

Why Civil Service Reform in an Inevitable Choice in times of crisis

A sound, well-functioning civil service has become considered to be an essential prerequisite for the proper functioning of five policy areas: governance, the distribution of public goods and services, economic policy, fiscal policy implementation, and fiscal sustainability.

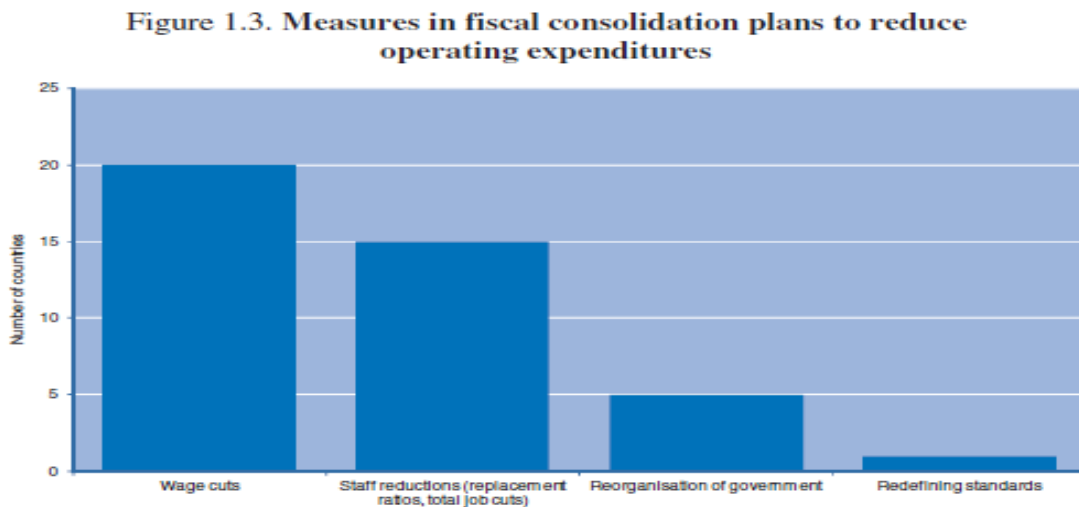
The civil service is directly linked in terms of size and efficiency to the delivery of public goods. It is directly involved in efficient and effective public expenditure management and tax administration, and is expected to restructure itself accordingly to meet medium to long term fiscal sustainability goals (Schiavo-Campo, de Tommaso, & Mukherjee, 1997, pp. v-vi). As the functioning of the civil service is funded by public budgets, its proper management is therefore linked to the safeguarding of budget revenues and to the efficient use of public funds.

Worldwide, the civil service comprises a considerable part of the total workforce, and was estimated in 2008 to stand at an average of 15% of the total workforce of OECD 32 countries alone, while reaching as high as 30% in other countries (OECD, 2011, p. 103).

Aiming to improve the quality of public services and to ensure value for money in the management of public funds, civil service reforms targeted key components such as size, wage policies and structures, and accountability (Schiavo-Campo, de Tommaso, & Mukherjee, 1997, pp. 34-35).

OECD countries chose different paths here highlighted in the graph below.

Figure 1 Measures in fiscal consolidation plans to reduce operating expenditures



Note: Some countries have announced cuts in more than one category.

Source: “OECD Fiscal Consolidation Survey 2010”, as presented in OECD (2011), “Restoring Public Finances”, special issue of the *OECD Journal on Budgeting*, 2011/2, OECD Publishing, Paris.

1 Competence and Financial Viability

This essential management-focused approach to civil service reform was complemented by another that emphasizes the importance of people, and hence, of leadership, in accompanying change. As Kramer (2002) points out, “governance is more than the machinery of public administration and more than impartial cost-benefit analysis [...] Public administrators are much more simply human than otherwise. Like the rest of us, public administrators are people, too” (p. 2). In such an approach, leading, rather than solely managing people is central to sound governance and to civil service efficiency and reform.

Key features of the management model based on personal responsibility for results are being more and more acknowledged. Effective leadership, which can be best considered as a social influence process concept (OECD, 2001, p. 11), triggers change and serves as a bridge that can overcome the setbacks of a dominantly management-oriented. As such, leadership would be grounded in an all-inclusive approach that creates a dynamic for change through the involvement of all concerned. According to Dunoon (2002), it has “to harness and integrate the knowledge and expertise of diverse people and groups, to make explicit and scrutinize underlying assumptions and to build common ground and momentum for change” (p. 4)

By integrating skills, motivating people, and fostering a culture of results, leadership leads to an overall improvement of civil service performance. The challenge is therefore to establish a competent, and sustainable civil service where skills available in society are harnessed within an overall societal affordability model.

2 MENA Region: Changing Priorities

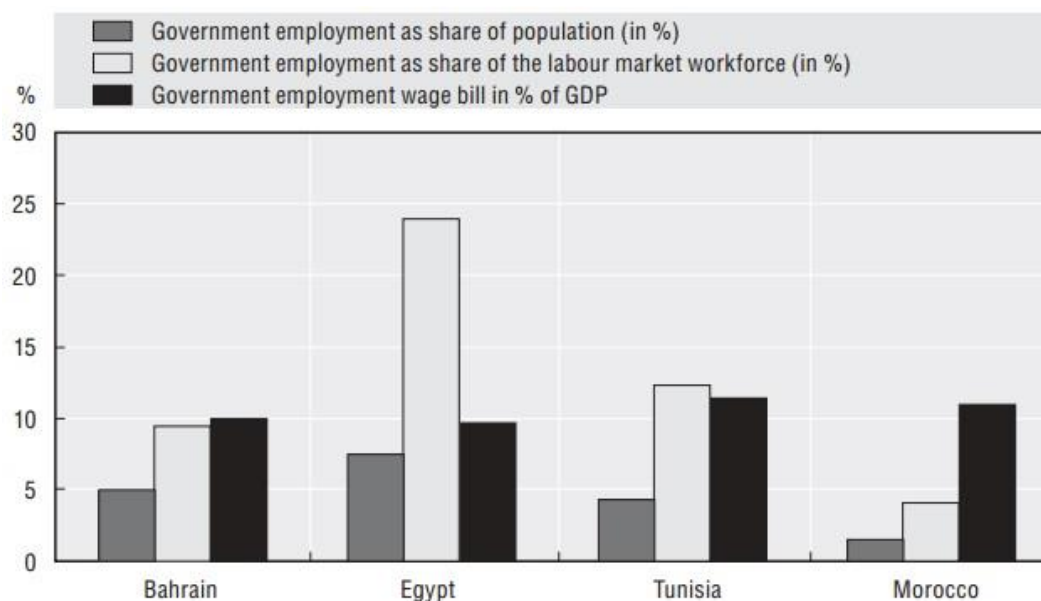
2.1 A step forward

Civil service management systems in the MENA region traditionally fall into two broad categories: Career-based and position-based systems. Career based systems, such as in Algeria, Tunis, Lebanon and Morocco, often date back from the French mandate era and involve a government structure shaped by grades, competition-based recruitment, laws, and centralized decision-making.

Position-based systems, on the other hand, involve recruitment in various other ways namely through advertisement, open recruitment, and appointment based on the matching of job profiles with the required competencies.

MENA systems are in general characterized by outsized civil service structures which were well-established by the 1960’s and 1970’s in the aim of accompanying vast state-led economic development plans. Regardless of structural differences, these systems were thought to have little performance orientation, disparaging and unfair pay scales, disproportionate staffing levels, rigid hierarchies, lack of transparency in the organizational structure of the civil service itself, and a serious shortage of training and capacity building programs (OECD, 2010, pp. 58-59).

Figure 2. Government employment in the four case study countries, 2008

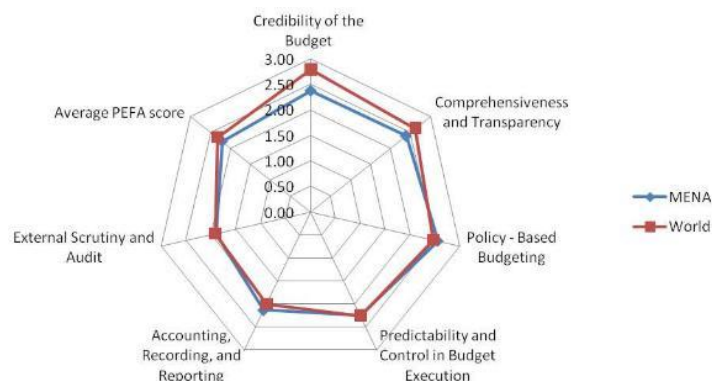


Note: Government employment in the four case study countries, 2008. From *Progress in Public Management in the Middle East and North Africa* (p.61), OECD, 2010, OECD Publishers.

While international trends moved from large-scale to smaller, more efficient governments, the situation in the MENA region had lagged behind. Moreover, high unemployment rates, political instability, and contexts of political disunity made reform in the region rather difficult (Schiavo-Campo, de Tommaso, & Mukherjee, 1997, p. 30).

Size and efficiency resulting from deficiencies in quality of recruitment, leadership, and management, affected the overall financial performance and outcomes of social, economic and financial policies. Indeed, according to the World Bank (2010), the public financial management (PFM) systems in the region were found to be, in many cases, lagging behind global PFM indicators in terms of Public Expenditure and Financial Accountability (The World Bank, 2010, p. iv), as outlined below.

Figure 3. MENA PEFA Averages Compared to Global PEFA Averages for Comparable Low Middle Income Countries

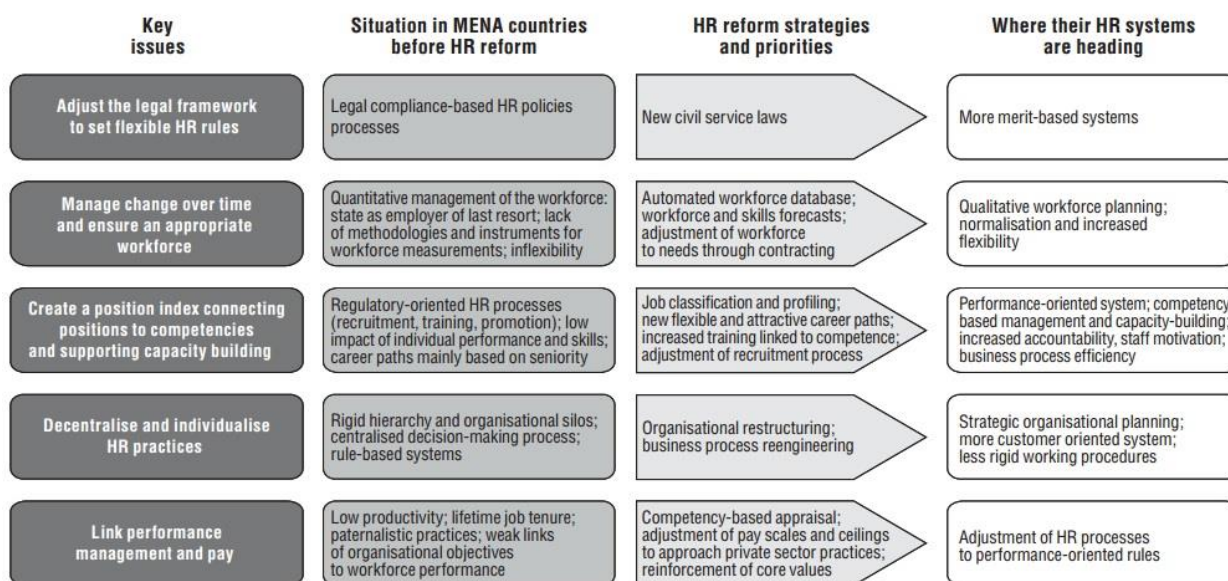


Note: MENA PEFA Averages Compared to Global PEFA Averages for Comparable Low Middle Income Countries. From *Public Financial Management Reform in the Middle East and North Africa: An Overview of Regional Experience* (p.iv), The World Bank, 2010, Washington, DC.

In an attempt to reform civil service in the MENA region, a number of programs were launched starting the early 2000's. Among which the Good Governance for Development in Arab Countries Initiative that was launched in 2005 in Jordan, by ministers and prime ministers of 18 different Arab countries, among which 7 had by 2006 defined Country Action Plans (CAP) for public sector modernization¹. The initiative, supported by the OECD, the UNDP, and carried forward by the World Bank, the Arab League, the European Union, and other international organizations, aimed at the establishment of a forum of dialogue between policy practitioners. Through the initiative, a number of Country Action Plans were delineated, targeting critical governance areas among which many directly targeted civil service reforms, such as integrity, e-government, administrative simplification, governance of public finance, and public service delivery (OECD, 2006, pp. 2-4)..

Figure 4. The main elements of HRM reform strategies in the MENA region

¹ The states include: Bahrain, Egypt, Jordan, Lebanon, Morocco, Tunisia and the UAE.



Note: The main elements of HRM reform strategies in the MENA region. From *Progress in Public Management in the Middle East and North Africa* (p.63), OECD, 2010, OECD Publishers.

Many states made strong commitments to move forward in their civil service reform agendas, including reforms pertaining to personnel management systems. Many started achieving progress in what relates to developing competency frameworks, job profiles, compensation schemes, and linking career paths to performance assessments (OECD, 2010, pp. 61-62). In Egypt, for example, job classifications were restructured and workforce planning schemes were established. In Morocco, the restructuring of job classifications was accompanied with updating of post descriptions and the aligning of capacities with technological changes and civil service missions (OECD, 2010, pp. 17-19). The revision of the civil service laws and regulatory frameworks remained a highly sensitive area to tackle in order to give proper impetus to the reforms (OECD, 2010, p. 62).

2.2 Two steps backwards

Notwithstanding what was at stake, the first reaction of governments in the post Arab spring era was to increase salaries and jobs in the public sector as a short-term response to social discontent. The government of Egypt announced a 15% increase to the base wage of all civil servants (estimated at 5.8 million employees) and incentives schemes for the lowest-paid government employees (around 1.9 million people, working mostly in municipalities). Tunisia's transitional government also announced an employment plan, which included the creation of 20,000 jobs in the public sector².

Although such measures might be considered helpful in mitigating unemployment on the short term, and appeasing social discontent, they certainly are dangerous on the long term and may bring substantial damage to civil service; in addition to increasing pressure on already strained public budgets.

In a context of increasing budget deficits, such policies were bound to bring large financial risks: The risk to see the new powers in place unable to address the economic and social causes behind the revolutions; unable to create the 50–75 million jobs needed over the next decade to absorb new entrants let alone reduce unemployment rates; the risk to see gaps grow wider.

² 2012. Opportunities and Challenges in the MENA Region, Anthony O'Sullivan, Marie-Estelle Rey and Jorge Galvez Mendez

The Dubai International Financial Center Authority estimated in 2010 the region's need for infrastructure investment at over UDS160 billion annually; a share that definitely increased following recent events in Syria. Given the amplitude of fiscal constraints exacerbated by bloated governments, low investor appetite and high risk perceptions; it is unlikely that such choices will find sustainable financing sources.

Not considering politically motivated private investment, actual capital flight has taken place. In Egypt, for instance, the Egyptian stock exchange saw its volume and market value traded half in 2011. In addition, the raft of transition governments provided policy makers with limited decision-making power, and left many governments in a weak position to commit and engage in long-term initiatives such as PPPs or others.

3 The Lebanese Context

3.1 The Founding Grounds

Until 1959, Lebanon had a departmentalized personnel system which did not provide for a centralized personnel agency to administer personnel policies and procedures on a government-wide basis, but instead entrusted this function to individual ministries which were often not well equipped for such a task. The inevitable result was lack of consistency and duplication of efforts, in addition to flagrant favoritism in personnel practices that resulted from political and sectarian pressures - which often overlapped - to which government ministries and departments were subjected. It was very difficult for ministers to resist political, religious, and family pressures for special favors, which often had to be satisfied in violation of existing rules and regulations.

At the wake of the brief civil war of 1958, President Fuad Chehab, previous army commander, attempted to professionalize the civil service. One of the main priorities of the administrative reform movement launched in 1959 was the introduction of a merit-based recruitment and promotion system to protect the civil service from political pressures and interventions and a government wide training program that would help instill a common vision for all and transmit skills, values and attitudes believed to improve the quality of civil servants outputs.

Legislative decree 112 dated 12/6/1959, established the Civil Service Board (CSB) as the central recruiting agency. It was entrusted with extensive powers over practically all aspects of personnel administration in all ministries with the exception of the army, security forces, and the judiciary. Specific autonomous agencies were given due independence and manoeuvre.

Established according to the French model of the late fifties, this system characterized by a great degree of centralization, and by its elitism reduced to a large extent nepotism and political interference, and remained in effect (Hobeich, 2008, p. 60) until the war.

3.2 The Legacy of the Lebanese Civil War (1975-1990):

While the establishment of the CSB was a great leap towards enshrining meritocratic practice, the CSB lost its mandate during the civil war (Subotic, 2011, p. 10). In the 1990's, it was not modernized in light of modern trends nor in light of changing paradigms. The Chehab reforms were the last comprehensive structural reform the Lebanese civil service had witnessed.

The administration was further incapacitated by the fact that it had to accomplish complex new tasks to cater for the post-war reconstruction and rehabilitation era while lacking the means and proper technical and human capacities to do so. As such, efficiency in the delivery of services stood at a low level. Moreover, institutions lacked clear systems and procedures. Some public administrations lacked strategies with clear responsibilities assigned, while staff work responsibilities were also poorly linked to decision-making.

At the core of the problem was an outdated employment, rallying and training systems and the absence of modern human resources management practices. The legacy of the Lebanese civil war³ became heavier with the

³ Cross-the-country destruction was estimated to a loss of well over U.S. \$ 25 billion in physical assets. 2007. Recovery, Reconstruction and Reform: "The International Conference for Support to Lebanon", Presidency of the Council of Ministers of Lebanon.

departure of almost 200,000 professionals and skilled workers, when the entire country's infrastructure was utterly destroyed (Schiavo-Campo, de Tommaso, & Mukherjee, 1997, p. 30).

3.3 New needs old philosophies: The Era of Post-War Reconstruction

Among the steps that were taken at the dawn of the post-conflict era was the establishment of a number of pillar agencies that would support the comprehensive reconstruction and reform efforts that the government of Lebanon initiated. Having suffered a number of discontinuities, the administrative reform portfolio, initially initiated during the years 1959-1960, was given new life in 1995 with the establishment of the Office of the Minister of State for Administrative Reform (OMSAR, 2011, p. 17). The OMSAR became "entrusted with the responsibility of coordinating the rebuilding of the civil service and the public administration" (Schiavo-Campo, de Tommaso, & Mukherjee, 1997, p. 30).

During the past decade, OMSAR drafted many national strategies and mobilized resources. Nevertheless efforts failed to launch a society wide modernization movement that would reinvent the state and its desired coherence. The Ministry of Finance assumed a leading position in what concerns reinventing its own structure and training its own staff, and attempted to bring coherence to civil service pay and pension. However, political dissonance stopped those reforms short and prevented the Ministry of Finance from taking a leading role in introducing competency based approaches to the management of the country's most precious resource, its human talent, and in linking quality of recruitment to output.

In lieu of a civil service reform act, Lebanon, through many donor funded initiative, was able to leverage talent from its civil society and private sectors to prevent the country from collapsing and to wither the global financial crisis, thus achieving on average 8.2% economic growth between 2007 and 2011⁴. Unfortunately, Lebanon did not invest enough in rethinking the State and in bringing about organizational and financial coherence, attracting to the civil service the many talented Lebanese around the world.

As the cycle of fiscal imbalances and growing indebtedness became heavier, one welcomed reform would have been to anticipate for effective staff planning and modern human resources management and decreasing the share of civil service now accounting for more than 35% of budget resources⁵; Likewise, job and organizational redesign to go hand-in-hand with improvements to operating effectiveness and efficiency, and with the introduction of new areas of operation.

Another reform would have been to privilege training and capacity building at all levels with values around: **Direction:** thus providing strategic vision to civil servants and a better perspective on best practices in their job as well as insights on the way forward; **Prudence** in managing scarce resources; **Access to information** as a path to confidence building; **Performance; Accountability and Ethics.** Staff training and development that could and should be precursor to, and/or concomitant of, the main categories of reforms and of the introduction of new technologies **supported by a strong positive organizational culture:**

With a clear vision to guide its work, the Ministry of Finance established in 1996 the Institute of Finance Basil Fuleihan to accompany PFM reform through training, and hence the development of country capacities, which have been identified by the OECD as key components of public sector reform initiatives (OECD, 2006, p. 7).

Focusing on the training supply side, these welcomed efforts were largely limited to the PFM community. Though willing, the MoF was in an impossible position to address the core challenge at hand: i.e. supporting the emergence of a structured demand, based on a clear competencies framework and modern HR policies that would regulate the Civil Service, including a modern recruitment strategy.

3.4 The Financing Rollercoaster

Like many other countries in the region and even globally, wages and salaries in the central government in Lebanon constitute an important component of total government spending. Despite the limitations in data, it is

⁴ International Monetary Fund, World Economic Outlook Database, April 2013

⁵ 2013. Personnel cost in Central Government of Lebanon 2003-2012, Rola Azour, Ministry of Finance of Lebanon

believed that the cost of the central government personnel more than doubled in a decade (2000-2010). Figures released by the Ministry of Finance Salary and Wages reports⁶ point to a 7.1 percent when measured as a percentage of GDP. However, this ratio is to be carefully analyzed considering it does not include the bulk of contractual employees among which teachers and daily workers, and most personnel of public agencies such as public hospitals, municipalities, etc. More realistic estimates of the Civil Service Wage Bill point at 9% of GDP and at 29% of current expenditures, compared to 26% in Egypt.

On the pension side, systems have accumulated large implicit pension debts and this debt, unfortunately, is not taken into account when assessing the sustainability of the public debt – which reduces incentives for good fiscal policy⁷

3.5 The Big Paradox

Notwithstanding the above, the civil service is at its highest level of vacancies ever.

According to the Civil Service Board report dated 20/10/2010, the number of vacancies in all categories reached up to 15 344, out of 22 029 full-timer. The report listed 61 vacant top positions (Director Generals), at policy and decision-making levels, within central government, out of a total of 150 posts, or equivalent to a vacancy rate of 41% in leadership positions. This rate reached 70% across the civil service (including public institutions). Moreover, the civil service is witnessing a general ageing trend and is in dire need of young and competent civil servants (OMSAR, 2011, pp. 23-24).

4 Concluding Remarks

It is against this backdrop of information and data and amid uncertain growth prospects and shrinking fiscal space that any government decision concerning the future of civil service in Lebanon ought to be taken.

The most pressing challenge lies indeed in engaging the Lebanese into a meaningful discussion that benefit from lessons learned around the world, as there are no one size fit all solution.

It is a social influence process grounded in an all-inclusive approach that creates a dynamic for change through the involvement of all concerned. And, reforms of the State, as literature tells, is a profound societal transformation that is not solely about size or wage bill, but mostly about coherence in expectations, means and mostly values. It is also about disengaging the political from the policy choices thus privileging prudence, efficiency, and sustainability.

Against this backdrop of principles and anticipation of upcoming challenges that decisions to reduce the size of Government while at the same time expanding civil service become possible, decreasing the wage bill while increasing wages and benefit packages, attracting and retaining talent while planning for the future.

⁶ Salary and Wages report, Lebanese Ministry of Finance, www.finance.gov.lb

⁷ Retirement Pensions: What options for Lebanon? Gustavo Demarco, International Symposium on The Future of Retirement in Lebanon, - April 29, 2013

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