would have been inconceivable in other European settings—and to the consternation of many administrators within the United Kingdom. The opportunity for swift and radical reform may also be an opportunity for ill-conceived change. Time alone can confirm which category such reforms fall within.

Centralization provides considerable malleability. Governments in states that have divided authority constitutionally between levels of government are less able to drive through comprehensive and uniform reform programs. Political neutrality at senior levels also fosters malleability, because when the majority of senior public official positions is politicized, with consequent high levels of turnover after a change of government, it is harder to sustain a reform effort. The Germanic and the traditional Scandinavian state traditions provide some legal rigidity. By con-
the Anglo-Saxon state tradition is peculiarly compatible with recent reform efforts. Governments in this tradition are regarded as something of a necessary evil that must be held to account at all times. The law is in the background, and enforcing the law is implicit rather than explicit as a principle in the work of civil servants.

Extensive trade union membership in the public sector makes substantial resistance to reform more probable, although this is emphatically not to argue that trade unions are intrinsically obstructive and could not or should not be fundamentally involved in reform design.

Malleability can be assessed along the following dimensions:

- Degree of centralization
- Politically neutral, permanent senior administrative positions
- Anglo-Saxon administrative tradition
- Limited trade union membership in the public sector.

Appendix D provides a methodological note that gives further background on this classification of constraints to reform.

**Mapping Reformers’ Traction**

The term *traction* refers to the combination of leverage and institutional malleability available to reformers. It is important to emphasize that these are not “virtues.” They are simply distinctive arrangements that give reformers a stronger grip on the public sector. Appendix A provides single-page summaries of the country situations. Table 7 provides an overview of the traction that reformers can get in the public sector in the 14 countries.

**Explaining Patterns of Reform**

If the overall level of reform traction is assessed by the availability of reform levers and the degree of institutional malleability, then a rough ordering emerges. Figure 6 suggests that the level of reform activity is significantly determined by the traction available to reformers.
Table 7. Reformers’ Traction

<table>
<thead>
<tr>
<th>Points of leverage</th>
<th>Australia</th>
<th>Brazil</th>
<th>Canada</th>
<th>Chile</th>
<th>China</th>
<th>Finland</th>
<th>Germany</th>
<th>Hungary</th>
<th>Korea, Rep. of</th>
<th>Netherlands</th>
<th>New Zealand</th>
<th>Poland</th>
<th>United Kingdom</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tradition of a single, strong central agency</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Tradition of single-party majority</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Tradition of integrated mandarin/ministerial careers</td>
<td>✔️</td>
<td></td>
<td></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Tradition of heterogeneity in the public sector</td>
<td>✔</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

**Institutional malleability**

| Degree of centralization                               | ✔         | ✔      | ✔      | ✔️    | ✔️    | ✔️      | ✔️      | ✔️      | ✔️             | ✔️          | ✔️          | ✔️     | ✔️              | ✔️           |
| Politically neutral, permanent senior administrative positions | ✔         | ✔      | ✔      | ✔️    | ✔️    | ✔️      | ✔️      | ✔️      | ✔️             | ✔️          | ✔️          | ✔️     | ✔️              | ✔️           |
| Anglo-Saxon administrative tradition                    | ✔️        | ✔️     | ✔️     | ✔️    | ✔️    | ✔️      | ✔️      | ✔️      | ✔️             | ✔️          | ✔️          | ✔️     | ✔️              | ✔️           |
| Limited trade union membership in the public sector     | ✔️        | ✔️     | ✔️     | ✔️    | ✔️    | ✔️      | ✔️      | ✔️      | ✔️             | ✔️          | ✔️          | ✔️     | ✔️              | ✔️           |

*Source: Authors’ assessments from the country studies.*
**Figure 6. Reformers’ Traction and Reform Activity**

<table>
<thead>
<tr>
<th>Reformers’ traction</th>
<th>Reform activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand, United Kingdom</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Australia, Canada, Chile</td>
<td>Australia, United Kingdom</td>
</tr>
<tr>
<td>China</td>
<td>China, Finland, Hungary</td>
</tr>
<tr>
<td>Finland, United States, Hungary, Rep. of Korea</td>
<td>Canada</td>
</tr>
<tr>
<td></td>
<td>United States, Chile, Brazil, Poland</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Rep. of Korea</td>
</tr>
<tr>
<td>Brazil, Germany, Poland</td>
<td>Germany, Netherlands</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note:* This chart is a heuristic device to illustrate that country situations differ. No claim is made about precision.

---

**Notes**

2. This ordering assumes that the Anglo-Saxon administrative tradition is a particularly powerful lever, followed in significance by the traditions of a single-party majority, integrated mandarin/ministerial careers, and heterogeneity in the public sector. A tradition of a single, strong central agency is taken to be the weakest form of leverage. The ordering also assumes that a high degree of centralization makes the institutional arrangements distinctively malleable, followed by non politicized senior administrative positions.
6
The Challenge for Low-Traction Reformers: How to Achieve Basic Reforms

A Dilemma Facing Low-Traction Reformers

The 14 cases examined for this paper can be roughly divided between six high-traction countries (Australia, Canada, Chile, China, New Zealand, and the United Kingdom) and eight with low traction (Brazil, Finland, Germany, Hungary, the Netherlands, Poland, the Republic of Korea, and the United States). The more recent reformers among the group of low-traction countries (Brazil, Hungary, Poland, and the Republic of Korea) tend to focus on basic, as opposed to advanced, reforms—particularly in relation to the civil service and the role and policy load carried by government.

In focusing on the basic reforms as low-traction reformers, Brazil, Poland, and the Republic of Korea have to solve a fundamental problem. The basics of strengthening discipline and formality so that recruitment, promotion, and pay determination are based on explicit rules; the significance of personal connections reduced; and the credibility of the budget process restored are in essence cross-cutting reforms that require the broad application and entrenchment of common rules and principles. However, the simultaneous introduction of sweeping, theoretically coherent, and uniform reforms across the public sector is the very thing that is hard to do without traction. The question becomes how to achieve progress on these basic cross-cutting reforms—to address poor public sector discipline, weak rule credibility, and often also comparatively high levels of corruption, informality, and patronage—when the public sector institutions are unyielding and not intrinsically malleable and reformers have so little leverage.

The answer, it seems, is distinctly country specific. Those reformers finding themselves with limited traction had to be distinctly opportunistic, taking advantage of idiosyncratic developments as they emerged. This seems to have been the hallmark of all the low-traction countries.
Seizing Opportunities in Basic Public Expenditure Management Reforms

In terms of achieving aggregate cost reductions, under the Collor Administration, Brazil attempted to achieve a 30 percent reduction in civil servant numbers. The consequences support the basic thesis about the difficulties facing low-traction reformers, because this reduction proved in practice to be impossible to sustain (although numbers in the executive were reduced from 705,550 in 1988 to 587,200 in 1994). The attempt led to serious damage to the quality of the Brazilian civil service, and many of those shed were subsequently reinstated.

Brazil is, in the categorization used for this analysis, a low-traction country with broad reform concerns. Developments in Brazil contrast markedly with the experience of other low-traction countries with narrower reform concerns. Finland was able to reduce the number of civil service personnel from 27,000 in 1991 to 24,000 in 1996 and reduce the number of employees financed from the state administration budget from 215,000 in 1988 to 124,000 in 2000 (a 43 percent reduction). Public expenditure overall was reduced by 8 percent of GDP in 1999 compared with the 1991 figure. Finland was also able to move to a system of block transfers from the center to municipalities (with pilots in 1987 and full implementation in 1994). After reunification, Germany was able to achieve a reduction in the number of federal government staff from 652,000 in 1991 to 526,431 in 1997. The United States was able to reduce the federal civil service by 17 percent (377,000 employees) in the period from 1993 to 1999 and the size of the national government civilian workforce by approximately 15 percent (325,000 full-time equivalent employees) over the period from 1993 to 2000. The achievements of the more narrowly focused of the low-traction countries compare favorably with the record of the high-traction countries (see, for example, box 14).

In seeking efficiency improvements, Brazil is moving to develop a performance focus for the budget (see box 9). This is an interesting idiosyncratic development in that Brazil is essentially retrofitting programs around what government is already doing. It is in effect putting existing public business into new boxes, directing government attention to outputs and outcomes rather than inputs or processes, case by case. Programs have simple, self-explanatory titles, objectives, subsidiary actions necessary to obtain these objectives, and output indicators for these actions. This information is publicly available through the Internet. In turn, programs and actions are clearly linked to discussions about budgetary resources for the four-year plan period. Strikingly and in keeping with the logic of opportunism, the program approach has been launched with no explicit statement about where it will lead.
The low-traction reformers with a narrower reform focus could move faster. Finland moved to a results-oriented budgeting system (see box 7), including three-year planning and annual agency reports. This approach, combined with managerial and personnel decentralization, was claimed to have led to significantly increased efficiency. Germany’s New Steering Model (implemented incrementally and bottom-up, and with local authorities and then the Länder [states] being the most advanced in this respect) involved a performance management system with outputs defined more clearly, use of performance contracts for managers, flexible resource allocation, and greater reliance on outcomes and contracting out. The Netherlands also effected a move to output-based budgeting with significant resulting efficiency savings claimed. The United States, under the 1993 GPRA (see box 4), moved to five-year strategic planning, with resources and results linked and a clear focus on program results, performance information available for congressional oversight, and annual performance plans for each agency and performance indicators to measure outputs, service levels, and outcomes of each program activity.

However, none of the low-traction countries could move at the speed of their high-traction comparators. Australia, Canada, New Zealand, and the United Kingdom have probably implemented the most radical and comprehensive set of reform measures in this area.

In the area of accounting reform, low-traction but broad concern Hungary has taken advantage of the supply of well-trained personnel to move to double-entry bookkeeping. Narrower focus low-traction countries made deeper changes, with Finland moving in 1998 to accounting based on accruals concepts and the Netherlands moving from cash accounting to encumbrance accounting (see box 6). However, again, the high-traction reformers have moved further and more rapidly in this area.

Seizing Opportunities in Civil Service Personnel Management Reforms

In the area of career management and depoliticization, Brazil again took advantage of some idiosyncratic opportunities to develop a fairly effective senior executive service, together with ministry-by-ministry, merit-based career systems. Hungary illustrated the challenges facing reformers with little traction when it made merit and depoliticization key pillars of its 1992 Civil Service Law, but the mere passing of the law has not been sufficient to affect the established political spoils system. Sixty-one percent of administrative state secretaries have spent less than two years in office. Similarly in Poland, although the civil service is also in theory merit based and depoliticized (and with a Civil Service State Commission set up to help protect this), there is significant senior staff turnover at
change of government. In the Republic of Korea, a Civil Service Commission was set up in an attempt to protect merit and political neutrality in the appointment of civil servants, and an open recruitment system for senior government positions was established. The consequences are not yet clear.

Again, the low-traction reformers with a narrower reform focus were in a stronger position. Finland has a decentralized, flexible, competitive personnel policy, with significant delegation to agencies. Merit-based recruitment appears to be strongly engrained. The Netherlands displays a number of market-like features, with, for example, pay increases and promotion decisions increasingly dependent on performance. The U.S. system, which has clear demarcation of the large number of political appointees in the system, also set up in 1983 a Senior Executive Service of about 8,000 senior civil servants. At the start of the reform processes of the last 10 to 15 years, these countries already had in place rules-based, disciplined systems with minimal patronage and corruption.

The general rule for the low-traction countries seeking to achieve basic reforms seems to have been to move incrementally, avoiding large claims and major announcements, to make progress through legal changes to codify and enforce the accountability of civil servants. Also, modest training initiatives have been used to encourage a positive approach to career development.

**Seizing Opportunities in Reforming the Organizational Structure of the Executive**

Changing the basic structure of the executive is particularly hard for low-traction countries. Of the eight low-traction reformers, just three had reform activities in this area. All six of the high-traction reformers had intensive reform activities addressing this issue.

Low-traction Poland took advantage of a radical program of decentralization to restructure government. Finland achieved a 43 percent reduction in the number of employees funded from the central government budget and implemented extensive micro-level changes to the structure of government. This was accompanied by delegation of decisionmaking powers from line ministries to local government. However, this did not lead to the expected reduction in staff numbers at the line ministry level. Finland has also moved toward increased use of contracts and some use of user fees and market testing. The Netherlands set up semiautonomous, self-standing managed organizations and transformed many key government departments into semipublic agencies. However, the consequences of this action have been uncertain and marked by continuing controversy.
Again, the low-traction countries seeking to achieve basic reforms have avoided dramatic announcements about sweeping reforms. They have advanced incrementally, and often unevenly, taking advantage of opportunities as they arose ministry by ministry, to consolidate ministry structures and convey nonbinding performance targets.

Seizing Opportunities in Changing the Role and Policy Load Carried by Government

All the low-traction countries focusing on getting the basics in place were able to achieve some reallocation of responsibilities between levels of government and shed some responsibilities for service provision. They were also able to contract out the more easily specified support tasks.

Hungary and Poland both gave considerable reform weight to decentralization. In Poland, this involved a major recasting of the structure of subnational government with the restoration of gminas (basic level of public administration), voivoids (largest administrative unit in the subnational organization of the state), and poviat (county level of public administration designed to maintain many of the everyday institutions of public life) (see box 10). In Hungary, the emphasis was rather on service and fiscal decentralization, with the granting of more autonomy for local governments leading, it is claimed, to improvements in service delivery. In the Republic of Korea, there was a recent move to transfer some service delivery responsibilities to the private sector and local government; 10 arm’s-length executive agencies have also been established, and a major deregulation program undertaken.

Finland pursued significant delegation of responsibilities from line ministries and also undertook some privatization. The Netherlands sought to achieve significant political and fiscal decentralization and completed some significant privatizations (post, telecommunications, the port authority). The New Steering Model approach in Germany emphasized outsourcing, contracting out, and privatization, with use of performance contracts and more flexible resource allocation. Local authorities, particularly large cities, have moved furthest forward in implementing these reforms. In the United States, the National Partnership for Reinventing Government claimed many successes in streamlining government and eliminating obsolete programs and agencies.

Lessons from Low-TRACTION COUNTRIES NEEDING BASIC REFORMS

Given that many governments were driven by very similar sets of concerns, there seem to be several reasons why they often followed very dif-
ferent reform paths. First, as has been noted, the leverage available to reformers—the points of entry to comprehensive reform programs—and the malleability of basic public sector institutions varied significantly between countries. As section 5 noted, the level of reform activity is significantly determined by the resulting traction available to reformers. Low-traction countries simply do not have the same room to maneuver. Second, some low-traction countries have a distinctive problem in that they need to ingrain a discipline in the behavior of civil servants and in the organizational culture of public sector agencies. Discipline means, in essence, formality: Actual behavior follows the written rules, and the budget on paper that parliament agreed to bears a close relationship to the budget that is executed. Again, their choices are limited by comparison with the high-traction, advanced reformers. This latter group can draw from a menu of options, very particularly deciding how far to go in basing public administration on contractual relationships.

Thus, low-traction countries faced with the need for basic reforms find themselves heavily constrained in their actions. Such reformers grappling with basic reforms had to be distinctly opportunistic, taking advantage of idiosyncratic developments as they emerged. This opportunism has shaped their tactics.

• To take advantage of opportunities as they arise, they have been more concerned with building alliances, partnerships, and coalitions at the national level (for example, with political parties and interest groups to tackle patronage and politicization) and with regional and local governments and key stakeholder groups.
• To exploit opportunities, they have also had to be more willing to tolerate diversity in approaches taken in reform areas, including a greater use of pilot and experimental reform activities, user fees, and market testing.
• To create opportunities, they have also found themselves strengthening central agencies such as the ministry of finance and the human resource management agency of the central civil service so that these in turn can demand greater discipline and formality from all other units within the system and are able to develop and apply sanctions.
• To lessen opposition, they have had to emphasize internal and external communications, training and change management, and participation and involvement on the part of a wide range of stakeholders.

Low-traction countries have also managed expectations. It is unrealistic for low-traction reformers to pursue major managerial decentralization and flexibility until basic discipline and formality within the system is in place. It is equally unrealistic to expect to be able to achieve major
outcomes from personnel management reform in the civil service simply through passing legislation and setting up bodies such as a civil service commission: Securing outcomes from reform activities in this area requires specific alliance building with political parties and interest groups to align incentives sufficiently to be able to tackle patronage and politicization. It is also unrealistic to expect to be able to move quickly toward contractualization and extensive use of executive agencies.

However, some expectations can and should be raised. It is realistic to seek to strengthen basic discipline and formality in the budget area through use of approaches such as moving to a multiyear budget framework and strengthening management information systems and reporting. It is also realistic to seek to strengthen audit requirements and begin requiring the production and publication of ministry, agency, and service annual performance reports (to strengthen performance orientation, discipline, transparency, and accountability). In addition, it is realistic to consider approaches such as setting up a senior executive service to seek to accelerate the development of merit and depoliticization for the core group of senior civil service managers. Finally, it is realistic to seek to reorient the focus and role of line ministries on policy analysis and development and strip out remaining commercial functions and activities from line ministries.
7
Implications for the Russian Federation

Realism and Managed Expectations

In considering public administration reform, Russia is undoubtedly a low-traction country. The leverage available to reformers is very limited. Since 1991, there has been no single, strong central agency within the federal government. Senior civil service and ministerial careers are not strongly interlinked, and there is little tradition of integrated mandarin/ministerial careers. Institutional malleability is also limited. It is a highly decentralized system, with few politically neutral, permanent senior administrative positions. All the evidence from this analysis of 14 reform cases suggests that rapid and comprehensive reform progress is unlikely.

First Things First

Any assessment of the current functioning of the public administration in the Russian Federation points toward the need for a basic set of reforms that provide an underpinning of discipline and formality. Developing a strong, legally defined civil service is perhaps the most pressing.

The nearest approximation to civil servant status in the Russian Federation is afforded to the state service positions in the federal executive branch, covered under Federal Law on the Civil Service (No. 119-FZ of July 31, 1995). ¹ A minority of federal state service officials is located in Moscow-based ministries and other federal executive bodies. The majority are deconcentrated and, although employed by the federal government, are physically located in “subjects of the Russian Federation,” rayons (districts), and municipalities.

The rewards structure for these staff does not provide motivation. Total rewards for officials in the state service include monetary payments and in-kind benefits such as housing, use of a car and driver, payment of utilities, access to subsidized and premium medical and educational facilities, per diems for foreign travel, and subsidized meals. However,
these in-kind benefits are increasingly restricted to a very small number of senior officials. Overall, remuneration is inadequate. There are few sound comparators for senior state servant salaries, but it seems probable that official monetary rewards are significantly below those that might be obtained in the private sector. Russian experts estimate that at the level of deputy ministers, official monetary rewards are between 10 and 15 times below those in the private sector in Moscow. Pay increases for the state service would have a relatively modest impact on the total wage bill. However, it is not clear what the impact of such increases would be on other groups of staff, and any race toward maintaining parity could prove fiscally unsustainable.

Merit is not protected in the Russian Federation. There is no merit protection body to protect and ensure competence and guarantee and safeguard political neutrality. Some review of the ethics infrastructure and mechanisms to manage conflicts of interest will support these basic steps. It will be necessary to establish a credible, independent merit protection body to ensure competence and political neutrality.

In this and other reform possibilities, the challenge is to focus on these few basic changes and not to be distracted by the possibility of more advanced reforms.

Create More Traction

In the face of so many difficulties, it is a priority to develop some convincing, even inspirational, principles that can provide guidance to staff when doubts set in. Waiting for theoreticians and practitioners to reach a consensus reform strategy might perhaps take second place to a pragmatic set of principles that will demonstrate government’s conviction regarding the appropriate direction in which to move. The Russian Federation government does not have a single, powerful central agency. Perhaps some steps can be taken in this direction. New Zealand provides a distinctive example of a very powerful central agency (the Treasury) that was uniquely prepared for the reform program with a remarkably coherent set of proposals.

This contrasts with others, notably Canada, where reform management is considerably more diffuse.

The question for Russia concerns the investment that will need to be found to create the central agency capacity (for example, in the Administration of the President, the Apparatus of the Government, the Ministry for Economic Development and Trade, the Ministry of Finance, and the Ministry of Labor and Social Development) that will be necessary to lead the reforms. Development, implementation, and review of the reforms are a major and complex set of activities that must be separately
and explicitly resourced, and that can represent a significant real cost of reform. Change management, capacity building, training, consultation, and communications (both internal and external) are all of major importance throughout development and implementation of the reform program. Each is a major exercise that has itself to be managed and resourced.

**Seize Opportunities**

We commented in section 6 that low-traction countries generally do not have the opportunities for pursuing many radical cross-cutting reforms. This is particularly true in federal states with considerable decentralization of powers and responsibilities. For these states, top-down pressure from the political and civil service elite will need to be backed up by a willingness and ability on the part of the central reform team to build net-

---

**Box 18. Reform Management in New Zealand and the Republic of Korea**

The reform program in New Zealand was very unusual in that it was driven by a coherent theoretical model (embodying new institutional economics, public choice, and transaction costs theories, as well as a strong dose of managerialism). The model was shared by a core group of treasury officials and Labour Party parliamentarians. The treasury played a central role in many aspects of the reforms, supported by the State Services Commission in the decentralization of management functions.

Overall, the program was designed and implemented by elite group of politicians and central agency officials in a top-down fashion. There was no great pressure for change from citizens, and the 1984–90 reforms were particularly unpopular with people displaced from the public sector and with the left wing of the Labour Party. Extensive use was made of management consultants and other external experts for specialized advice on areas such as privatization and restructuring.

In response to the East Asian economic crisis, President-elect Kim Dae Jung of the Republic of Korea formed the Government Administration Reform Committee on January 7, 1998. The committee consisted of 22 members. After public hearings and consultations with each government branch, the committee finalized the government restructuring program on February 18, 1998. The revised Government Organization Act was approved by the national assembly and took effect on February 28, 1998. The act aims at producing a small but efficient and powerful government, with decentralized authority and a consumer orientation that are flexible in response to social change.
works of complex partnerships and coalitions with subnational units of government. In the case of the Russian Federation, this will be at the level of the 89 subjects of the federation.

The key point is that low-traction countries such as Brazil, Germany, and the Netherlands made few promises at the start of the reform process about what the results of the reforms would be. They initiated a comprehensive internal discussion within the public sector and then watched to see which agencies took up the challenge. The challenge for Russia will be to spot promising developments as they emerge. This will involve being prepared to devote considerable time and attention to building a national consensus on reform objectives and priorities; forging effective partnerships with regional administrations, cities, municipalities, and districts; and creating effective coalitions with nongovernmental organizations (NGOs) and private sector and business associations. Encouraging pilot reform schemes and experiments at the agency or subnational level is more likely to generate the dynamism needed than waiting for comprehensive cross-cutting reforms.

This will require a tolerance among the central reform team to what in practice may turn out to be a wide diversity in reform ambitions and

Box 19. Dispersed Reform Management in Canada

There is no single ministry or central agency responsible for public administration reform. The key central organizations and personnel are as follows:

- The Clerk of the Privy Council Office (Government Apparat) is the head of the public service. La Relève is headed by the Clerk. In the federal public service, all deputy ministers (the senior official of each department) have a dual accountability to the prime minister (through the Clerk) and to their minister. Performance contracts are negotiated between deputy ministers and the Clerk of the Privy Council.
- The Treasury Board is the employer of public servants.
- The Treasury Board Secretariat coordinates the business planning process and issues directives on human resources management across government. Business plans contain a public accountability dimension, annually reporting results against objectives and providing the reports to the public.
- The Public Service Commission is responsible for safeguarding the merit principle.
- The Canadian Centre for Management Development (CCMD) is responsible for leadership development.
activities pursued by different subnational units of government. This is likely to require that the central reform team be willing and able to generate incentives within the system for subnational units of government to participate actively and willingly in a broad range of pilot reform activities and experiments. Likewise, this will require ability of the central-level reform team to build coalitions to disseminate the results of and lessons learned from such pilots across the Russian Federation and stimulate reform activities.

Create Opportunities

The logic of low traction for reformers in the Russian Federation is opportunism and asymmetry—seizing chances as they occur. But opportunities can be created as well as seized. One approach would be the setting up of a performance improvement fund to provide incentives for participation in pilot activities by subnational units of government, while also providing concrete resources to support and enable achievement of the reform ambitions of a particular subnational unit of government through an appropriate mix of coherently and cohesively implemented reform activities.

Another pragmatic, opportunity-creating approach could be the judicious use of functional reviews—an examination of the functions and structures of state agencies or budget entities that asks whether the functions need to be done at all, whether other agencies or actors could do them more efficiently or effectively, and what the consequences are for structure. Certainly, any significant savings at the federal level will be found only through a reduction in the program expenditure. It is clear that there are relatively few opportunities for securing significant savings through implementing efficiency improvements in the Moscow offices of the federal ministries and other executive bodies. Indeed, a reduction in the numbers of state civil servants may even be unwise and somewhat unproductive, given their relatively small number; although some, perhaps many, could perhaps more appropriately be redeployed to support higher-priority objectives of the government work program.

In settings where uniform, symmetric reforms are feasible, functional reviews have been difficult to justify because of their focus on single agencies or ministries. However, given the de facto diversity and autonomy of public bodies in the Russian Federation, functional reviews are likely to represent a pragmatic way forward. This would respond to the realities of an overhang of unfunded legal mandates, and force agencies to prioritize functions, using clearly defined criteria for this purpose that have been established by the administrative reform program managers.

Opportunities will also be created through stimulating external pressure on the executive. The cautious introduction at different levels of govern-
ment of some freedom of information legislation (being mindful of the potential costs) and the development of an ombudsman’s office could assist.

**In Looking for Useful Experiences, Look for the Like-Minded**

Structurally, looking at the traction that reformers in the Russian Federation will possess, the natural comparators are the low-traction countries, particularly the low-traction countries that are recent reformers. Like Russia, these countries did not have the reformers’ levers of a single, strong central agency; a traditional single-party majority; or integrated mandarin/ministerial careers. As a low-traction country, the Russian Federation will also share with these countries the reform challenges that arise from having a public sector that is less intrinsically malleable. Russia has complex intergovernmental relationships and no Anglo-Saxon administrative tradition, and it does not have politically neutral senior staff.

It is reasonable to assert that the Russian Federation is also concerned to achieve the basic reforms that introduce discipline and formality into the public sector. As section 6 noted, this places it in the company of Brazil, Hungary, Poland, and the Republic of Korea. There is also another reason for looking in more detail at the experiences of these countries: they also have very broad reform concerns.

Finally, an ongoing key issue for the reform team is how to generate external pressures on the system to change and how to raise citizens’ expectations of, and demand for, better services. In this respect, it will be important that the reform team be able to publicize widely and effectively the best-practice performance and service levels and standards achieved in the most successful experiments and pilots.

**Figure 7. Russia’s Reformers in Context**

<table>
<thead>
<tr>
<th>Reformer's traction</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reformers' concerns</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Narrow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broad</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reformer's traction</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reformers’ traction</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Narrow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broad</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>United Kingdom, New Zealand, Australia, China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>United States, Netherlands, Germany</td>
</tr>
<tr>
<td></td>
<td>Hungary, Rep. of Korea, Brazil, Poland, Russia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Canada, Chile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Finland, United States, Germany</td>
</tr>
</tbody>
</table>


Notes

1. In essence, these are staff funded from the functional category of the federal budget for public administration and local government. At the most senior levels of government in Moscow, this function covers the complete apparatuses of the legislative, executive, and judicial branches. With a total of some 519,000 employees, the state service is a relatively modest proportion of total public employment in Russia. Excluding employment in state-owned enterprises, for which there are no current data, total public employment in Russia is approximately 6.4 million.

2. Salaries and allowances are governed by two scales for headquarters offices (for ministries and other executive bodies) and four scales for deconcentrated staff, classified according to the size of the federation subject, rayon (district), or municipality in which they are located. The resulting pattern of rewards is highly complex and unlikely to motivate. Article 17 of the Federal Law on the Civil Service (119-FZ of July 31, 1995) states that the upkeep of state servants consists of the official salary, increases in the salary for skill grades and for special conditions of the civil service, and seniority and bonuses for the results of this work. The heads of federal authorities are authorized to vary conditions for payment of bonuses and monthly supplements for special working conditions. However, limits on payments are provided in Presidential Decree No. 310 of April 9, 1997, “Financial Conditions for Federal Public Servants.” These state the maximum that may be paid in a single year for each of these additional payments and are calculated on multiples of monthly fixed pay as follows: 4 times for qualification grade, 2.5 times for special working conditions, 3 times for seniority, and 3 times for performance. This decree also acknowledges authority of other legislation, for example, 2 times fixed pay for employees working with state secrets under the Law on State Secrets.

An analysis of 1999 civil servant salaries by Goskomstat (the statistics ministry) showed that the average monthly amount (net of social benefits) was 3,089 rubles. Of this, 38 percent was fixed pay; 25 percent was for additions such as seniority, special working conditions, and qualification grade; 26 percent was for performance bonuses and financial aid; and 11 percent was for other payments (primarily vacation payments). There were, however, variances between ministries: for example, 60 percent of ministries had an average range of Rub 2,500–4,000, 30 percent had Rub 3,100–4,000, and 10 percent had more than Rub 4,100.

The consequence is probably that bonuses and premiums are manipulated to compensate for low basic wages (premiums are ostensibly for performance, but bonuses are for a number of factors, such as conditions of work, qualifying requirements, and length of service). Under these circumstances, bonuses and premiums do not provide an incentive to employees because they are considered part of the fixed salary, and there may be “daylighting” by civil servants during government time to make up for low salaries.
3. As an extreme illustration of this, providing higher-ranking managerial cadres in the top and chief grades with rapid and cumulative wage increases over a five-year period, in a drastic effort to improve management of the state service and alleviate problems in retention and recruitment of senior staff, would have a very modest impact on the total wage bill. Specifically, if each year for five years, increases over the previous year of 50 percent were awarded to ministers and of 45 percent to all top and chief staff, with no increases awarded to other grades, then the cumulative impact will be an increase of 0.02 percent of GDP to 0.33 percent of GDP, with the nominal wage bill for the state service 15.5 percent higher. It is also possible that such increases could be offset against savings in nonmonetary rewards.

4. The only federal civil service body is the Council for the Civil Service (Article 26 of the Civil Service Law), although as of early 2003 this council was no longer operational. It had representation from the three branches of government but was under the direction of the president. It appears to have had the dual roles of establishing the recruitment process and setting the framework for the management of human resources. This is inappropriate because of the lack of independence from government. The law itself does not provide specific provisions for ensuring the fairness of the merit process.
Appendix A
Summaries of Individual Country Reform Experiences

Australia
Brazil
Canada
Chile
China
Finland
Germany
Hungary
The Netherlands
New Zealand
Poland
Republic of Korea
United Kingdom
United States

The full case studies from which these summaries are extracted are provided at http://www1.worldbank.org/publicsector/civilservice/designimplementing.htm.
## Australia

<table>
<thead>
<tr>
<th><strong>Context and problems</strong></th>
<th><strong>Approaches</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context:</strong></td>
<td>• Focus on increasing efficiency,</td>
</tr>
<tr>
<td><strong>Outcomes:</strong></td>
<td>achieving expenditure reductions,</td>
</tr>
<tr>
<td>• Federal state, with strong federal</td>
<td>streamlining government</td>
</tr>
<tr>
<td>government</td>
<td>• Centralized implementation of</td>
</tr>
<tr>
<td>• Streamlined structure of government</td>
<td>reforms driven by federal</td>
</tr>
<tr>
<td>government</td>
<td>government</td>
</tr>
<tr>
<td>• Number of public service employees</td>
<td>• Mixture of radical and</td>
</tr>
<tr>
<td>reduced from 180,893 in 1986 to 143,305 in 1996</td>
<td>pragmatic approaches</td>
</tr>
<tr>
<td>• Majoritarian electoral system</td>
<td>• Early focus on managerialism</td>
</tr>
<tr>
<td>• Adversarial</td>
<td>• Mid-1990s emphasis on privatiza-</td>
</tr>
<tr>
<td>1996</td>
<td>tion and the introduction of</td>
</tr>
<tr>
<td>• Anglo-Saxon administrative tradition</td>
<td>market mechanisms</td>
</tr>
<tr>
<td>• Substantial state assets privatized</td>
<td>• Early step was creation in 1984</td>
</tr>
<tr>
<td></td>
<td>of Senior Executive Service</td>
</tr>
<tr>
<td><strong>Problems:</strong></td>
<td>• Focus on open and competitive</td>
</tr>
<tr>
<td>expenditure</td>
<td>recruitment</td>
</tr>
<tr>
<td>• Fiscal pressures, mid-1980s</td>
<td>• Early moves to results-oriented</td>
</tr>
<tr>
<td></td>
<td>management and program</td>
</tr>
<tr>
<td>• Overall significant efficiency gains</td>
<td>budgeting</td>
</tr>
<tr>
<td></td>
<td>• Government structure streamlined</td>
</tr>
<tr>
<td>• Some public resistance to poor-</td>
<td>and number of ministries reduced</td>
</tr>
<tr>
<td>quality public services, but little</td>
<td>from 27 to 16 departments in 1987</td>
</tr>
<tr>
<td>for civil servants, more managerialist, closer</td>
<td></td>
</tr>
<tr>
<td>demand from the public for</td>
<td></td>
</tr>
<tr>
<td>to private sector, less distinctive</td>
<td></td>
</tr>
<tr>
<td>management reforms</td>
<td></td>
</tr>
<tr>
<td>• Policy advice to ministers diversified</td>
<td></td>
</tr>
<tr>
<td>• Employment rigidities in the</td>
<td></td>
</tr>
<tr>
<td>civil service</td>
<td></td>
</tr>
<tr>
<td><strong>Concerns:</strong></td>
<td>• Morale problems at middle-management</td>
</tr>
<tr>
<td></td>
<td>and lower levels of the public administra-</td>
</tr>
<tr>
<td></td>
<td>tion</td>
</tr>
<tr>
<td>• Weakening of public service ethos</td>
<td></td>
</tr>
<tr>
<td>• Some difficulties in contract management</td>
<td></td>
</tr>
</tbody>
</table>
## Brazil

<table>
<thead>
<tr>
<th>Context and problems</th>
<th>Approaches</th>
<th>Outcomes and concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context:</strong></td>
<td>President Cardoso’s administrative reform agenda formulated in 1995 by the Ministry of Federal Administration and State Reform (MARE)</td>
<td>Some initial reduction in the number of federal public employees, and constitutional reform now requires retrenchments or other actions if the federal, state, or municipal governments expend more than 60 percent of revenues on payrolls</td>
</tr>
<tr>
<td>Federal state</td>
<td>Focus on the state reducing its role as provider of services</td>
<td>Contracts between the state and autonomous agencies or social organizations may allow greater pay flexibility, including pay for performance</td>
</tr>
<tr>
<td>Twenty-six states and one federal district</td>
<td>MARE diagnosis asserted that federal civil servants were not overly numerous, although poorly allocated—proposed changes included improving the professionalism of civil servants, increasing the flexibility of public sector managers, and facilitating a sectoral and regional distribution of civil servants</td>
<td>A new legal framework for autonomous agencies and social organizations under the Cardoso reform program was intended to make the state more agile and responsive</td>
</tr>
<tr>
<td>State governments exercise power in those areas not reserved to the federal or municipal governments</td>
<td>Creation of ministerial-level political coordinator to serve as a liaison between the executive and the legislature</td>
<td>The managerial reforms embedded in the administrative reform amendment may lead to greater efficiency and better service delivery—however, it is too early to know</td>
</tr>
<tr>
<td>Administrative tradition strongly influenced by the United States</td>
<td>Managerial flexibility proposed to be achieved through measurable performance indicators built into contracts with heads of autonomous agencies</td>
<td></td>
</tr>
<tr>
<td>Military exited government in 1985, followed by new civilian government</td>
<td>Later reforms have focused on the creation of a performance focus for the budget, developing a series of program areas</td>
<td></td>
</tr>
<tr>
<td>1988 constitution drafted by the constitutional congress as a result of high level of distrust of the previous (1967) military constitution</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Problems:
- Lack of central control over civil service before 1986
- Federal government experienced chronic deficit, aggravated by irresponsible state governments
- Low morale of public employees, leading many of the most experienced and skilled civil servants to resign their posts during the Collor administration

### Concerns:
- Quality of civil service was seriously damaged during the Collor administration
Canada

<table>
<thead>
<tr>
<th>Context and problems</th>
<th>Approaches</th>
<th>Outcomes and concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context:</strong></td>
<td>• Focus on long-term alignment of expenditures and revenues</td>
<td><strong>Outcomes:</strong></td>
</tr>
<tr>
<td></td>
<td>• Dispersed central agency authority</td>
<td>• Balanced budget achieved in 1997–98 (first time in 30 years)</td>
</tr>
<tr>
<td></td>
<td>• Reforms incremental, not driven by ideology</td>
<td>• Cabinet reduced from 35 to 23</td>
</tr>
<tr>
<td></td>
<td>• Some preference for private sector approaches, but much weaker than the United Kingdom or New Zealand</td>
<td>• Public service lost 15,000 employees under the Mulroney government (1984–93) (half transferred to provincial governments or elsewhere), and it declined by a further 17.4 percent (39,000 employees) over the last four years (transfers to other parts of system, alternative service delivery, and cuts in civilian defense employees)</td>
</tr>
<tr>
<td></td>
<td>• Cohesive mandarin cross-departmental culture</td>
<td><strong>Concerns:</strong></td>
</tr>
<tr>
<td><strong>Problems:</strong></td>
<td>• Weak economic performance, 1980s</td>
<td>• Use of performance measures uneven</td>
</tr>
<tr>
<td></td>
<td>• Poor fiscal discipline: spending targets not achieved</td>
<td>• Career civil servants lose from the reforms (worsening comparative pay position for many)</td>
</tr>
<tr>
<td></td>
<td>• Large growth in levels of public debt: from Can$168 billion in 1984 to Can$508 billion in 1993</td>
<td>• Special operating agencies not sufficiently different from ministerial departments to support flexible and innovative delivery</td>
</tr>
<tr>
<td></td>
<td>• Federal budget deficit 6 percent in 1994</td>
<td>• Implementation gap: reforms not meeting all expectations</td>
</tr>
<tr>
<td></td>
<td>• Citizen demands for greater accountability</td>
<td>• Concern about contract management</td>
</tr>
</tbody>
</table>

**SUMMARIES OF INDIVIDUAL COUNTRY REFORM EXPERIENCES**
**Chile**

<table>
<thead>
<tr>
<th>Context and problems</th>
<th>Approaches</th>
<th>Outcomes and concerns</th>
</tr>
</thead>
</table>

**Context:**
- Governed by a military dictatorship, headed by General Augusto Pinochet, from 1973 to 1990
- Governed by a president and legislature chosen through free elections since March 1990
- Unitary republic, divided into 13 regions, further subdivided into 51 provinces
- Bicameral legislature

**Problems:**
- Although public sector may be the most capable in Latin America, there was still a need for a more flexible, efficient, and effective state administrative apparatus
- Patronage had become widespread by the mid-1970s
- Overexpanded government

**Approaches:**
- Focus on turning to private markets to enhance efficiency; substantial activities in health, education, housing, and social security handed over to private sector by government
- Legal distinction between autonomous service providers and policymaking ministries
- Government began a prolonged policy of increasing public sector wages under a unified wage policy in 1985
- Online government procurement launched
- Performance-based budgeting initiative launched

**Outcomes:**
- Pinochet government succeeded in privatizing a number of activities and cutting the number of public employees; subsequent democratic governments had no need to cut public employment further
- Role of private sector retained and extended in service delivery

**Concerns:**
- Impact and success of performance-based budgeting not yet clear
### China

#### Context and problems

**Context:**
- Single-party majority (Communist)
- Twenty-three provinces, five autonomous regions, four municipalities
- Low public respect for civil service
- Central government/Communist party large and influential within overall system

**Problems:**
- Fiscal pressures
- Trend toward market economy necessitated administrative reforms
- Tradition of staffing was through labor allocations, resulting in a large number of staff being placed in positions for which they were not qualified
- Complex, inefficient overlapping administrative structures

#### Approaches

- Economic reforms preceded administrative reforms, and foreign investment encouraged
- Greater autonomy given to state-owned enterprises and decentralization and decollectivization of agriculture
- Organizational reforms conducted in 1982, 1988, 1993, and 1998 led to streamlining of government agencies
- Late 1980s, early 1990s government began to decentralize government decisionmaking to local governments, producers, and consumers
- Local governments given greater power over their personnel administration
- Fixed tenure established for government officials, with mandatory retirement ages
- Cadres (civil service personnel) recruited into the service through open, competitive examinations, rather than labor allocations
- Wage markets used to determine civil servants’ salaries
- Content of training revamped to meet the needs of a market economy

#### Outcomes and concerns

**Outcomes:**
- Reforms in 1982 reduced State Council agencies from 100 to 61 and number of employees from 51,000 to 30,000
- Restructuring in 1988 reduced the number of ministries and commissions from 45 to 41 and the number of directly subordinate bureaus from 22 to 19
- Increased negotiations between the center and local governments over remittances
- Younger and more skilled generation in government

**Concerns:**
- China weak in publishing administrative and judicial decisions
- More accountable government structure necessary to accede to the World Trade Organization
### Finland

<table>
<thead>
<tr>
<th>Context and problems</th>
<th>Approaches</th>
<th>Outcomes and concerns</th>
</tr>
</thead>
</table>
| **Context:**         | - Focus on budgetary reform and restraint, with a move to multiyear planning and results-based management and budgets  
- Reforms pragmatic, consensual, not driven by strong overall ideology  
- No intensive use of consultants or outsiders  
- Reforms driven by a fairly small number of senior civil servants, together with politicians  
- Gradual formation of a set of proposals for streamlining the state apparatus and restraining expenditures  
- Lightening of bureaucratic weight of central government  
- Parallel shift to block transfers from center to municipalities (pilots from 1987, full implementation 1994)  
- Some measure of decentralization  
- Extensive experimentation; use of pilots, dissemination, and training  
- Some use of market mechanisms in selected service delivery areas  
- Performance management initiatives  
- Extensive development of electronic service delivery | **Outcomes:**         | Number of personnel financed by the state budget fell by about 40 percent from 1989 to 1995: 213,000 to 130,000 (moves to off-budget enterprises and companies accounted for 34,000 of the 78,000 reduction)  
- Public expenditure reduced by 60 million Finnish marks (equivalent to 8 percent of 1999’s GDP)  
- Openness and transparency of administration increased  
- Reduction by 43 percent of state employees funded from the central government budget | **Concerns:**         | - Little progress in civil service’s human resource management  
- Bureaucracy increased in some areas  
- Most movement at local government and agency levels; not so much at central government level  
- Delegation of responsibilities from central ministries not followed by commensurate reductions in their staff numbers |
| **Problems:**        | - Adverse economic conditions in the 1990s (and collapse of the Soviet Union)  
- GDP fell by 12 percent from 1990 to 1993  
- Unemployment reached 18.4 percent in 1994  
- Central government fiscal deficit was 11 percent of GDP in 1993 and 1994 | **Outcomes:**         | **Concerns:**         | - Little progress in civil service’s human resource management  
- Bureaucracy increased in some areas  
- Most movement at local government and agency levels; not so much at central government level  
- Delegation of responsibilities from central ministries not followed by commensurate reductions in their staff numbers |
Germany

<table>
<thead>
<tr>
<th>Context and problems</th>
<th>Approaches</th>
<th>Outcomes and concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context:</strong></td>
<td>• Not driven by political ideology &lt;br&gt;• Administrative tightening up and incremental modernization as opposed to view of minimalist role for state or a strong focus on marketization &lt;br&gt;• Focus on improving existing system as opposed to trying to emulate another system or import wholesale approaches from elsewhere &lt;br&gt;• Federal structure and tradition militate strongly against any form of centralized, top-down model of reforms &lt;br&gt;• Few reform initiatives at central level &lt;br&gt;• Transformation of the East German public administration through changes in the role of government, move to merit-based civil service, horizontal and vertical separation of powers, transition to legalistic, rules-based culture and behavior &lt;br&gt;• Promoting entrepreneurship at the local level</td>
<td><strong>Outcomes:</strong> &lt;br&gt;• Federal apparatus of 300,000 in 1989 and 381,000 in 1992 reduced to 315,000 in 1998 &lt;br&gt;• Significant early reforms at the local government level &lt;br&gt;• Some increased flexibility in budget execution</td>
</tr>
<tr>
<td><strong>Problems:</strong></td>
<td>• Some pressure from citizens for better service from local governments &lt;br&gt;• Unification of the East German Länder</td>
<td></td>
</tr>
</tbody>
</table>
**Hungary**

**Context and problems**

**Context:**
- Parliamentary democracy
- Unicameral legislative branch
- Strong focus on developing tools for a democratic system of governing
- Decentralized system of local governments

**Problems:**
- Large debt burden
- Aggregate employment concerns
- Senior civil service positions are based on patronage

**Approaches**

- Emphasis on decentralization
- Favorable environment for the private sector by means of emphasis on public sector streamlining
- Reform of public finance system prepared by the Public Finance System Reform Committee
- Territorial development councils established at departmental and regional levels
- Replacement of hierarchic system of public administration by a system of public management
- The Act on Local Governments was amended in 1994, enforcing the improvement of municipal government
- The Act on Legal Status of Civil Servants was adopted in 1992, introducing a performance-based process of promoting employees, as well as outlining the necessity of civil servants remaining in office regardless of party or political changes
- Training for task performance in public administration administered.

**Outcomes and concerns**

**Outcomes:**
- In the 1990s, local authorities in the municipal governments were granted more power and autonomy to make decisions on local matters
- Service delivery strengthened
- Excessive legislation removed and legislation streamlined, resulting in increased governance capabilities
- Ministry employment reduced by 15 percent
- Budget transfers to local government reduced from 8.8 percent of GDP in 1994 to 4.6 percent in 1997
- “Government effectiveness” seen as high (European Bank for Reconstruction and Development [EBRD])

**Concerns:**
- Debt burden remains large
- Possible politicization of the Senior Executive Service
### The Netherlands

<table>
<thead>
<tr>
<th>Context and problems</th>
<th>Approaches</th>
<th>Outcomes and concerns</th>
</tr>
</thead>
</table>
| **Context:**         | • In the 1980s, sharp cutbacks in the public sector and imposition of tight control of expenditures  
• Some use of reform ideas from Sweden, the United Kingdom, the United States  
• Some reform ideas from the private sector  
• Drive for increasing efficiency and achieving savings  
• Reform approaches based on compromise and building consensus  
• Much attention from the political and bureaucratic elite to budgetary imbalances  
• Some significant privatizations (post, telecommunications, mint, port authority)  
• Some decentralization initiatives with responsibilities offered with 90 percent of funding  
• Establishment of many new semiautonomous departmental agencies: 20 set up from 1991 to 1998  
• Pay and conditions became closer to those pertaining in the private sector  
• Development of performance indicators | **Outcomes:**  
• Financial management greatly improved  
• Significant efficiency savings achieved |
| **Problems:**        | • Sizable budget deficits from the late 1970s to the early 1980s  
• Public concerns about corruption  
• Senior civil service is not immune from patronage | **Concerns:**  
• Loss of public accountability for nonministerial public bodies  
• Power struggles at the center: spending departments were reluctant to lose powers through decentralization and impeded real progress in this area  
• Civil servants excessively cautious because of increased political oversight |

**Context:**  
- Unitary but decentralized state  
- Consensual multiparty coalitions; quasi-corporatist  
- Open structure with wide range of consultative and advisory structures  
- Fourteen ministries, 12 provinces, 500 municipalities  
- Some public demand for a less bureaucratic approach, but general administration held in reasonable esteem  

**Problems:**  
- Sizable budget deficits from the late 1970s to the early 1980s  
- Public concerns about corruption  
- Senior civil service is not immune from patronage
New Zealand

<table>
<thead>
<tr>
<th>Context and problems</th>
<th>Approaches</th>
<th>Outcomes and concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context:</strong></td>
<td>• Comprehensive public management reforms, 1984 to 1990</td>
<td>• Public sector employment fell from 88,000 in 1988 to 37,000 in 1994 (many transferred to crown entities or state-owned enterprises)</td>
</tr>
<tr>
<td></td>
<td>• Reforms driven by explicit and coherent ideology and theoretical base (not party-political) based on elements of public choice, managerialism, transaction costs</td>
<td>• Major productivity and efficiency improvements and cost savings</td>
</tr>
<tr>
<td></td>
<td>• Reforms driven by a small group from the political and bureaucratic elite with shared values and interests</td>
<td>• Broadened range of policy advice available to ministers</td>
</tr>
<tr>
<td></td>
<td>• Civil service human resource management: extensive use of contracting arrangements, decentralization of personnel management to agency line managers by performance contracts</td>
<td>• Flexibility for operational managers to manage</td>
</tr>
<tr>
<td></td>
<td>• Public Finance Act (1989): move to accruals accounting and focus on outputs and outcomes</td>
<td>• Operational managers wield genuinely decentralized powers</td>
</tr>
<tr>
<td></td>
<td>• Vigorous and harsh implementation of reforms</td>
<td>• Greater amount of performance information in the public domain</td>
</tr>
<tr>
<td></td>
<td>• Extensive use of management consultants and external experts</td>
<td><strong>Concerns:</strong></td>
</tr>
<tr>
<td><strong>Problems:</strong></td>
<td>• GNP per capita was 90 in 1985 and 76 in 1992 (compared with OECD average of 100)</td>
<td>• Weak policy advice in some areas</td>
</tr>
<tr>
<td></td>
<td>• Dwindling trade relations with the United Kingdom</td>
<td>• Loss of continuity and institutional memory and weakening of public service ethos</td>
</tr>
<tr>
<td></td>
<td>• In 1984, stagnant economy, large national debt, 20 percent devaluation</td>
<td>• Insufficient focus on outcomes</td>
</tr>
<tr>
<td></td>
<td>• In 1985, inflation was 13 percent</td>
<td>• Unclear accountabilities for crown entities because of failure to complete reforms in this area</td>
</tr>
<tr>
<td></td>
<td>• Unemployment grew from under 5 percent in 1984 to 10 percent in 1992–93</td>
<td>• Loss of energy and momentum in the mid-1990s</td>
</tr>
<tr>
<td></td>
<td>• Public concern about the economy but not the civil service</td>
<td>• High transaction costs built into new system</td>
</tr>
<tr>
<td>Context and problems</td>
<td>Approaches</td>
<td>Outcomes and concerns</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>Context:</strong></td>
<td><strong>Approaches</strong></td>
<td><strong>Outcomes and concerns</strong></td>
</tr>
</tbody>
</table>
| • Bicameral legislature | • Country restructured into gminas (basic level of public administration), voivoids (largest administrative unit in the subnational organization of the state), and powiats (county level of public administration designed to maintain many of the everyday institutions of public life) | • Local authorities given more responsibilities for service delivery  
• Decentralizing political decisions helped to reduce central government employment |
| • Separation and balance of power | | |
| • Large decentralization of power | • The Act on Branches of the Government Administration of 1999 made clear that ministers would be responsible for policy and strategy in particular branches  
• In process of eliminating complicated administrative procedures at various levels of government  
• Focus on reforming system of public finance  
• Civil Service Act passed, unifying all staff employed within the government  
• Civil Service State Commission began testing potential civil servants to ensure quality employment | |
| • Strong service delivery at local government levels | | |
| **Problems:**        | **Concerns:** | |
| • Large debt burden | • Morale of central government civil servants weakened  
• Significant politicization at senior levels | |
| • Aggregate employment concerns | | |
| • Weak service delivery before reform | | |
| • Demanding targets for EU accession | | |
**Republic of Korea**

<table>
<thead>
<tr>
<th>Context and problems</th>
<th>Approaches</th>
<th>Outcomes and concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context:</strong></td>
<td>• Ministry of Government Administration and Home Affairs established in 1998 as the central agency responsible for the civil service system</td>
<td><strong>Outcomes:</strong></td>
</tr>
<tr>
<td>• Presidential republic, with powers shared between the president and a unicameral legislature</td>
<td>• Civil Service Commission established in 1999 to reform the civil service system</td>
<td>• GDP grew 10.2 percent in 1999</td>
</tr>
<tr>
<td>• Tradition of strong executive branch</td>
<td>• Administrative reforms linked to other democratizing reforms central to President Kim’s overall political agenda</td>
<td>• Cabinet ministers reduced from 21 to 17, and ministerial-level officials from 33 to 24</td>
</tr>
<tr>
<td>• Weak political parties with minority administrations</td>
<td>• Multiannual budgeting adopted in 1998, as well as a medium-term fiscal plan</td>
<td>• Posts abolished included 230 high-level posts (4 assistant ministers, 16 office directors, 74 bureau directors, and 136 division directors)</td>
</tr>
<tr>
<td><strong>Problems:</strong></td>
<td>• Performance-oriented personnel appraisal system introduced in 1997, expanded into enhanced pay programs</td>
<td>• In the first year of operation, the Regulatory Reform Committee scrapped 48 percent of administrative regulations and improved 22 percent of the existing administrative regulations; in 1999, the committee eliminated 7.4 percent of the remaining 6,820 regulations</td>
</tr>
<tr>
<td>• Economic crisis</td>
<td>• Registration and disclosure of property for elected officials and high-ranking public servants enforced; the Advisory Council for Anticorruption created in 1999</td>
<td><strong>Concerns:</strong></td>
</tr>
<tr>
<td>• High government employment before reform</td>
<td>• Government adopted the Government Information Disclosure Act 1999 to ensure people’s right to gain access to government information</td>
<td>• Too early to discern whether the open recruitment system for senior government positions being adopted will be successful or have impact on the quality of the civil service</td>
</tr>
<tr>
<td>• Perceptions of cronyism and corruption</td>
<td>• Regulatory Reform Committee established</td>
<td></td>
</tr>
</tbody>
</table>
## United Kingdom

<table>
<thead>
<tr>
<th>Context and problems</th>
<th>Approaches</th>
<th>Outcomes and concerns</th>
</tr>
</thead>
</table>
| **Context:**         | • Reforms driven by ideology: monetarism  
                       • Managerialist and private sector influences extremely strong  
                       • Extensive use of performance management and measurement systems and performance indicators (including league tables for hospitals and schools)  
                       • Extensive use of executive agencies: 140 set up, more than 70 percent of civil service; compulsory competitive tendering in local government  
                       • Massive use of management consultants  
                       • Civil service numbers reduced, 1979-83  
                       • Improving financial management in the 1980s  
                       • Focus on market mechanisms, introduction of purchaser-provider split in health in 1987  
                       • Market testing; Citizens Charter in 1991  
                       • Further downsizing of central government ministries following management reviews in 1992  
                       • Service First, comprehensive spending reviews, Best Value initiative in local government in the late 1990s  
                       • Insistent top-down reform implementation | **Outcomes:**  
                       • Civil service cut by 14 percent, then by a further 6 percent, from 1979 to 1983  
                       • Performance orientation and customer orientation greatly increased  
                       • Technical efficiency increased  
                       • League tables for hospitals and schools very popular with general public  
                       • Recognition of the limitations of new public management led to drive to focus government on citizens’ real life  
| **Problems:**        | • Control inflation  
                       • Reduce public sector borrowing requirement  
                       • Perceived need to reduce government expenditure as percentage of GDP  
                       • Civil service felt to be privileged and complacent  
                       • State felt to be too big and interventionist | **Concerns:**  
                       • Service delivery failures not eliminated  
                       • Collapsed staff morale in education and health  
                       • Executive agencies are only a halfway house; there is not sufficient managerial delegation and flexibility, which adds complexity for users  
                       • Fragmentation of system and possible adverse impact on quality of policy advice being produced  
                       • Some undermining of civil service ethos  
                       • Some increasing politicization at senior levels of civil service in the late 1990s  
                       • Reform initiative overload  
                       • Provider-led agenda |
### United States

#### Context and problems

**Context:**
- Federal system with strong states and constitutionally entrenched division of powers among branches and levels of government
- Little party discipline in the legislature
- Extensive lobbying by private interests
- Legislative committees are independent and powerful; the legislature overall is comparatively powerful
- Legislature’s predilection for micromanaging the federal bureaucracy
- “Spoils” system with respect to political appointments on change of administration
- Open and fragmented government: risk of gridlock

**Problems:**
- Significant public disenchantment: strong distrust of government on the part of citizens
- Collapse in morale in federal civil service during the late 1980s
- High federal budget deficit in the 1980s

#### Approaches

- Creation of Senior Executive Service 1983 (8,000 civil servants)
- Business-oriented, free enterprise cultures; quick penetration of varied private sector approaches
- Difficult to build coalition behind a specific reform measure
- Executive elite and legislature not in agreement in many areas
- National Performance Review (1992) and 1993 Government Performance and Results Act (strategic planning and performance measurement)
- Focus on changes in techniques, not on government structure reforms (budgetary, customer service, performance management)
- Reagan administration: emphasis on privatization, contracting out, user fees
- Extensive use of private sector managers (12,000 under the Grace Commission)
- Leadership of the reforms mostly by political appointees, not career civil servants

#### Outcomes and concerns

**Outcomes:**
- Budget surplus achieved in 1999
- Many outcomes are patchy: many micro-level efficiency gains, increased customer orientation and responsiveness
- Federal civil service reduced by 17 percent (377,000 employees) in 1993–99
- Public trust in the federal government improved by 9 percentage points from 1994 to 1998

**Concerns:**
- Collapsed morale of federal civil servants at the end of the 1980s
- Performance plans produced under the 1993 legislation were mainly disappointing
Appendix B
Reformers’ Concerns: Methodological Note

Reducing Public Expenditure, Aggregate Employment, and Wage Bill Concerns

There are no hard and fast metrics for deciding when to reform public sector pay and employment, and overstaffing is a relative concept; thus aggregate employment and wage bill concerns arise when there are grounds for concern that a country cannot afford to pay the existing numbers of public employees and support the operation of a motivated, professional public service on a sustained financing basis. Comparisons with GDP and population are useful only as guides to judgment. This problem tends to be identified when:

- The central government wage bill is a large percentage of GDP. This ratio can vary between 10 percent and 25 percent, with many countries around the 15 percent mark. The ratio depends on the relative involvement of the state in the economy. Developing countries tend to have smaller governments relative to GDP and consequently a lower ratio.
- The number of public sector employees is a large percentage of total population. Reformers are interested not only in the size of the wage bill but also in the number of public servants. Governments acting as an “employer of last resort” have often hired large numbers of public servants on meager wages in the lowest grades. These are often the most unproductive government employees, but the extent of such a problem will not be immediately apparent from examination of the wage bill alone.
- The number of government employees is a large percentage of total employment. This metric is similar to the preceding one, but it corrects for developing countries that have a relatively high proportion of children in the population, leading to a relatively low ratio of public servants to population.
- The public sector wage bill is a large percentage of total public sector spending. To deliver quality public services, governments will need to spend money on goods and services as well as wages and salaries. As a rule
of thumb, when this ratio rises over 25 percent, governments risk reducing their effectiveness by squeezing nonwage expenditure such as goods and services, maintenance, and capital expenditure. In practice, this means that hospitals will lack medicines, schools will go without textbooks, and so forth.

• **Average government wages are low compared with per capita GDP.** To recruit quality staff, encourage productivity, and avoid corruption (or the excuse for it), governments in developing countries must pay their employees at least a living wage. This ratio provides an important, if crude, indicator of whether government employees are under- or overpaid in comparison with the prevailing standard of living. A larger number of dependants, the relative scarcity of trained labor, and low standards of living imply that this ratio will tend to be larger in developing than industrial countries. However, this does not mean that government employees are overpaid.

• **Recruitment growth rate is faster than GDP.** When government recruitment grows faster than GDP, revenue, or population growth, it is clear that either financial stability (growing deficits) or future performance (through reduced wages or reduced nonwage expenditure) will be jeopardized.

• **Military spending is large.** Governments that spend an inappropriate proportion of their total budget on the military sector are likely to be jeopardizing future development objectives. In such situations, a country’s budget might show that development-related spending (on health, education, social safety nets, basic infrastructure, and so on) is being crowded out by high and growing defense spending that has little justification. Countries that employ more soldiers than health and education personnel could perhaps improve their development outcomes through a reduction in military personnel expenditure. There are no hard and fast rules, however, and the key is not to assess military expenditure, but to assess the accountability of its overall public expenditure allocations.

### Improving Government Ability to Implement Legitimate Policies

**Patronage**

The distinction between policymaking and implementation holds that politicians and their immediate appointees should make decisions concerning political priorities and neutral, professional staffs use their skills and experience to implement those policies. Optimally, such an arrangement allows public administration to remain sensitive to political goals yet
protected from political meddling in its day-to-day functioning. Merit and competition are undermined (and, arguably, civil service performance, as well) when unqualified individuals are hired or promoted. Morale is harmed as rank-and-file staff observe others disregarding rules or receiving special treatment, while their own prospects for advancement based on merit and competition appear dim. Finally, widespread staffing changes in response to shifts in political power have a crippling effect on institutional memory, which in turn is likely to be detrimental to performance.

Although the dangers of pervasive patronage are generally known, it is much less clear where the line between political and regular posts should be drawn. Some rough-and-ready measures can be found. The most common is the ratio of political appointees to the size of the civil service. Another measure that could facilitate the assessment and control of patronage is regular (monthly) data on turnover rates, provided by a personnel information system. Still, there is no clear cutoff point beyond which patronage is plainly illegitimate.

When transparent mechanisms to define the extent and conditions of political versus nonpolitical appointments are lacking, the risk is that every position de facto becomes subject to political influence. This is particularly the case in countries where the public administration experienced extended periods of intense politicization, such as the former socialist states of Central and Eastern Europe.

This is, of course, a nuanced point, because political appointments are often an essential and legitimate instrument to craft and maintain a multiparty governing coalition. Many countries have a significant number of hybrid appointments in which merit (defined by meeting explicit and contestable criteria) is accompanied by subjective political judgments. By contrast with “pure” political appointments, in which serving members of the government make hiring and firing decisions, merit is a necessary but insufficient condition for appointment in hybrid appointments, which require careful management.

Many reforms seek to restrain political patronage appointments to a level similar to that observed in OECD countries. This is a rather broad target: In the United States, the proportion of political appointees is around 1:400, and in Sweden, it is around 1:2,000. The percentage of change in budget-funded public sector staff in core central government ministries following elections can be informative.

*Employment Contracts and Tenure*

In many cases, the target of reform has been the nature of the employment contract between the civil servant and the state, but the direction of reform sought has been distinctly varied.
For countries without a well-entrenched legal and customary view of civil service employment, access to civil service positions and the responsibilities of civil servants have been legally defined with greater precision. The intention of these reforms has been to place checks and balances around the employment contract of civil servants so that they form a distinct and unified corps, with security of tenure and objective bases for promotion used as protections against capricious political action.

In most settings, reforms in employment contracts have either consolidated or extended prohibitions against patronage and nepotism in career appointments and promotions, with some requiring that appointments and promotions to career positions be made through merit-based competition. Unity of the civil service with common organizational structures and career classification systems has been achieved with reporting frameworks consistently applied across all management units.

In some other countries that already have a secure legal and customary regime for civil service employment, employment reforms have run counter to this general movement. For these, primarily anglophone OECD countries, the direction of reform has been to reduce (although not abandon) security of tenure and the significance of seniority in decisions concerning promotion and career advancement. In these settings, the unity of the civil service has also been reduced somewhat as individual agencies become more akin to separate private sector employers with divergent terms and conditions for their staff.

**Improving Government as an Employer—Ineffective Monetary Incentives**

The extent of salary decline in some settings has forced employees to find additional sources of income, and the quality of public services and human resource management in the civil service has been undermined as a result. Employees resorted to other income-generating activities while retaining their public sector jobs with relative impunity. Outright corruption may be the most pernicious effect (although the empirical evidence on whether low civil service wages foster corruption is inconclusive). Absenteeism and “daylighting” are also deleterious to public sector efficiency. These are all serious problems in countries where civil service wages are below a living income.

Real wage erosion within the public sector has resulted in pay levels in some countries that are well below what would seem to be the reservation wage of the individuals employed. Yet the particular mix of lax management standards that tolerate additional income-earning activities among civil servants, on the one hand, and the allowances, in-kind benefits, and intangible incentives such as prestige and job security, on the
other hand, has ensured lower than expected attrition rates. This has meant that in such settings, the “best and brightest” were not necessarily lost from the public sector, but there was little motivation for them to apply their talents.

Low public sector pay relative to the private sector\(^1\) can, of course, be associated with skill shortages. However, overcompensation can create excessive pressure for public sector employment.

Key points are that vertical compression\(^2\) can make low-skilled jobs relatively more attractive to job seekers while recruiting and retaining staff for high-skilled posts tend to become more difficult. Likewise, high vertical compression reduces civil servants’ incentives to pursue a long and successful career in the civil service by reducing the appeal of promotions.

Monetary incentives other than through base pay can have adverse effects on civil service productivity. Excessive horizontal decompression\(^3\) can be unmanageable and foster patronage, and extreme horizontal compression can indicate that pay progression is overdependent on length of service, creating rigidity.

**Improving Service Delivery and Building Public and Private Sector Confidence**

*Perceived Corruption and Low Public Respect*

When businesses consider government rules and policies to be unpredictable, investment and growth are weak. Poorer persons attempting to establish small businesses may be particularly harmed, because with few assets other than their labor, it is far more difficult for them to diversify across sectors of the economy—which is otherwise a rational response to unpredictable policies—than it is for the wealthy.

Government can prepare such chaotic and fast-changing budgets that they lose their impact as signals of government policy intentions. A budget that varies tremendously from year to year in its intersectoral allocations is signaling to the business community that government has no coherent policy stance. Businesses that perceive this are less likely to heed the rules and regulations that governments issue because they believe that all are unstable and unlikely to be enforced.

Expectations concerning the future flow of budgetary and other resources are also significant determinants of civil servant behavior. Officials who doubt that the budget will be implemented as planned may have few reasons to implement policies vigorously and every reason to overstaff, because salaries will ultimately be paid even if program funds are reduced.
Public concern about corruption is a significant driver of low public respect. A common definition of corruption is “the abuse of public office for private gain.” Clearly, corruption (both political and bureaucratic) can have a devastating social and economic impact. The World Bank report Anticorruption in Transition (2000) has usefully distinguished between state capture and administrative corruption. State capture refers to the actions of individuals, groups, or firms in both the public and private sectors to influence the formation of laws, regulations, decrees, and other government policies to their own advantage as a result of the illegal transfer or concentration of private benefits to public officials. By contrast, administrative corruption refers to the intentional imposition of distortions in the prescribed implementation of existing laws, rules, and regulations to provide advantages to either state or nonstate actors as a result of the illegal transfer or concentration of private gains to public officials.

Operational Inefficiency and Poor Service Delivery

In terms of performance, it is often asserted that efficiency is low within the public sector and quality of service is poor. These are two related but separate considerations, and both are distinctly hard to substantiate or refute.

Assessing organizational performance in the public sector is quite difficult. First, unlike private organizations, public organizations have no single performance indicator—such as profits or market share—that can be used to compare across different types of organization or product. Few organizations in the public sector work for profit, and the outputs of organizations such as an audit body or the planning division of the ministry of finance are used only by other organizations within the public sector.

Second, public sector organizations are often responsible for goods with low contestability and measurability. In such circumstances, it is generally impossible to find performance measures that satisfy the ideal qualities of consistency, comparability, clarity, controllability, comprehensiveness, boundedness, relevance, and feasibility. The current debate on performance in the public sector provides illustrations of benchmarks that can be applied over time, but this has done little to solve the problem of comparability between diverse agencies and sectors. When public agencies’ performance is measured, the metrics are distinctly organization or service specific: The waiting time for a patient to see a doctor is not readily comparable to primary school enrollment rates. One popular approach in local government is to benchmark performance in a similar functional area across different, but comparable, governments.
Notes

1. Public-private wage comparisons must be considered with care, because it is frequently unclear who or what the comparators should be. In industrial countries, the usual comparators are clerical jobs in private companies. But this comparison may not be relevant in many developing countries, where the true employment alternatives of many public sector workers are in the informal sector of the economy. Public sector jobs may be undercompensated with respect to jobs in the top formal sector companies of a developing country, but still be overcompensated with respect to the “average” job. For instance, public sector jobs may pay a low salary, but offer health coverage, annual leave, old-age pension, and other benefits.

Choosing elite private sector companies as comparators has been at the root of serious fiscal problems in some countries. These comparisons have convinced government officials, trade unions, and public opinion that public sector workers are dramatically underpaid. Through policy choices, strikes, or arbitration awards, their salaries often have been increased dramatically across the board, making the wage bill unsustainable. It is thus important to supplement any comparator study with a careful analysis of earnings in and out of the public sector, using individual (or household) surveys.

2. Vertical compression reflects the proportionate difference between the top and bottom salaries and refers to the multiplier between the total salary package of an official in the highest echelon or rank and that of an official in the lowest echelon or rank in the same agency classification. There are different ways of measuring it. One is to divide the salary at the midpoint of the highest public employee pay category by the salary at the midpoint of the lowest category. Another, more rigorous, approach is to take the median of the ninth decile of disposable monetary compensation divided by the median of the first decile of disposable monetary compensation. This calculation is made on a single-year basis and excludes any net present value of future pension entitlements and any estimated value of in-kind benefits.

3. Horizontal compression reflects the degree to which earnings differ for officials at the same grade or level in the same or different agencies. It is the ratio by which the total remuneration of a civil servant can differ from that of a colleague at the same level of seniority as a consequence of discretionary allowances. It is measured by dividing total monetary compensation, including all discretionary allowances, by base compensation without any discretionary allowances.
Appendix C
Points of Leverage for Reformers: Methodological Note

Tradition of a Single, Strong Central Agency

Governments with control over a single central agency that by tradition has been able to drive through major changes are better placed to initiate comprehensive reforms than others are. These powerful central agencies do not arise through some single historical accident. They are generally the symptom of a tight system of horizontal coordination within government. The UK and New Zealand Treasuries place these countries in a very different starting position from the United States or France, where no single central agency holds sway. The United States provides an indication of the degree to which formal constitutional arrangements can influence this. The active involvement of the U.S. Congress in many managerial details of line departments, in a manner that would be unthinkable in much of Europe, provides a system in which departments report to multiple principals. No single central agency within the executive can drive through change under such circumstances. France and Germany are often cited as public sectors with multiple competing central agencies, which reduce the prospects for rapid reforms.

Box 20. Stronger Central Agency in Finland

The new Finnish Constitution (March 2000) will strengthen the position of the prime minister as a political leader in government. The role of the prime minister has traditionally been quite a weak one, overshadowed by the strong role of the president. Recent steps taken toward a parliamentary system of government, away from the semipresidential system, have raised the position of the prime minister’s office to that of a central coordinating body in the government. The prime minister’s office now actively coordinates political work in both government and EU matters. EU matters were transferred from the ministry of foreign affairs to the prime minister’s office in July 2000.
Tradition of a Single-Party Majority

Majoritarian governments have a form of representation that affords political power on the basis of a bare majority. By contrast, consensual arrangements see the simple majority as only a minimum requirement and allow or even require many people to take part in governing. In this way, they provide broad participation in government and facilitate broad agreement on the policies that the government should pursue.

This distinction can be made in two dimensions—within central or federal government and between levels of government. At the central or federal level, when the majority party in government holds more than 50 percent of the seats in the legislature, it is in a distinctly stronger position to drive reforms than in settings where two parties between them hold 50 percent of the seats in the legislature or when parties making up the government between them hold less than 50 percent of the seats. In highly centralized states such as the United Kingdom or New Zealand (prior to the introduction of proportional representation), the simple majority achieved by the national government gives it relative supremacy over all levels of government. By contrast, Canada has a majoritarian government at the federal level, but that government must be very mindful of the constitutional privileges and sensibilities of the provincial governments and so could not exercise that power casually. Switzerland has both a highly consensual form of central government and a highly decentralized set of laws and policies.
arrangements between levels of government. Partly in consequence, the United Kingdom and New Zealand were able to drive through reforms rapidly. The public sector in Switzerland has shown remarkable resistance to change.

**Tradition of Integrated Mandarin/Ministerial Careers**

When senior civil servants frequently become ministers at some point in their careers, and vice versa, ownership of reforms is likely to be deeper at senior levels (although it might also cause some alienation at lower levels). The overlapping careers of civil servants and ministers in France might provide potential reforming politicians with a clearer understanding of the realities of the civil service and consequently a greater willingness to “own” proposals made by the civil service. Arguably, however, this opportunity might be undermined somewhat by the resistance born of resentment that lower-grade civil servants feel concerning reform proposals they see originating in the privileged intertwined ranks of the grand cours and the political elite.4

**Tradition of Heterogeneity in the Public Sector**

A body of sociological work on the nature of organizational change has suggested that external pressures, such as those from strong professional associations, tend to encourage homogeneity and this inhibits change.5 Public sector environments that allow a large number of different organizational forms to emerge will probably best support evolutionary and revolutionary developments—with new organizational forms emerging from local experimentation. More uniform systems are more resistant to experimentation. Countries with a tradition of establishing public bodies

---

**Box 22. Majority Government in Canada**

With a constituency-based electoral system, most elections result in majority governments. Although minority governments occasionally exist, coalitions are extremely rare. Compared with countries that use a proportional representation system, Canada has relatively few political parties represented in parliament. Currently, there are five (Liberal, Alliance, Bloc Québécois, Progressive Conservatives, and New Democratic). Each of the provinces has its own legislature and a constituency-based electoral system. There is not a direct relationship between federal and provincial political parties.
with diverse and heterogeneous management and accountability arrangements offer the opportunity for innovative one-off pilots that can be the point of entry for larger reforms. Limited cross-cutting consistency in legal employment arrangements and weak mechanisms for enforcing consistency in financial or audit systems provide opportunities for experimentation.

Horizontally, this heterogeneity is more likely in presidential regimes where large numbers of special-purpose bodies have been created by legislatures. Vertically, significant decentralization is often considered to produce provincial and state governments that act as test laboratories for larger public sector reforms.

**Box 23. Organizational Heterogeneity in Brazil**

Brazil’s federal ministries are widely seen as effective relative to their equivalents in many other countries of the region. However, large differences in culture, institutional history, and the characteristics of their professional corps make them very different organizational environments in which to work. Fragmented parties, coalition government, and the strong constitutional role of congress and state governors all add to the pressures for organizational diversity.

**Notes**

1. Some of the insights in this appendix draw from Pollitt and Bouckaert (2000). The authors of this paper have altered some interpretations.
3. This section borrows from Lijphart (1999).
5. See, for example, DiMaggio and Powell (1983).
Appendix D
Institutional Malleability:
Methodological Note

Degree of Centralization

Governments in states with authority constitutionally divided between levels of government are less able to drive through comprehensive and uniform reform programs. Thus, Germany and the United States have more restrictions than the United Kingdom or New Zealand, for example. Unitary but decentralized states (France since the 1980s and the Nordic states) fall in between. However, as noted above, decentralization can provide local “laboratories” for testing reforms before launching them on a larger scale.

There are various rough indicators of the degree of centralization: the percentage of shares of total public employment at the national or federal level, the proportion of total government spending undertaken by central government, and the degree of autonomy of subnational government.

Box 24. Federalism in Canada

Currently, Canada is one of world’s most decentralized countries. Most public services are provided through provincial or municipal governments, including health, education, social assistance, transportation, natural resources, and police. Key federal responsibilities include defense, foreign affairs, trade, regional development, and setting national policy standards.

Judicial interpretation of the constitution has traditionally tended to favor the provinces. However, the federal government significantly increased its powers during the 1960s by establishing and funding national social programs. The trend since then has been an expansion of provincial powers. One of the outcomes of the 1994 Program Review was the reduction in federal fiscal transfers to the provinces, with the consequence that federal influence over the provinces was significantly reduced.
Politically Neutral, Permanent, Senior Administrative Positions

When the majority of senior public official positions are politicized, with consequent high levels of turnover after a change of government, it is arguably harder to sustain a reform effort. It is also probable that politicized senior post holders have less legitimacy in the eyes of their junior colleagues and consequently would find it more difficult to lead change.

Anglo-Saxon Administrative Tradition

States with a *Rechtsstaat* (legal state) tradition imbue their civil servants with a profound sense of the importance of preparing and enforcing laws to maintain the integrity and continuity of the state. This is in distinct contrast to the Anglo-Saxon “public interest” tradition, which sees civil servants as employees more or less like any other, except that their employer happens to be the state. The consequence of this distinction is that civil servants in the *Rechtsstaat*-tradition states are justified in resisting rapid changes, because preserving the existing procedures and institutions is a key (and legitimate) concern.

The position of civil servants in the Germanic state tradition confers upon them an additional sense that service to the state, rather than specific levels of efficient management, is the basis of their rewards. In consequence, performance-related pay and many other outputs-based aspects of the new public management do not fit well with this tradition. The equivalence between citizens and consumers is a particularly difficult concept in the Germanic tradition. However, this position may be changing, given the recent strong focus on staff motivation and citizen orientation in recent reforms to modernize public agencies in Germany.

Decentralization is compatible with this tradition, however. Even nominally centralized countries with a Germanic tradition, such as the Netherlands, have engaged in significant efforts at decentralization.

The traditional Scandinavian state tradition is less concerned with formal legal processes, but the strong bias in favor of state action runs counter to privatization and deregulation policies. Even when there has been a retreat of the state and some apparent privatization, the supporting rhetoric was primarily that of modernization rather than the terms more common in other settings. Scandinavian governments have adopted individualized pay systems quite widely.

Again, decentralization is fully compatible with the Scandinavian state tradition. There is a strong history of local autonomy that is being reinforced by political changes of the 1980s and 1990s. Additionally, within the central administration, the Scandinavian pattern has been deconcent...
trated, using boards and agencies as quasi-autonomous implementing organizations—a pattern copied, at least in part, by “Next Steps” reforms in other countries. In addition, empowerment of the lower echelons of the public service (and of their clients) is compatible with the democratic and participatory ethos embedded in this tradition.

There is great variation among countries with a Napoleonic tradition. France has displayed a keen interest in administrative reform, and this has been accepted by bureaucratic elites—provided they remain in control of it. *La réforme administrative* is now a major theme of French public administration, as is *la gestion publique/le management public*. This tradition appears, on paper, hostile to political decentralization. However, there have been significant and successful decentralization efforts in many countries within this tradition. Greece is a prominent exception.

---

**Box 25. The Civil Service and the German Administrative Tradition**

In Germany, there is a very clear and formal distinction between civil servants (*Beamte*), who exercise public authority or state powers (about 40 percent of public employees), and the remaining state employees (*Angestellte*), who are subject to private sector labor laws. Civil servants are regarded as agents of the state and are accountable under public law. Non-civil servants are regarded as simply performing a profession in the public sector of the economy or within the public services funded by the state budget.

The core elements of the German civil service are relatively uniform for public servants at all levels of government, with the term *public servant* (*Verwaltungsmitarbeiter*) being used as a generic term to include *Beamte* as well as *Angestellte* and public workers (*Arbeiter*). Unlike other federal states, such as Canada and the United States, Germany has a single civil service. This is justified by the need to avoid destructive competition between vertical administrative levels as well as between Länder or local authorities.

The prevailing philosophy of the civil service is enshrined in the German Constitution, which “reserv[es] to civil servants the right to act on behalf of the state” (article 33, paragraph 4, Basic Law) and emphasizes the traditional principles of the professional civil service (article 33, paragraph 5, Basic Law). Although there is no clearly defined specification of the traditional characteristics of the professional civil service, some features are widely seen as typical, such as lifetime occupation, an appropriate salary according to the “maintenance” principle (*Alimentationsprinzip*), impartiality, political neutrality and moderation, dedication to public service, no right to strike, and acceptance of special disciplinary regulations.
Several types of reform that were antithetical to the Germanic tradition appear to be acceptable within the Napoleonic tradition. For example, performance-related pay is compatible with the established pattern of differential rewards for public employees in France and Belgium.

The Anglo-Saxon state tradition is peculiarly compatible with recent reform efforts. There are just two areas where there is some resistance to change. First, notions of citizen empowerment sit a little awkwardly within this culture. Second, because this state tradition is the most suspicious of government and of its own civil service, attempts to grant greater power to lower-level civil servants are likely to be unpopular. Governments in this tradition are regarded as something of a necessary evil that must be held to account at all times. Enforcing the law is implicit rather than explicit as a principle in the work of civil servants.

**Limited trade union membership in the public sector**

Extensive trade union membership in the public sector makes substantial resistance to reform more probable. This is not to argue that trade unions are intrinsically obstructive or could not (or should not) be fundamentally involved in reform design. Reforming governments in the United Kingdom and New Zealand have signed quality partnership agreements with large public sector trade unions. These partnerships commit both sides to continuing innovation in management and service delivery. This kind of partnership has a long history in the Nordic countries, Germany, the Netherlands, Ireland, Australia, and, since the election of a democratic government, South Africa.

**Notes**

1. Some of the insights in this appendix draw from Pollitt and Bouckaert (2000). The authors of this paper have altered some interpretations.
Appendix E
Glossary

(Italicized words or phrases are further defined elsewhere in the glossary.)

Administrative corruption The intentional imposition of distortions in the implementation of existing laws, rules, and regulations to provide advantages to either state or nonstate actors as a result of illegal transfers or redirection of private funds to public officials.

Administrative decentralization Redistribution of any or all of authority, responsibility, and financial resources for providing public services. It is the transfer of responsibility for planning, financing, and managing certain public functions from the central government and its agencies to field units, subordinate units, or lower levels of government, semi-autonomous public authorities or corporations, or regional or functional authorities. Administrative decentralization has three major forms: deconcentration, delegation, and devolution. (See http://www1.worldbank.org/publicsector/decentralization/.)

Allowances Current rewards other than base pay. These can be provided as part of the employment contract (for example, transportation, housing, meals, telephone, travel, cost of living), or on a noncontractual basis, or as intangible rewards (for example, trips abroad or training). (See http://www1.worldbank.org/publicsector/civilservice/agency.htm.)

Armed forces (as employment category) All enlisted personnel (including conscripts) and professional military. Administrative employees of the ministry of defense are generally excluded from this category and accounted for as civilian central government employees. (See http://www1.worldbank.org/publicsector/civilservice/cross.htm#1.)

Base pay The salary or wages that every civil servant receives regularly (usually fortnightly or monthly) from the government by virtue of
being on the payroll. Base pay is usually linked to the employee’s posi-
tion and is uniform across similar positions. The base wage is often cited
to compare wages in the public and private sectors. It is, however, only
one component of civil servants’ total rewards.
(See http://www1.worldbank.org/publicsector/civilservice/agency.htm.)

Central agencies Those organizations in the executive branch that
coordinate the activities of, and provide guidance to, the operating min-
istries and agencies. Terminology varies widely from country to country,
but central agencies are generally regarded as including
• The ministry of finance
• The cabinet office/chancellery/apparat or the ministry assisting the
  prime minister or the council of ministers in the development and
  coordination of policy
• The ministry or agency responsible for developing and coordinating
  policies in relation to human resource management within the public
  sector
• The ministry of foreign affairs, in certain areas of work such as policy
  on European integration.
(See http://www1.worldbank.org/publicsector/civilservice centerX.htm#2a.)

Central government wage bill The sum of base wages and salaries paid
to civilian central government and the armed forces. Wages and salaries consist
of most payments in cash, but not in kind, to employees in return for ser-
vices rendered, before any deductions for taxes and employee pension con-
tributions. Monetary allowances (for example, for housing or transportation)
are included in the wage bill. Countries vary as to whether state contribu-
tions to pensions or all monetary allowances are included within this total.
(See http://www1.worldbank.org/publicsector/civilservice/cross.htm#3.)

Charters Statements of service targets published by service-providing
agencies that set standards for the agency and can define compensation
to be provided to the public if they are not achieved. These are known by
such names as Citizens’ Charters (United Kingdom) or Public Service
Charters (Republic of Korea).

Civil service (as employment category) Distinctive employment sta-
tus for some public servants, generally defined by law and usually with
four characteristics:
1. Civil servants are appointed by decision of an authorized public insti-
tution in accordance with the civil service law. A decision by a repre-
sentative of the state to appoint a civil servant must conform to estab-
lished rules that structure the hiring process.
2. Once a civil servant has been appointed, there are many constraints on dismissal, because civil servants are not simply employees of the state, they also have a constitutional role. The intent of civil service legislation is to balance the requirement that these employees be responsive to the government of the day, with the parallel requirement that they respect and maintain state institutions over time. In other words, additional job security is provided to prevent short-term political pressures from leading to inappropriate personnel changes.

3. There are more constraints on the actions of civil servants than on other groups. Again, this is because of the strategic and constitutional role of civil servants.

4. Civil servants are part of the employment categories of *civilian central government* or *subnational government*.

There are other employment arrangements in the public sector that provide something akin to civil servant status. For example, the judiciary can often be employed under arrangements that provide constitutionally based constraints on dismissal, yet members of the judiciary are rarely known as civil servants.

(See http://www1.worldbank.org/publicsector/civilservice/civilservice
law.htm.)

**Civilian central government** (excluding education, health, and police) (as employment category) Employees 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, including autonomous agencies paid by central government. The exceptions are education, health, and police employees, who are accounted for in other employment categories.

Note: Accounting for these employees within one employment category, for the purposes of measuring the size and cost of the public sector, does not remove the need for some institutional separation of powers between the legislature, executive, and judiciary.

(See http://www1.worldbank.org/publicsector/civilservice/cross.htm#3.)

**Closed career systems** In closed career systems in the *civil service*, the recruitment arrangements ensure that initial entry to the civil service is generally based on a relevant university degree or academic credentials. Closed career systems allow subsequent mobility and promotion within the civil service. Overall, they are characterized by limited possibilities for *lateral entry* and a strong emphasis on career development. They are sometimes referred to as “mandarin” systems.
This is in contrast to position-based systems, where the emphasis is on selecting the best-suited candidate for each position to be filled, whether by external recruitment or via internal promotion or mobility. (See http://www1.worldbank.org/publicsector/civilservice/civilservice
law.htm.)

Compression ratio  See vertical compression ratio.

Contract-intensive money  Contract-intensive money is the proportion of the money supply that is not held in the form of currency, that is, the proportion that is held in bank accounts and as other financial assets. The percentage of contract-intensive money indicates in part how much faith investors have in the government’s ability and willingness to enforce financial contracts and refrain from expropriating financial assets. It is a measure of trust in banks and in the government. Contract-intensive money is calculated as one minus the ratio of currency outside banks to the sum of money and quasi-money (one minus line 14a divided by the sum of lines 34 and 35 in the International Financial Statistics published by the IMF).

\[
CIM = 1 - \frac{\text{Currency outside banks}}{\text{Money + quasi-money}}
\]

Contracting out  Government transfers supply or operation of a function to a contractor for a specified period of time, but without relinquishing program responsibility or accountability.

Decentralization  The transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations or the private sector. This covers a broad range of concepts relating to the type of decentralization—political, administrative, fiscal, or market. (See http://www1.worldbank.org/publicsector/decentralization/.)

Deconcentration  A form of administrative decentralization. The redistribution of decisionmaking, financial, and management responsibilities among different levels of the central government is often considered the weakest form of administrative decentralization, and it is used most frequently in unitary states. Within this category, however, policies and opportunities for local input vary: Deconcentration can merely shift responsibilities from central government officials in the capital city to
those working in regions, provinces, or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries.
(See http://www1.worldbank.org/publicsector/decentralization/.)

**Degree of centralization** The percentage of *total public employment* accounted for at the national or federal level, the proportion of total government spending that is undertaken by central government, and the degree of autonomy of *subnational government.*
(See http://www1.worldbank.org/publicsector/decentralization/.)

**Delegation** (as *administrative decentralization*) Transfer of responsibility for decisionmaking and administration of public functions to semiautonomous organizations.
(See http://www1.worldbank.org/publicsector/decentralization/.)

**Devolution** The transfer of authority for decisionmaking, finance, and management to local government. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographic boundaries over which they exercise authority and within which they perform public functions.
(See http://www1.worldbank.org/publicsector/decentralization/.)

**Education employees** (as employment category) Primary and secondary public school teachers. Administrative employees of the ministry of education and local school administrators are generally excluded from this category and accounted for as *civilian central government* employees.
(See http://www1.worldbank.org/publicsector/civilservice/cross.htm#1.)

**Efficiency and effectiveness review** A discrete approach for developing recommendations for change outside the usual budget and planning cycle.

**Fiscal decentralization** Fiscal decentralization can take many forms, including
- Self-financing or cost recovery through user charges
- Cofinancing or coproduction, in which users or suppliers participate in providing services and infrastructure through monetary or labor contributions
- Expansion of local revenues through property or sales taxes or indirect charges
• Intergovernmental transfers of general revenues from taxes collected by the central government to local governments for general or specific uses
• Authorization of municipal borrowing and mobilization of national or local government resources through loan guarantees.
(See http://www1.worldbank.org/publicsector/decentralization/.)

Fiscal weight of public employment  The public sector wage bill as a percentage of GDP.

Functional review  A form of efficiency and effectiveness review that examines the functions and structures of state agencies or budget entities and asks whether the functions need to be done at all, whether other agencies or actors could do them more efficiently or effectively, and what the consequences are for structure.

GDP per capita based on purchasing power parity (PPP) (current international $)  GDP converted to international dollars using PPP rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. Data are in current international dollars. For more information, see World Development Indicators, table 1.1.

General government  (as an employment category)  Employment in “all government departments offices, organizations and other bodies which are agencies or instruments of the central or local authorities whether accounted for or financed in, ordinary or extraordinary budgets or extra-budgetary funds. They are not solely engaged in administration but also in defense and public order, in the promotion of economic growth and in the provision of education, health, cultural and social services” (International Standard of Industrial Classification (ISIC) of All Economic Activities, Series M, No. 4, Rev. 3, 1990). There are six mutually exclusive categories of employment within general government:
1. Armed forces
2. Civilian central government (excluding education, health, and police)
3. Subnational government (excluding education, health, and police)
4. Health employees
5. Education employees
6. Police.
(See http://www1.worldbank.org/publicsector/civilservice/cross.htm#1.)
Government  In most parliamentary and semipresidential systems, this term refers to the entire executive branch of the state, or to the members of governments (usually termed “ministers” but occasionally called “secretaries”) selected by the legislature or appointed by the head of government to run the executive branch.

In the United States, the term “government” is used in a variety of ways. It can refer to the entire executive branch of the federal government, to the federal government generally, and sometimes to federal, state, and local governments combined.

Health employees (as employment category)  Medical and paramedical staff (doctors, nurses, and midwives) and laboratory technicians employed in government hospitals and other government health institutions at all levels of government. Administrative employees working in the health sector are generally excluded from this category and accounted for as civilian central government employees. (See http://www1.worldbank.org/publicsector/civilservice/cross.htm#1.)

Heterogeneous public sector environments  Public sector environments that allow a large number of different organizational forms to emerge. Horizontally, this heterogeneity is more likely in presidential regimes where large numbers of special-purpose bodies have been created by legislatures. Vertically, significant decentralization is often considered to produce provincial and state governments that act as test laboratories for larger public sector reforms.

Horizontal compression  The degree to which earnings differ for officials at the same grade or level in the same or in different agencies. It is the ratio by which the total remuneration of a civil servant can differ from that of a colleague at the same level of seniority, as a consequence of discretionary allowances. Horizontal compression is measured by dividing total monetary compensation, including all discretionary allowances, by base compensation. (See http://www1.worldbank.org/publicsector/civilservice/agency.htm.)

Hybrid appointments  Appointments made subject to merit, defined by meeting explicit and contestable criteria, as well as by subjective political judgments. (See http://www1.worldbank.org/publicsector/civilservice/recruitment.htm#7.)

Information-intensive reform activities  Reforms that require a stronger and more developed information systems infrastructure.
In-kind benefits Nonmonetary rewards such as health insurance, transportation, housing, meals, and travel. (See http://www1.worldbank.org/publicsector/civilservice/agency.htm.)

Institutional malleability The ease with which the state institutions can be changed, as reflected in the following four factors:
1. High degree of political centralization
2. Politically neutral, permanent senior administrative positions
3. Anglo-Saxon administrative tradition
4. Limited trade union membership in the public sector.

It is important to emphasize that these are not “virtues.” They are simply distinctive arrangements that give reformers a stronger grip on the public sector.

Integrated mandarin/ministerial careers Career paths in which senior civil servants frequently become ministers at some point in their careers.

Labor force The total labor force comprises people who meet the International Labour Organisation definition of the economically active population: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed. Although national practices vary in the treatment of such groups as the armed forces and seasonal or part-time workers, in general, the labor force includes the armed forces, the unemployed, and first-time job seekers, but excludes homemakers and other unpaid caregivers and workers in the informal sector. For more information, see World Development Indicators, table 2.2.

Lateral entry Entrance to the civil service by external recruitment or otherwise than through promotion or transfer from within the service. Arrangements for lateral entry are generally most widespread in position-based systems, where the emphasis is on selecting the best-suited candidate for each position to be filled, whether by external recruitment or via internal promotion or mobility. (See http://www1.worldbank.org/publicsector/civilservice/civilservice law.htm.)

Locally initiated reforms Locally initiated reforms start from the premise that participation at the local community level can be a powerful point of entry to broader reforms. These reforms assume that without some purposeful destabilization of existing dysfunctional public sector equilibria (for example, by providing local communities with a greater voice in the production of local public services), there will be no change.
This approach to reform notes that many donor-supported “whole of government” reforms have been unsuccessful in many countries.

Locally initiated reforms can be seen in distinction from “whole of government” reforms, but often reform programs contain elements of both. (See http://www1.worldbank.org/publicsector/civilservice/strategies.htm.)

**Machinery of government**  Primarily an Anglo-Commonwealth phrase, though it also has some resonance in other settings. It generally refers to the organizational structure of the executive (including the reporting lines and accountability arrangements for departments, ministries, and other organizational units) and the allocation of functions to those organizations. In the United States, its meaning is more political. (See http://www1.worldbank.org/publicsector/civilservice/machinery.htm.)

**Majoritarian governments**  Governments that have a form of representation that affords political power on the basis of a simple majority.

**New public management (NPM)**  This is a slippery label. Generally, it is used to describe a management culture that emphasizes the centrality of the citizen or customer, as well as accountability for results. It also suggests structural or organizational choices that promote decentralized control through a wide variety of alternative service delivery mechanisms, including quasi-markets with public and private service providers competing for resources from policymakers and donors. NPM tends to include a greater reliance on contracts and contracting out, and it places more emphasis on managerialism than formal rules and procedural standards, while de-emphasizing a career civil service. NPM does not claim that government should stop performing certain tasks, although it often is associated with this policy perspective. NPM is not about whether tasks should be undertaken or not—it is about getting things done better. (See http://www1.worldbank.org/publicsector/civilservice/debate1.htm.)

**Performance budgeting**  This is a widely used, but poorly defined, term. There are few examples of mechanical connections between measures of performance and budget allocations. A performance orientation is generally achieved by the greater dissemination of performance monitoring data alongside the published budget.

**Performance management**  Generally understood to be the management of the performance of government organizations as a whole, their chief executives, and their staff.
**Personal disposable income**  *Personal emoluments* minus any employer deductions such as those for income tax, provident fund or pension contributions, and so forth. (See http://www1.worldbank.org/publicsector/civilservice/agency.htm.)

**Personal emoluments**  *Base pay* plus monetary *allowances* such as transportation, housing, meals, telephone, travel, and cost of living. (See http://www1.worldbank.org/publicsector/civilservice/agency.htm.)

**Police** (as employment category)  All personnel—whether military, paramilitary, or civilian—that exercise police functions, including such corps as gendarmerie and carabinieri.

**Political decentralization**  Political decentralization aims to give citizens and their elected representatives more power in local public decisionmaking. It is often associated with pluralistic politics and representative government, and it can also support democratization by giving citizens or their representatives more influence in formulating and implementing policies.

Advocates of political decentralization assume that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made by only national political authorities. The concept implies that the selection of representatives from local electoral jurisdictions allows citizens to better know their political representatives and allows elected officials to better know the needs and desires of their constituents.

Political decentralization often requires constitutional or statutory reforms, development of pluralistic political parties, strengthening of legislatures, creation of local political units, and encouragement of effective public interest groups. (See http://www1.worldbank.org/publicsector/decentralization/.)

**Position-based systems**  Position-based career systems in the *civil service* place emphasize selecting the best-suited candidate for each position to be filled, whether by external recruitment or via internal promotion or mobility. Position-based systems are characterized by relatively open access to positions at all levels, with *lateral entry* relatively common.

This is in contrast to *closed career systems* in the civil service, where the recruitment arrangements ensure that initial entry to the civil service is usually based on a relevant university degree or academic credentials. In those systems, appointments tend to be from promotion within the civil service. These are sometimes referred to as “mandarin” systems. (See http://www1.worldbank.org/publicsector/civilservice/civilservice law.htm.)
Privatization  Shifting functions, in whole or part, from government to the private sector when there is no continuing public policy reason to retain responsibility within government, or when that responsibility can be discharged through regulation.

Program review  An efficiency and effectiveness review that envisages comprehensive policy reforms, shifting from low- to high-priority programs, including large-scale restructuring of the machinery of government.

Public interest civil service tradition  See Rechtsstaat civil service tradition.

Public servants  A wider group of employees than civil servants. For example, teachers and doctors in publicly owned schools and health facilities may or may not be legally civil servants, but they are always public servants if employed by budget-funded organizations.

Rechtsstaat civil service tradition  A civil service ethos that provides civil servants with a profound sense of the importance of preparing and enforcing laws to maintain the integrity and continuity of the state. This is in distinct contrast to the Anglo-Saxon “public interest” tradition that sees civil servants as restraining the partisan actions of politicians on behalf of the public.

Reform leverage  The arrangements that provide central agencies and reform drivers with a distinctive capability to introduce changes in the public sector:
• Tradition of a single, strong central agency
• Tradition of single-party majority
• Tradition of integrated mandarin/ministerial careers
• Tradition of heterogeneity in the public sector.

Reform outcomes  The eventual impact of a reform on service delivery, accountability improvements, and aggregate expenditure.

Reformer’s traction  The combination of leverage and institutional malleability available to reformers. It is important to emphasize that this is not a “virtue.” It is simply a distinctive arrangement that gives reformers a stronger grip on the public sector.
Semiautonomous agencies  Semiautonomous agencies can be organizations responsible for executing government programs, reporting to ministries or to members of government under the day-to-day supervision of a ministry. The relevant minister or secretary generally defines their objectives, and their funding sources can include some revenue earnings. They are given some form of managerial autonomy and are often staffed with public employees whose status, employment conditions, or both differ from general employment rules. Most function under public law (when relevant).

Semiautonomous agencies can also be statutory commissions, independent regulators, or other bodies with a separate legislative existence. Their objectives are often enshrined in a charter, and their functions are defined by legislation in addition to any powers of direction held by the minister or secretary. They may be non–asset owning (legally distinct but unable to own assets) or asset owning. They can be budget dependent (subvented) or collect significant revenue earnings. They also may have legal competence to enter into contractual relationships. Such bodies tend to be established for regulatory purposes, although in some presidential systems, they can also be service providers. (See http://www1.worldbank.org/publicsector/civilservice/autonomous.htm.)

Senior civil service  See senior executive service.

Senior executive service  In many countries, a group of senior public servants is identified as a senior executive service. This is a mobile cadre of senior executives with broad management expertise and an overview of public sector values and responsibilities. The purpose of the senior executive service is to prevent the management of individual departments from becoming “ingrown” and to promote policy coordination between departments. Examples include Australia, the United States, the Netherlands, and the Republic of Korea, and it was attempted in New Zealand. In the United Kingdom and Hungary, it is known as the senior civil service.

State capture  The actions of individuals, groups, or firms, in both the public and private sectors, to influence the formation of laws, regulations, decrees, and other government policies to their own advantage as a result of the illegal transfer or concentration of private benefits to public officials.

State-owned enterprise employees  Employees of enterprises that are majority owned by government.
Statutory commissions and independent regulators  

Semiautonomous agencies can be statutory commissions or independent regulators when they have a well-defined separate legislative existence. Their objectives are often enshrined in a charter, and their functions are defined by legislation in addition to any powers of direction held by the relevant minister. They may also be non–asset owning (legally distinct but unable to own assets) or asset owning. They can be budget dependent (subvented) or collect significant revenue earnings. They can also have legal competence to enter into contractual relationships.

(See http://www1.worldbank.org/publicsector/civilservice/autonomous.htm.)

Subnational government (excluding education, health, and police) (as employment category) All general government employees who are not members of the armed forces or directly funded by the central government. This includes municipalities, as well as regional, provincial, or state (in federal systems) employment. The distinction between central and subnational government employment categories is budgetary, not geographic. If central government agencies are geographically dispersed, without changing their ultimate sources of finance, then the staff in those agencies are included in the employment category civilian central government.

(See http://www1.worldbank.org/publicsector/civilservice/cross.htm#1.)

Subsidiarity  

Decentralizing the provision of public service to the lowest level of government where it can be properly carried out.

(See http://www1.worldbank.org/publicsector/decentralization/.)

Supervised bodies or executing agencies  

A form of semiautonomous body that is responsible for executing government programs, reporting to ministries (or reporting to members of government—ministers or secretaries—under the day-to-day supervision of a ministry). The relevant minister or secretary generally defines their objectives, and their funding sources can include some revenue earnings. They are given some form of managerial autonomy and are most often staffed with public servants whose status, employment conditions, or both differ from general employment rules. Most function under public law (when relevant).

(See http://www1.worldbank.org/publicsector/civilservice/autonomous.htm.)

Total civilian central government (as employment category)  

All general government employees who are not members of the armed forces or directly funded by subnational government. The distinction between central and subnational government employment categories is budgetary, not geographic.
Total compensation  Personal emoluments plus in-kind benefits and allowances such as health insurance, transportation, meals, or travel.
(See http://www1.worldbank.org/publicsector/civilservice/agency.htm.)

Total public employment  State-owned enterprise employees plus general government.
(See http://www1.worldbank.org/publicsector/civilservice/cross.htm#1.)

Total rewards  Total compensation plus noncontractual or intangible rewards and allowances such as job security, prestige, social privileges, and future expectations (for example, pension or anticipated housing or land grants).
(See http://www1.worldbank.org/publicsector/civilservice/agency.htm.)

Vertical compression ratio  The ratio of the highest salary to the lowest on the central government’s main salary scale. The OECD measures wage compression in its member countries as the mean of ninth decile salaries divided by the mean of first decile salaries. The OECD’s approach ensures that only a few salaries will not dramatically skew the compression ratio. However, all compression ratio approaches can be misleading if there are significant monetary allowances not captured in the calculations, or if the perceived value of nonmonetary rewards represents a significant proportion of total rewards.
(See http://www1.worldbank.org/publicsector/civilservice/agency.htm.)

“Whole of government” reforms  The design of “whole of government” reforms focuses on civil service restructuring and budget reforms, emphasizing the vertical integration of public bureaucracies (with central controls and the overarching discipline of a unified budget) that prevents local elites from capturing policy and discouraging patronage or public salaries in excess of the market rate. These reforms are also concerned with the risk that public bodies will start quasi-fiscal activities (for example, fee-based services, special concessions to certain groups) that serve the same role as taxes and subsidies and exceed the original policy intention of the national government.

“Whole of government” reforms can be seen in distinction from locally initiated reforms, but often reform programs contain elements of both.
(See http://www1.worldbank.org/publicsector/civilservice/strategies.htm.)
References


REFERENCES


World Bank. Various years. World Development Indicators. Washington, D.C.
Index

accountability, 36
accounting reforms, 20
   Netherlands, 20
administrative corruption, 82, 92
administrative decentralization, 92
administrative reforms, 12n.9
advanced reforms, 19–25
   choices, 25–28
   elements of, 26
allowances, 92
Anglo-Saxon administrative tradition, 44, 45, 46n.2, 89–91
armed forces. See military
Australia
   budgeting system, 49
   cabinet office, 85
decentralization, 3, 4
efficiency improvements, 36
employment, government vs total, 3
governance, measures of, 3, 4
population and economy, 2
reform activities, 30
reform concerns, 11, 12, 7
reform experiences, 63
senior executive services, 19
traction, 44–46

base pay, 92–93
basic reforms, 16–19
basic reforms, elements of, 26

Brazil
   civil service reform, 49
decentralization, 3, 4
discipline, 47
employment, government vs total, 3
governance, measures of, 3, 4
organizational heterogeneity, 87
population and economy, 2
reform activities, 24
reform experiences, 64
reformers’ concerns, 11, 12
traction, 44–46
budget, 52
   block or frame, 20
   constraint, 32n.2
management, 16
performance information and, 18
reform, Finland, 21
cabinet office, Australia, 85
Canada
   budgeting system, 49
decentralization, 3, 4
employment, government vs total, 3
federalism, 88
governance, measures of, 3, 4
majority government, 86
population and economy, 2
INDEX

reform activities, 15
reform experiences, 65
reform management, 57
reformers’ concerns, 11, 12
traction, 44–46
Canadian Program Review, 34, 35
central agency, 84, 93
capacity, Russian Federation, 55–56
Finland, 84
central government wage bill, 93
centralization, 43–44, 88
degree of, 96
charters, 93
checks and balances, 28
cheese slicing, 32n.2
Chile
decentralization, 3, 4
employment, government vs total, 3
governance, measures of, 3, 4
population and economy, 2
reform activities, 29
reform experiences, 66
reformers’ concerns, 11, 12
traction, 44–46
China
decentralization, 3, 4
employment, government vs total, 3
governance, measures of, 3, 4
population and economy, 2
reform activities, 14
reform experiences, 67
reformers’ concerns, 11, 12
traction, 44–46
civil servants, 86
Russian Federation, 54, 60n.1, 60n.2, 61n.3, 61n.4
civil service, 8–9, 36, 93–94
legislation, 32n.3
managers, 52
New Zealand, 22
personnel management, 17–18, 20–22, 49–50
civilian central government, 94
closed career systems, 94–95
coherece of reforms, 28–29
compression ratio, 95
confidence, public and private, 9–10
contracts and contracting out, 95
core functions, 24
enforcement, 37
public sector, United Kingdom, 27
contract-intensive money, 95
contractualization, 28
corruption, 9–10, 80
perceived, 81, 82
country comparisons
decentralization, 3, 4
employment, government vs total, 3
governance, measures of, 3, 4
population and economy, 2
reform activities, 11, 12
traction, 44–46
country reform experiences, 62–76
daylighting, 60n.2, 80
decentralization, 3, 4, 50, 95
Poland, 25
Scandinavia, 89
deconcentration, 95–96
delegation, 96
deregulation, 24
devolution, 96
discipline, 16–19, 47
education employees, 96
efficiency and effectiveness review, 96
efficiency improvements, 36
Australia, 36
elderly population, 7
employment
aggregate, 77
contracts and tenure, 79–80
government vs total, 3
executive agencies, 38, 104
organizational structure, 23, 50–51
senior service, 52
expectations, 81

federalism, Canada, 88
Finland
budget reform, 21
budgeting system, 48–49
civil service reform, 50
contracts, 50
decentralization, 3, 4
employment, government vs total, 3
governance, measures of, 3, 4
government role, 51
population and economy, 2
reform experiences, 68
reformers’ concerns, 11, 12
traction, 44–46

Fiscal decentralization, 96–97
Fiscal weight of public employment, 97
France, administrative tradition, 90
freedom of information, 28
functional reviews, 58, 97

GDP per capita based on purchasing power parity (PPP), 97
general government, 97
Germany
administrative tradition, 89–91
budgeting system, 49
civil service, 90
decentralization, 3, 4
employment, government vs total, 3
governance, measures of, 3, 4
government role, 51
population and economy, 2
reformers’ concerns, 11, 12
reform experiences, 69
traction, 44–46
glossary, 92–106
governance, dimensions of, 3, 4
government, 98
employees, 77
employer, 8–9, 80–81
role and policy load, 23, 51
GPRA, 18, 49

health employees, 98
heterogeneous public sector environments, 98
high-traction countries, 47
horizontal compression, 83n.3, 98
Hungary
civil service reform, 49
decentralization, 3, 4
decentralization, 51
employment, government vs total, 3
governance, measures of, 3, 4
population and economy, 2
reform experiences, 70
senior executive services, 19
traction, 44–46
hybrid appointments, 98

independent regulators, 104
information-intensive reform activities, 98
in-kind benefits, 99
institutional malleability, 43–44, 88–89, 99
integrated mandarin/ministerial careers, 86, 99
Korea, Republic of, 74
  civil service reform, 49–50
decentralization, 3, 4
discipline, 47
employment, government vs total, 3
governance, measures of, 3, 4
government role, 51
population and economy, 2
reform management, 56
reformers’ concerns, 11, 12
traction, 44–46

labor force, 99
lateral entry, 99
law-making, and implementation, 10
lean state exercise, Germany, 34
leverage, 59, 84–87, 102
  points of, 42–43
locally initiated reforms, 99–100
losses, unintended, 33–34
low-traction reformers, 47–53
  basic reforms, 51–53
countries, 47

machinery of government, 15, 32n.1, 100
majoritarian governments, 85, 100
majority government, Canada, 86
malleability, 43
managed expectations, Russian Federation, 54–55
mandarin/ministerial careers, 86, 99
merit, 8
  principle, 17–18
  protection, Russian Federation, 55
military, 39, 64, 78, 92
  spending, 78
ministries, number of, 25, 27

Netherlands, 71
  accounting reforms, 20
  budgeting system, 49
civil service reform, 50
decentralization, 3, 4
employment, government vs total, 3
executive reform, 50
governance, measures of, 3, 4
population and economy, 2
reformers’ concerns, 11, 12
traction, 44–46
unintended consequences, 40
new public management (NPM), 13, 27, 38, 100

New Zealand, 72
  budgeting system, 49
civil service, 22
decentralization, 3, 4
employment, government vs total, 3
governance, measures of, 3, 4
population and economy, 2
reformers’ concerns, 11, 12
reform management, 56
reforms, 34
senior executive services, 19
traction, 44–46

operational inefficiency, 82
opportunism, 52
opportunities, 52
  creating, 58–59
Russian Federation, 56–58
organizational heterogeneity, Brazil, 87
outcomes, 33–34, 39, 102
output-based budgeting, 17
patronage, 8, 78–79
patterns of reform, 44–46
performance-based budgeting, 17, 100
performance-based pay, 36
performance improvement fund, 58
performance information, and
budget, 18
performance management, 100
performance-related pay, 23
personal disposable income, 101
personal emoluments, 101
personnel management, 16
Poland, 73
civil service reform, 49
decentralization, 3, 4, 25, 50, 51
discipline, 47
employment, government vs
total, 3
governance, measures of, 3, 4
government role, 51
population and economy, 2
reformers’ concerns, 11, 12
traction, 44–46
police, 3, 22, 88, 101, 104
policies, implementation, 7–8,
78–81
policy responsiveness and flexibili-
ity, 7–8, 36
political appointees, 23
political decentralization, 101
political economy, country-specific,
41
population, economy and, 2
position-based systems, 101
private sector confidence, 81
privatization, 23–24, 102
program review, 102
Canada, 34, 35
promises, 57
public expenditure
management reforms, 48–49
reduction, 6–7, 77, 34–35
public goods, users of, 38–39
public interest civil service tradi-
tion, 102
public sector
certainty, 81
contractual arrangements,
United Kingdom, 27
employees, 77
heterogeneity, 86–87
reform, 13–15
trade unions, 91
wages bill, 77–78
public servants, 102
public service, 9–10
realism, Russian Federation, 54–55
Rechtsstaat civil service tradition,
89, 102
recruitment growth, 78
reform activities
Australia, 30
Chile, 29
explaining, 41–46
level of, 29–31
model, 42
reform leverage. See leverage
reform management
Canada, 57
Korea, 56
New Zealand, 56
reformer’s traction. See traction
reform outcomes, 33–34, 102
United Kingdom, 39
reformers’ concerns, 6, 10–12, 77–83
remuneration, Russian Federation,
55, 60n.2, 61n.3
respect, 81
reviews, functional, 58, 97
rewards structure, Russian
Federation, 54–55, 60n.2
Russia, reformers in context, 59
Russian Federation, implications
for, 54–61
Scandinavia, administrative tradi-
tion, 89
INDEX

semiautonomous agencies, 27–28, 34, 103
senior administrative positions, 89
senior civil service, 103
senior executive service, 19, 103
seniority, 22
service delivery, 9–10, 81–82
  poor, 82
single-party majority, 85–86
sociodemographics, 7
standards of conduct, 40n.4
state capture, 10, 82, 103
state-owned enterprise employees, 103
statutory commissions, 104
subnational government, 22, 104
subsidiarity, 23, 104
supervised bodies, 104
tenure, 22
tolerance, 57–58
total civilian central government, 104
total compensation, 105
total public employment, 105
total rewards, 105
traction, 44–46, 102
  Russian Federation, 55–56
trade unions, 44
  public sector, 91
unintended consequences, 37–40
  Netherlands, 40
United Kingdom, 75
  budgeting system, 49
  contractual arrangements in the public sector, 27
decentralization, 3, 4
employment, government vs total, 3
governance, measures of, 3, 4
population and economy, 2
reformers’ concerns, 11, 12

reform outcomes, 39
traction, 44–46
United States, 76
  budgeting system, 49
decentralization, 3, 4
employment, government vs total, 3
governance, measures of, 3, 4
government role, 51
performance information, and budget, 18
population and economy, 2
reformers’ concerns, 11, 12
traction, 44–46
vertical compression, 83n.2, 105
wages, 77–78, 80–81, 83n.1, 83n.2, 83n.3
whole of government reforms, 105–106
International Public Administration Reform examines public administration reform experiences and outcomes in a range of countries over the past 10 to 15 years and offers commentary and analysis that are particularly relevant to the Russian Federation.

The result of a request from the Russian Federation authorities for comparable experiences and best practices, this book analyzes the public administration reform experiences of 14 countries: Australia, Brazil, Canada, Chile, China, Finland, Germany, Hungary, the Netherlands, New Zealand, Poland, the Republic of Korea, the United Kingdom, and the United States. For each country, the case study starts with “what was broken” and moves on to assess what reformers actually did, what they achieved, and why reformers faced with similar problems in different countries did very different things.

The authors discover that the level and type of reform activity was determined primarily by the degree of “traction”—or leverage—available to reformers in each country and the malleability of basic public sector institutions. In some countries reformers with considerable leverage were able to launch comprehensive reform programs relatively quickly. In countries with low traction and comparatively complex constitutional arrangements for the structure of the public sector, implementing public administration reform was particularly difficult.

Finally, the authors identify a number of practical suggestions for implementing public administration reform. These will be helpful particularly for policymakers and reformers in low-traction countries, such as those in the Russian Federation, but also for reformers in other countries engaged in public administration reform.