

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

Report No.: PIDA343

Project Name	SL Public Sector Pay & Performance (P128208)
Region	AFRICA
Country	Sierra Leone
Sector(s)	Central government administration (90%), Sub-national government administration (10%)
Lending Instrument	Specific Investment Loan
Project ID	P128208
Borrower(s)	Ministry of Finance and Economic Development
Implementing Agency	
Environmental Category	C-Not Required
Date PID Prepared	30-Apr-2012
Estimated Date of Appraisal Completion	26-Mar-2012
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Decision	

I. Project Context

Country Context

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

II. Sectoral and Institutional Context

Background

2. Over the years during and after the civil war the public sector in Sierra Leone has suffered progressive depletion of skilled manpower in the middle level cadre of professional and technical staff. This is evident when comparing the composition of Sierra Leone's (core) civil service to other African countries. In Sierra Leone today, over 87 percent of the personnel are in the lowest ("blue collar") grades 1-5. Top management grades only represent slightly over 1 percent of civil service employment (see Table 1). Professional and technical staff constitutes only about 11 percent of the total civil service workforce. Comparable numbers for professional and technical staff in Gambia (in 2007) were 26 percent and even in Sudan (in 2004) 14.3 percent. The real problem of the low numbers in the middle/technical and senior grades is in the "bureaucracy" and not with the front line staff associated with service delivery. Table 1:

Table 1: Composition of Civil Service, 2008 and 2011

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

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

3. Low remuneration appears to be one of the major reasons why Sierra Leone's civil service has not been able to attract technical staff back that was lost during the civil war. Current levels of remuneration are extremely low for many professional and managerial jobs. One indication that low remuneration is a key constraint to attracting qualified staff is that entry level personnel recently recruited for certain technical positions (budget officers, procurement specialists, internal auditors) had to be offered an average of US\$1000 above the regular civil service wage (approximately \$ 200) to accept these positions. Other indications that low levels of pay are a key constraint to filling technical and

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

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

5. The quality of staffs in the middle and upper grades is a second and related problem. Generally, as the civil service atrophied during the civil war, it was generally the most qualified and competent people with marketable skills who left. With some exceptions, the civil servants remaining are those who lack the skills and competencies to find jobs overseas or in the private sector. This has happened for two reasons. Firstly, there was no information on an individual’s performance in the current job because the appraisal system had fallen into disuse; and secondly, the Public Service Commission lacked the capacity to undertake the necessary selection exercises. Promotion decisions have therefore been effectively made by the senior management of Ministries with the “recommendations” simply ratified by the HRMO and the PSC. In addition, the demise of merit based selection has enlarged the opportunities for patronage based appointments, especially for the most senior civil service posts. Compounding the selection problem, no training has been provided to enable those promoted to perform their new responsibilities because there is no public service management training capacity in country. As a result, many civil service managers today lack the basic skills and competencies for their jobs.

6. The third problem is the virtual absence of any intrinsic or extrinsic incentives for performance. Sierra Leone’s civil service is demoralized and demotivated after decades of neglect by government. In other countries, many civil servants are driven by a “public service ethic” which provides an intrinsic motivation for them to deliver for citizens. This ethos is no longer evident in Sierra Leone, where real pay levels (including salaries and benefits) have deteriorated so far that the lack of extrinsic rewards overwhelms any intrinsic factors derived from the work itself. Unfair pay is also an important motivating factor because most civil servants are concerned about how they are remunerated in relation to others. Unfortunately, for many years, government has failed to introduce a pay structure in which relativities are based on the relative worth of the job. Instead, ad hoc pay adjustments for a select few have created significant anomalies and distortions which are resented by the majority of civil servants. This has undermined team spirit and cohesion within the service, which has had an adverse effect on professional cooperation both within and between functions and departments. In this environment, neither government nor civil service managers have demanded much in the way of performance from civil servants. And the lack of a functioning performance appraisal system has created a culture in which poor performance is tolerated and good performance is not encouraged.

7. The GoSL has not addressed these problems in a systematic way. Measures such as higher salaries and additional staff and resources for the health sector to implement the Free Health Care Initiative (FHCI); or the creation of a donor-funded Decentralization Secretariat virtually outside the Ministry of Internal Affairs, Local Government and Rural Development to establish and promote local governments; or the use of donor-funded staff in line positions or even government funded LTAs are all short-term solutions which circumvent the underlying problem, namely a weak civil service.

Fragmented Responsibility for Public Service Reform

8. While the responsibility for public service reform is fragmented in many countries (by its very nature), in Sierra Leone this fragmentation is greater and, in practice, exacerbates the collective action problem in a government that is characterized by weak coordination and poor information sharing.

9. The institutional arrangements in the public service result in particularly diffused responsibilities. Under the constitution, the Secretary to the President is “the principal adviser to the President on Public Service matters” (art. 67 (2) a). The Cabinet Secretary is also the Head of the Civil Service and is responsible for “co-ordinating and supervising the work of all administrative heads of ministries and departments in the Public Service” (art.68 (3) c). The PSC has “the power to appoint persons to hold or act in offices in the public service (including power to make appointments on promotion and to confirm appointments) and to dismiss and to exercise disciplinary control over persons holding or acting in such offices shall vest in the Public Service Commission” (art. 512 (1)). However, for Permanent Secretaries this power vests with the President “acting in consultation with the Public Service Commission” (art. 154 (1)). The HRMO has responsibility for HR functions and for leading human resource management reforms. The Strategy and Policy Unit (SPU) in the office of the President has responsibility for performance contracts between the president and the ministers and reports to the Chief of Staff. In addition, a new Directorate for Performance Management has been established in the HRMO to assess the performance of individual civil servants. The Ministry of Finance and Economic Development (MoFED) has a key interest in the fiscal impact of pay reforms and is responsible for providing the funding necessary for the reforms. A Public Sector Reform Unit (PSRU) located in the Presidency is responsible for coordinating public sector reforms but has no executive authority and implementation responsibilities.

Government Performance

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

11. Table 2 suggests that Sierra Leone’s performance on the delivery of services and the provision of infrastructure is below par with respect to other similarly placed countries and the volume of resources invested in the sectors.

Quality of services

12. According to the data in Table 2, while Sierra Leone ranks 4th in terms of its GNI per capita among these seven countries, it ranks mostly 6th or 7th on its service delivery performance on the other indicators.

Table 2: Selected Development Indicators for Post-Conflict Countries

Country Name	Literacy rate, adult total (% of people ages 15 and above)	Ratio of young literate females to males (% ages 15-24)
Mortality rate, infant (per 1,000 live births)	Mortality rate, under-5 (per 1,000)	Improved sanitation facilities (% of population with

	access) Improved water source (% of population with access)					GNI per capita (PPP) constant 2005 (HD)		
Sierra Leone	40.9	71.1	113.7	174	13	49	737	
Burundi	66.6	99.2	87.8	141.9	46	72	368	
DRC	67.0	84.7	111.7	169.9	23	46	280	
Mozambique	55.1	81.6	92.2	135	17	47	898	
Rwanda	70.7	100.5	59.1	91.1	54	65	1133	
Liberia	59.1	114.9	73.6	102.6	17	68	265	
Guinea	39.5	61.7	81.2	129.9	53	19	863	
Sierra Leone (rank)	6	6	7	7	7	4	4	

Ongoing Reform Efforts

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

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

15. Staffing key positions: More recently, the government has actively started to recruit personnel to the positions in grades 6 and above. Since 2009, the PSC has made a total of 716 recruitments (including 38 so far in the current year). Of these, 395 were recruited in 2011. Generally, all posts are advertised and are being filled on merit following a transparent and competitive process involving interview and examination selection methods. The process, however, takes quite long and often the delays are a result of interference by the MDAs in the recruitment process. However, the remit of the PSC does not currently extend to senior management appointments where vacancies are filled through seniority-based internal promotions determined by the line ministry. Promotions and appointment to the position of Permanent Secretary are, however, the prerogative of the President in consultation with the PSC.

16. Pay Reform: A "Multi-year Public Sector Pay Reform Strategy (2011-2015)" was approved by cabinet in February 2011 which defines pay policy objectives, describes key implementation steps and sets out affordable pay projections. The strategy document marks an improvement over previous efforts and includes a number of reform elements. It recognizes the need to complete job evaluations and re-grading before pay increases are actually implemented. In addition, it proposes (i) an increase in the number of grades from 14 to 17; (ii) an increase in remuneration levels; (iii) that remuneration is commensurate with duties and responsibilities; and (iv) a significant wage decompression. It also addresses issues of composition and the "shadow" civil service. The strategy document estimated that the salary increases together with the re-grading and rationalization would lead to a 70% increase in the wage bill by 2015.

17. As a result of political pressures, implementation so far has focused entirely on wage increases and no progress has been made on the implementation of the other elements of the reform agenda laid out in the strategy document. Starting with ad hoc increases for health workers in 2010 and for teachers and the rest of the civil service in 2011, the wage bill in 2011 is estimated to be 21% higher than in 2010; the cumulative increase by the end of 2012 is expected to be almost 50%. Thus, in spite of the significant increase in GDP and revenue between now and 2014, the share of the wage bill in both of these is not likely to decline significantly. (See Annex 6 for a more detailed analysis of the fiscal implication of pay reform.)

18. Performance management: Recognizing that enhanced pay alone will not improve the effectiveness of the public services, the GoSL has embarked upon a performance contracting process. Since 2008, the President has signed performance contracts with each of his ministers and has carried out performance reviews of individual ministries with the support of the Strategy and Policy Unit (SPU). These performance contracts are now being cascaded down to permanent secretaries and directors in all ministries, departments and agencies (MDAs) and local councils. A pilot effort launched in mid-2011 covers seven MDAs and six local councils and involves 67 officials between the ranks of Permanent Secretaries (PS's) and Directors.

III. Project Development Objectives

Improve competitiveness in pay, performance management and accountability of, and increase staffing of middle and senior staff in, the civil service in Sierra Leone.

IV. Project Description

Component Name

Support to the GoSL's Reform Program
Technical Assistance

V. Financing (in USD Million)

For Loans/Credits/Others

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

VI. Implementation

A. Institutional and Implementation Arrangements

1. The management and implementation arrangements for the Project are largely the same as those that are outlined in the Government's Public Sector Reform Program. The GoSL Program and the Project will be implemented using existing government agencies and systems. Central to Program and Project implementation are the PSRU, the HRMO, the PSC and the MoFED. Specifically, the Program/Project will have the following implementation arrangements:

2. Leadership Team. The leadership for the GoSL Program and the Project will be provided by a Leadership Team chaired by the Minister for MoFED and which will include the Chairman of the PSC, the Director General, HRMO and the Director PSRU. This is a flagship Program of the GoSL and will be a pillar in the GoSL's Agenda for Prosperity (PRSC 3, forthcoming). The President will review its progress quarterly. The Leadership Team which has been meeting regularly during preparation and at least once a month during implementation and will be responsible for overseeing the implementation of the Program/Project.

3. Project Coordination. Program and Project Coordination will be the responsibility of the PSRU, with the Director, PSRU as Program/Project Coordinator (PC). The PC will be responsible for cross agency co-ordination across the implementing agencies and including with the Ministries, Departments and Agencies (MDAs). The PSRU in its capacity as Program/Project Coordinator will also be the Secretariat for the Leadership Team and will prepare the agenda and minutes for its meetings. The PC will also collaborate closely with the Cabinet Secretary, the Steering Committee on Civil Service Reform (SCCSR) and the Steering Committee on Public Sector Reform (SCPSR) and will keep these committees informed of progress as well as of issues that need their attention. The PSRU will also be responsible for M & E and all associated reporting to the Bank. The PSRU will be the implementing agency for the TA component. The PSRU will recruit a part-time procurement specialist for support on procurement actions associated with the TA component of the Project. The PSRU will be the main point of contact for IDA with respect to the Project and all formal correspondence with IDA in respect of the project will be with/through the PSRU.

4. Implementing Agencies. Responsibility for implementation of the different sub-components is allocated across the three principle agencies involved (MOFED, HRMO and the PSC). Reform Sponsors for each component will take overall responsibility for implementation and for the achievement of the results and DLI's associated with that component: the Director General, HRMO and the Financial Secretary for Pay Reform; the Chairman of the PSC for Recruitment and Staffing; and the Director General, HRMO and the Director, SPU for Performance Management. All the Reform Sponsors are members of the Steering Committee on Public Sector Reform.

5. Steering Committee on Public Sector Reform. Strategic oversight will be provided by the SCPSR chaired by the Secretary to the President, and which includes a cross section of the leadership of the Public Sector, key GoSL ministries and which also has civil society representation. This Committee will meet on a quarterly basis or as may be expedient, even though more frequent meetings will be required during the early days. The PSRU will keep it updated in Program/Project progress.

VII. Safeguard Policies (including public consultation)

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

VIII. Contact point

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