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A NOTE FROM THE PUBLISHER

This edition of *Governance News & Notes* tackles the difficult and complex challenge of civil service and public administration reform within the Middle East and North Africa region. “Civil service reform” is a broad discipline that covers a variety of sub-fields, many of which themselves are quite extensive. Typically, it covers topics such as how governments are organized and structured, often referred to as the “machinery of government;” how they are staffed (pay and employment issues); and how staff or human resources are managed. Other topics can also be fit within this rubric, such as policy coordination; strategic management; training and staff development; and performance monitoring and evaluation.

The challenge of public administration reform is particularly pronounced in MENA, which is home to some of the largest public sectors in the world. Egypt has more than 6 million public employees—more than the entire population of 10 MENA countries—as well as per capita staffing ratios that are on par with many developed countries. In other countries, such as some in the GCC, the public sector can employ as much as 90 percent of the native labor force. It is the employer of both first and last resort, and its fiscal burden can crowd out needed expenditure on supplies, maintenance and capital investment.

Beyond the size of the public sector and the potential burden of the wage bill, MENA countries can suffer from a variety of other problems. There are frequent complaints throughout the region about inefficiency and red tape that hampers the quality of service delivery. Bureaucracies can be seen as opaque, non-transparent and occasionally arbitrary (or worse) in their decisions. Factors such as *wasta* and patronage can undermine efforts to create a meritocratic public sector.

From Morocco through Yemen, a variety of efforts are underway to try to address these problems. We are fortunate to interview H.E. Dr. Ahmed Darwish, Minister for Administrative Development in Egypt, about his country’s efforts to manage the dilemma of advancing public sector reform while coping with traditional attitudes and resistance to change. Dr. Darwish’s thoughtful reflections about the challenges inherent in seeking to streamline and modernize Egypt’s public sector and improve the quality of service delivery are both stimulating and engaging.

We also highlight the experience of Morocco, which is one of the few countries within MENA that has sought to address the problem of overstaffing through embarking upon a Voluntary Retirement Program, or VRP. The Moroccan story is an interesting one. It was generally a



success in fiscal terms, and it has helped to rebalance employment in more productive ways in terms of the categories of employees and their geographic distribution. However, it also struggled with problems of adverse selection (i.e. the best and the brightest employees leave government), which are common in exercises of this type. The Bank will shortly finalize a case study on the lessons of the Moroccan experience for other MENA countries.

Finally, we discuss the findings of a recent report by the Bank's Internal Evaluation Group on the challenges of public administration reform throughout the globe. Bank experience has shown that such reforms can be difficult and contentious, which is to be expected whenever thousands or even millions of individuals depend upon government employment for their livelihood. However, there are also ways in which administrative reforms can move forward with a good probability of success. Their effectiveness depends upon a variety of factors, including excellent diagnostics, realistic expectations, the appropriate choice of instruments, and a pragmatic and opportunistic approach to reform.

Robert P. Beschel Jr.
Lead Public Sector Specialist
MENA Vice Presidency, World Bank

**GOVERNANCE NEWSMAKER INTERVIEW
WITH H.E. DR. AHMED DARWISH,
EGYPTIAN MINISTER OF STATE FOR
ADMINISTRATIVE DEVELOPMENT**



BY RAMI G. KHOURI

Systems, mindsets top civil service reform priorities in Egypt

CAIRO: Reforming the massive civil service in Egypt, including reducing petty corruption and increasing efficiency, will take many years to achieve,

because of the slow nature of cultural change, but the man charged with achieving this task believes the process is finally underway, and initial breakthroughs can be identified.

Dr. Ahmad Darwish, Minister of State for Administrative Development, said in an interview from his Cairo office in early December that three main issues loom as priorities: changing the mindset of civil servants so that they accept reforms that will benefit them and the country; revising the structure of the civil service system so that it focuses on core functions and contract or outsource rather than support ones; and, improving the efficacy of service delivery systems in a manner that enhances efficiency and reduces petty corruption.

“The single most challenging task for us is changing the culture of the civil service, to speed up the pace of change and overcome resistance to change,” he said. “People are always afraid of what they don’t know, but once we can explain to them that reforms will make their lives easier in terms of the way they are doing their jobs and so on, they accept and appreciate the new system.”

He believes that most civil servants worry that reforms will cost them their jobs, or subject them to much more stringent monitoring systems. So among his most difficult challenges has been the need to convince people about the sincerity of the government in its modernization plan. The second most difficult step, he believes, “is to untangle the work processes and the work cycle, because the more complicated they are the more they open the way to corruption.”

His ministry’s analysis shows that civil servants value and cling to the level of authority they have, and sometimes abuse it for personal gain. They will only change if they feel that reforms will benefit them as well as make the entire system more efficient for the country as a whole.

“People in general are not willing yet to extend their hand to us. And I think that it is our job to take a few steps forward and extend our hand and show changes that work for all, until they trust us and they see that

we are doing a very good job, and they start working with us,” he concludes.

A primary area of focus for the ministry in its anti-corruption effort is to change the way that citizens access government services. This can be implemented relatively quickly, by using electronic systems like cell phones, call centers and internet. By providing a new model for service delivery through such channels, citizens do not need to meet civil servants face to face every time they conduct a bureaucratic procedure, which will reduce some forms of corruption and abuse of power.

Darwish explains that, “The most problematic issue in the civil service in Egypt is not bribery in its well known definition all around the world, which is paying money to accomplish an illegal transaction. This exists but at a very low rate. The bribery most common in Egypt is payment to speed up legal transactions, you pay money to get what is your own right.”

At the larger national policy level, efforts revolve around the newly created Committee of Transparency and Integrity, which advises him on devising a strategy for more transparency and integrity in government administration. This quasi-governmental committee (four members from government and eleven from outside government, including from opposition parties) has been slow to take root, but recently seems to have gained more public visibility and confidence, Darwish believes. One reason is that some of their recommendations in their annual report

have been adopted by the government, and send the message that change can happen at a relatively fast pace in some areas (such as Ministry of Finance procedural and budget transparency changes, and the creation of an ombudsman office in Egypt).

The growing trust in the committee is probably its most significant accomplishment to date, the minister suggests, to the point where there is unofficial talk about making it totally non-governmental and designating it as the national focal point for the implementation of the UN convention against corruption.

Structural constraints like over-staffing will take more time to change, and are being addressed through a two-pronged strategy. All government employees are

being classified according to established international criteria, which will enhance the management of the civil service staff by focusing on those who administer services to the public. The second prong is to hold steady the size of the civil service by

hiring only to replace those who retire, so that the size of the civil service relative to the entire work force in Egypt will decline steadily over the coming decades.

A fascinating aspect of the ministry’s work is to understand the values of Egyptians and how these apply in public jobs. The ministry commissioned a major national study (done by Cairo University) that



H.E. Dr. Ahmed Darwish

- Minister of State for Administrative Development
- Consultant, Ministry of Communications and Information Technology & other government bodies, 1997-2004
- Consultant, UNESCO, FAO, and ESCWA
- Professor, Computer Engineering Department, Cairo University, 1999-2004
- Associate Professor, Computer Engineering, Cairo University until 2004
- Ph.D. in Electrical and Computer Engineering, University of California, Davis, 1988
- M.Sc. in Computer Engineering and B.Sc in Electronics and Communications Engineering, Cairo University, 1981-1984

sought to understand the current values of Egyptians and to see if they had changed in recent decades.

“The most incredible observations that prompted us to do this study were that some people who are taking bribes are actually very religious people, individuals who would take a petty bribe and then go to pray in the mosque of the organization they are working for. So it came to us as a surprise how people are separating between their religious values and the way they deal with each other,” Darwish explained. He concludes that the core of Egyptian values remains strong and clean, but with time the surface has become “tarnished” and needs to be cleaned up. Educational efforts are one method that will be needed for long-term change, he says.

Also at the national level, Darwish sees no problem with the dual efforts of his ministry and the Central Agency for Organization Administration (CAOA).

“They should not be merged into one, because they have different jobs. The Ministry sets policies and works on regulations, while the CAO is the implementer that deals with day to day and on the ground issues. Whatever is in their hands to put into practice, they are doing. But I have other policies that we cannot implement without changing the law, that is to say we cannot proceed without Parliament approval. This I have not been able to get through,” he says, pointing out one of the bottlenecks in the civil service reform process in Egypt.

He believes Parliament is interested and supportive, “but this interest and support in the Parliament are not being translated into a civil service law, frankly because the civil service law is not one that a parliamentarian will take to his people and say that it is good for them, unlike health insurance, pensions, or increased water and sewage spending. The law has benefits that people would like, but also new regulations for getting civil servants to be accountable, with penalties, and so on. If we are serious about reducing corruption, it is about time that the penalties are a bit more deterring than the current ones.”

Tracking the impact of the ministry’s work will soon expand by establishing some benchmarks and key

performance indicators that Darwish feels, “will allow us in a very scientific way to consistently gauge if the measures we are taking are actually efficient and what impact they have. This is very important for us. We are, for example, measuring if people are moving to the new service provision model, and if they are moving, where they are moving to, and is this helping them?”

The slowest progress, he feels, is in areas where human resources are involved in a big way, given the time and effort needed to change mindsets and behavior. The most significant accomplishments, on the other hand, are in the e-government program, which ranked 28 out of 192 in the UN rankings (compared to a rank of 160 in 2001). Progress is also evident in the area of national databases and government to government network (linking government agencies together and exchanging information). One area this has been translated into tangible benefits is building the family database and issuing a family card to poor families. By the end of this fiscal year, he says, 11.8 million Egyptian families will have family cards that will give them access to subsidized grocery shopping, cash payments, and health insurance. Over Six million families have the card today.

THE CHALLENGE OF CIVIL SERVICE REFORM IN MENA

BY ROBERT P. BESCHEL

Issues of civil service and administrative reform have been pursued by a large number of MENA countries for decades. As noted in the introduction, the field is a large one that covers how government is structured and organized; the size and composition of its staff and the wage bill; issues of human resource management and capacity; and a variety of additional “sub-topics” within these broader themes.

This note is intended to briefly summarize some “lessons” that can be drawn from MENA’s experience with public sector reform to date. It draws upon the Bank’s experience in working with client governments on these issues in a variety of countries stretching from Morocco to Yemen. It is admittedly more illustrative than comprehensive, and

it is intended to spark a broader debate among knowledgeable observers both within and outside of MENA governments regarding what is working, what isn't, and why. In the interests of being provocative, it is laid out not by topic and sub-theme, but by what type of reforms have tended to work across MENA countries; what type have tended to be context specific and may or may not work in various settings; and what types have typically struggled and would be difficult to implement in most countries throughout the region.

The Successes

Turning first to issues of pay and employment, countries throughout the globe have employed a variety of strategies for reducing the fiscal burden of the wage bill, ranging in increasing severity from reducing overtime pay to hiring freezes to furloughs and unpaid vacations to voluntary retirement and eventually targeted redundancies. With the debatable exception of the West Bank & Gaza, no MENA countries have utilized targeted redundancies, and only Morocco has opted for voluntary retirement (about which more will be said below). However, several have been able to utilize hiring freezes. The virtues of such an approach are that they are typically relatively easy and straightforward to implement. They do not harm the interests of existing employees and, as such are often more palatable politically. They can create demographic "bulges" within a given agency or department, but these are more of a long-term concern than an immediate problem. Particularly in countries where the attrition rate is high (such rates are typically around 2 to 3 percent, but can be as high as 7 to 10 percent in agencies that recruited heavily in the 1970s and 1980s), if officials can hold the line for a couple of years, they can witness significant savings.

Another area where a number of MENA countries have witnessed success is in the reform of individual

agencies and departments. Reforms that cut across organizational boundaries, while not impossible, have typically been much more problematic. Yet there are numerous examples of where dynamic and effective public managers from throughout the MENA region have managed to make a difference within their particular sphere of competence. Egypt's Minister of Finance, Youssef Boutros-Ghali, managed to bring over a million new taxpayers into the system while simultaneously restructuring the personal and corporate tax offices and increasing tax revenue from 7 to 9 percent of GDP. Egypt's Minister of Investment, Mahmoud Mohieldin, managed to reduce the average registration period for getting a business license from 34 days to 3 days. Lebanon managed to streamline and reengineer its customs procedures, reducing clearance times while simultaneously increasing excise and VAT revenues. The list goes on. Often, such reforms are quite comprehensive, involving changes to organizational structures, business processes and work flow, staffing, recruitment and promotion.

Furthermore, civil service attitudes and orientations are not immutable. Such reforms have often been accompanied by a fundamental reform and reorientation of employee attitudes from one of policing and lording over the citizens to a service-oriented culture. Such transformations are not easy to achieve; nor do they take place overnight. But with committed leadership and the right set of messages and incentives, change is possible at the organizational level if not across the public sector as a whole.

Mixed Success

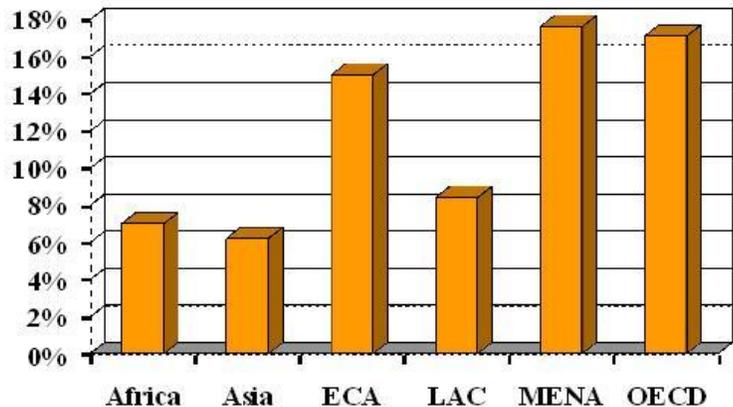
Other public administration reforms may or may not succeed depending upon a variety of factors, such as the wisdom, clout and tenacity of their champions (as well as their opponents); the skill with which they are implemented; and the broader political milieu in which they are introduced.

Voluntary retirement programs are as of yet relatively rare in the region. Morocco's experience, captured in the box by Khalid El-Massnaoui, illustrates well both the potential benefits and complications that typically surround such efforts. On the positive side, the Morocco Voluntary Retirement Program (VRP) was effective in helping to reduce the fiscal burden of the wage bill. It improved the skills mix and geographic distribution of the civil service. However, it was also subject to problems of adverse selection, in that many of the best and the brightest ended up leaving the public sector, and the controls put in place to prevent that were ineffectual. Furthermore, unless rigorous efforts are sustained to control new recruitment, there is a tendency for public sector employment to drift back up again after a few years.

A second area where reforms have tended to move forward selectively have been efforts to reform payroll and computerize HR management. Perhaps the most impressive example was Salam Fayyad's efforts to pay salaries for Palestinian security service directly into Bank accounts, which was resisted by the service heads but quite popular with the rank and file. Other countries have embarked upon similar reforms as well. At times, they can be quite sophisticated, such as Kuwait's efforts to move virtually its entire processes for HR management online. At other times, the functionality can be more limited, such as Yemen's efforts to implement a biometric system that will help it to remove ghost workers and double dippers from the payroll. Such efforts should be undertaken with care. The implementation of large IT systems can be problematic throughout the globe in both the public and private sectors, and MENA is no exception. Yet with careful planning and implementation, success is possible.

A third area where progress is occurring is the use of contract employment. In many countries, there has been a proliferation of talented professional staff being brought in as consultants to ministers and other senior officials, whose salaries are paid either by donors or occasionally by the government itself. Egypt currently has draft civil service legislation under preparation to expand and routinize this practice. The use of such employment can be a mixed blessing. It can allow senior officials to tap

Graph 1. General Civil Government as a Percentage of Total Employment



into valuable expertise that they would not otherwise be able to exploit, and a number of far-reaching administrative reform efforts have relied heavily upon such talent. Yet such practices can also exacerbate pay discrepancies within the public sector and lead to anger and resentment among traditional agency staff. While arguing that such staff are essential, some of the more successful reformers in MENA also seek to keep them in the background and utilize them sparingly.

Areas where CSR has Struggled

Finally, there are a number of areas where civil service and administrative reform have struggled in MENA. In some cases, such reforms have simply not been tried. As Graph 1 indicates, MENA public sectors are, on average, among the largest in the world. Yet there is limited political appetite for any retrenchment, targeted or otherwise. In Egypt, for example, some unofficial estimates indicate that as many as 20 to 30 percent of staff (and possibly more) may be redundant. In a similar fashion, the productivity of the public sector in several GCC countries is clearly compromised by policies that, in essence, amount to recruiting almost every native-born citizen into the civil service.

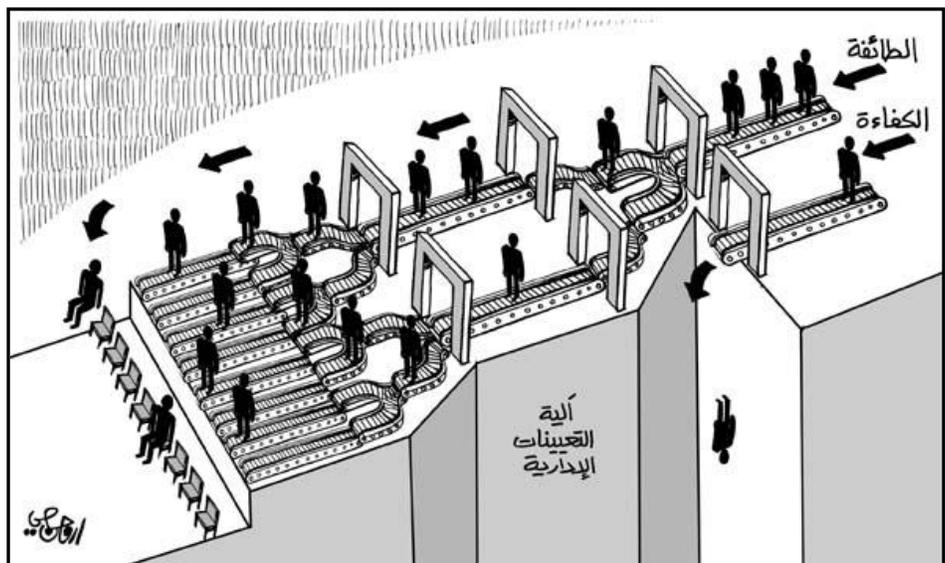
The roots of government over-employment in MENA are many. In labor surplus economies, the public sector has historically played an important role in soaking up excess employment. Politicians and senior officials were reluctant to dispense with

an important source of legitimacy and patronage, and the public was reluctant to forgo a comfortable and protected sinecure in the civil service. In oil-rich economies, public employment was viewed as a means of redistributing the national patrimony and “sharing the wealth.” Yet many countries have reached the point where such strategies are no longer fiscally sustainable, and the transition to private sector led growth as a solution for unemployment and burgeoning youth population is already well advanced in countries such as Egypt. There is also evidence that the widespread availability of public sector positions in a number of Gulf states can have a pernicious impact upon society as a whole. Male high school graduation rates have peaked and started to decline in a couple of GCC countries, largely because

nationals have limited incentive to finish since they will ultimately be employed anyway.

Another area where reforms have typically struggled are in efforts to reform the “machinery of government” from the center. Abu Dhabi has a strong Executive Council and was able to successfully streamline and rationalize its government structure. But such efforts are often the exception rather than the rule. Far more common are efforts to reform government structures by a given Ministry of Administrative Development or Civil Service that end up producing elaborate restructuring plans that seldom see the light of day. Efforts to restructure individual line departments that are spearheaded by central agencies for administrative reform almost never work, as they typically lack the necessary ownership and political buy-in for success. However, as noted above, there are examples of dynamic ministers who have been able to opportunistically align their ministry or agency restructuring with a broader reform effort and achieve some degree of success within their sphere of authority.

In a similar fashion, “comprehensive” reform programs that envision moving forward in an integrated, holistic fashion across a range of dimensions, such as machinery of government, pay and employment, HR reform, etc. are typically not successful. While there are virtues in thinking of



The machine is titled: "Administrative Appointments Mechanism". The lane labeled: “sect” or “confessional background” leads the candidate to the front row and the lane labeled: “qualifications” leads the candidate to be thrown off of an edge.

Source: *An-Nahar Daily Newspaper, January 2010*

reform in an integrated fashion, the reality is that such approaches are extraordinarily difficult to coordinate and sustain in a consistent, phased approach across time. Bank experience has indicated that the most effective reforms often have an opportunistic and ad-hoc quality about them. They start as efforts to fix a specific problem or achieve a given set of results, and then build off of that success. They also have an organic nature to them, in that some sets of reforms may move rapidly whereas others may struggle in ways that are not entirely predictable beforehand. The genius of effective reform often relies more in adept tactical implementation than well laid strategic planning, although the latter is not unimportant.

Another area where reforms have typically struggled have been in efforts to confront *wasta* directly, such as Lebanon’s recent efforts to implement meritocratic recruitment for the top grade of the civil service. Jordan also experimented with some

potentially far-reaching reforms in HR management in its National Agenda that were never implemented. Some of these efforts are still in play, and it may be too soon to write their obituary. Yet experience to date has not been positive. However well-intentioned, such initiatives have typically encountered fierce resistance from traditional constituencies who have feared the loss in jobs and patronage that could result from their implementation.

Finally, success in public sector reform requires consistency and stability in leadership across time. There are countries such as Jordan that have a history of frequent cabinet turnover. Between 1999 and 2007, for example, no fewer than eight ministers held the public sector reform portfolio. Under these circumstances, it was virtually impossible to develop a coherent, sustained program that could be implemented without interruption.

Towards the Future

MENA is hardly unique when it comes to civil service and administrative reform. As a whole, the region tends to struggle in areas where other lower middle income countries have struggled and succeed where they succeeded. The reform agenda itself is a difficult and complicated one, as hundreds or in some cases millions of employees can hardly be expected to be indifferent regarding significant changes that affect their livelihood.

Yet issues of service and regulatory quality, public accountability, meritocracy and the fiscal burden of the wage bill are at the core of the “good governance” agenda. They will not go away. As Lebanon’s experience with meritocratic reform indicates, such issues tend to keep emerging even when many sophisticated political observers have written them off. Since the pressure for these reforms is likely to expand and intensify, it is important that reformers throughout the MENA region have a sophisticated and nuanced understanding of how to best pursue them—one that is informed by careful study of the successes and failures of others. When well-conceived and adeptly carried out, such reforms are both possible and can bring significant political and developmental rewards.

BRIEF ASSESSMENT OF GLOBAL EXPERIENCE WITH CIVIL SERVICE REFORM: THE IEG EXPERIENCE

BY LYDIA HABHAB



The development of a country depends a great deal upon the quality of its public sector.

Since the 1980s, the World Bank has been promoting public sector reform to improve efficiency and promote better delivery of public goods and services, as well as to enhance transparency and accountability. Civil Service and Administrative (CSA) reform is one important thematic area of public sector reform. While important, CSA reform has been met with variable success. According to the Independent Evaluation Group (IEG), fewer than 45 percent of borrowers in this area show improvement, compared to 60-70 percent improvement in public expenditure and financial management in public sector reform.¹

CSA reform is the second most common public sector reform in the World Bank portfolio after public expenditure and financial management. CSA reform efforts include measures to track, contain, and reduce the number of civil servants in a given country, compensation reforms, organizational reforms, demand-side reforms, human resource management and training and capacity building. Many of these components face challenges that are country-specific; however political risk, financial costs, and capacity all contribute to the success and failure of CSA reform.

The lack of political commitment can affect even the least contentious components of CSA reform. Coupled with discontinuity over the implementation period, reallocation of resources, and staff turnover, the lack of political commitment can slow, stall, and kill any public sector reform. Changes in political leadership and political time horizons can also undermine the reform process. In countries where the patronage system is prevalent, reforms that affect

¹ Public Sector Reform: What Works and Why? IEG

pay, recruitment, and promotion are very difficult to achieve.

IEG identifies six factors that seem to contribute to the success in CSA reform and in their absence, likely contribute to reform failures. The first is to have *strong and coherent analytic diagnosis and advice*. Unlike public expenditure and financial management reform's PEFA indicator, CSA reform lacks a standard analytic tool or report. This coupled with the scarcity of standardized data (ex. the number of staff by grade or occupation group) often prohibits strong and coherent analytic diagnosis and advice from being realized.

Another factor is to have *realistic external expectations*. CSA reforms take a long time to implement and an even longer time to see results. Donors usually act on their own timeline, which is often much shorter than the time needed to realistically reform. Whether it is due to inflexible project deadlines or for financial disbursement reasons, too short-termed reform efforts will inevitably lead to failure.

A third factor is to ensure the *appropriate packages of lending instruments*. Particularly in countries with low capacity for implementation, policy-based lending should be coupled with technical assistance. Capacity building and ensuring the transfer of knowledge will not only ensure success but will help create sustainable programs.

A fourth consideration in CSA reform programs is to identify *tangible indicators of success*. Political leaders are more likely to champion reforms where they can point to the benefits, whether it is a cost savings or a new system in place. One way of indentifying tangible indicators of success would be to link CSA to more concrete reforms such as that of public financial management. Another way would be to develop measurable indicators of results, though this would clearly be a more complex approach.

A fifth factor is to take a *pragmatic and opportunistic approach to CSA reforms where institutional environments are challenging*. Diagnoses have concluded that the patronage system in developing countries creates a very difficult

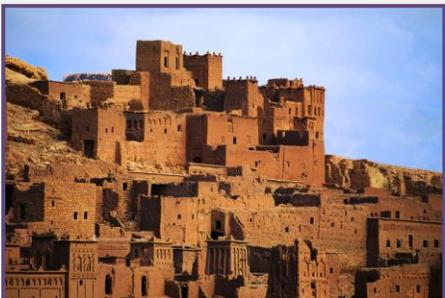
reform environment. It is important to be realistic that a country's system will not change overnight and that focusing on select entry points and incrementalism will be more successful than any attempt at remodeling an entire system.

Finally, *effective donor coordination* is imperative to a successful reform strategy. Facilitating efforts between donors can ameliorate the results of a single donor's effort in absence of political commitment and in a difficult reform environment. Minimizing conflicting advice and multiple agendas is also a necessary component of effective donor coordination.

CSA reform is not futile. In addition to the six factors of success outlined by the IEG, focusing on incremental and select entry points can be successful and can lay the foundation for later progress. Concurrently, CSA needs strong country ownership and donors need to tailor assistance to a country's pace of reform.

Table 1. Success standards of common civil service and administrative reform measures

CSA Reform Components:	Success Standard
Database Reform and Tracking Existing Staff	Collecting missing data collection is not controversial and important in diagnosing issues and designing reforms
Training	Training is not controversial
Demand-Side Reforms	Focusing on the users of uncontroversial services (service standards, e-government, etc) have shown moderate success
Functional Reviews (ex. report to support downsizing efforts)	Case studies have shown that reviews are generally unsuccessful because they do not lead to real process change
Human Resource Management	Reforms such as merit-based recruitment and promotion are very difficult to implement and faces political risk, especially in patronage – based systems
Downsizing and Payment Decompression	Politically unrealistic and assumes that the changes will bring about improved public administration. Staff reduction either never happens or is reversed through rehiring; and often the same people are rehired.



MOROCCO'S EXPERIENCE IN STREAMLINING THE PUBLIC SECTOR

BY KHALID EL-MASSNAOUI

The Government of Morocco designed and implemented an ambitious voluntary retirement program (VRP) in 2005—the only example of its type in the MENA region. More than 39,000 employees (7.6 percent of civil servants) elected to benefit from this program and left the public sector. The VRP is one of the most important components of the broad Public Administration Reform program (PARP) launched in 2003. In the short term, the VRP aimed at streamlining civil service and containing the wage bill at fiscally sustainable levels. In the medium term, it sought to facilitate the reorientation of the State to better fulfill its social and economic priorities while improving productivity in the civil service.

The VRP has achieved most of its objectives. Although the current size of the civil service has reached its aggregate level prior to the VRP reform program, its age structure, skills mix, and geographic coverage have improved significantly. The VRP allowed the government to recruit new civil servants on the basis of proven needs and profiles, mainly in social sectors such as education and health. The improved composition and coverage of the public sector has enhanced productivity and improved service delivery. Second, the cost of the civil service on the budget has been brought to sustainable levels. Indeed, the wage bill has steadily declined since 2005 from 11.8 percent of GDP to around 10 percent end 2009.

Many factors explain the success of this ambitious program. There was good preparation during all phases of the operation. The communication phase succeeded in widely disseminating needed information to all stakeholders, especially potential candidates, using all available media. The efficient management in the implementation of the VRP also helped streamline the process and win the credibility for the operation. From the outset, the direct involvement of the Prime Minister in monitoring the implementation process sent a strong signal to stakeholders.

The Morocco VRP program also suffered from some problems that are typical for this type of program. The most critical shortcoming was that of adverse selection—i.e. the best and the brightest civil servants tended to be the ones who left. This problem was augmented by some design weaknesses. The VRP did not target specific jobs and grades, and all civil servants were eligible to participate. Indeed, the design of the severance packages favored civil servants in the highest salary range, which includes senior personnel with accumulated managerial, academic and technical experience—exactly the profiles most needed for a high performing public service. This resulted in the preponderant departure of higher ranked civil servants, while the government would have preferred the departure of lower ranked personnel where redundancies and weak productivity are most pronounced.

The VRP experience carried out by Morocco provides several important lessons. First, it is possible to succeed a major downsizing operation of a costly and unproductive public civil service without generating major disruptions in service delivery. Second, it is also possible for such an operation to be financially attractive and result in significant savings for the budget. Third, the sustainability of the VRP's results depends on the timely implementation of the related and complementary reforms, such as geographic redeployment of existing employees, new hiring targeted to needed skills and geographic locations, and timely and continuous training of civil servants to adapt their skills to the new needs of a modernized public sector. Fourth, such efforts need to be carefully targeted to avoid problems of adverse selection.

UPCOMING EVENTS AND ACTIVITIES

- **February 8, 2010, Enel Sustainability Forum 2010 “Business as Usual,” Rome Italy.** Organized by UNESCO, the Sustainability Day is a new initiative to share and promote a ‘culture of common purpose’ leading toward new thinking and best practices in corporate sustainability at a global level. sustainabilityday@eneventi.it and www.enelsustainabilityday.com
- **February 20-21, 2010, INSOL International Annual Regional Conference, Dubai UAE.** This conference offers you the opportunity to keep abreast of technical issues as well as sharing best practice for developing innovative solutions to help local and global companies in both the public and private sectors restructure. penny@insol.ision.co.uk and www.hawkamah.org
- **February 25-26, 2010, Annual Forum on Combating Corruption in the EU 2010, Trier, Germany.** The objective of this annual forum will be to debate how best to ensure effective detention, investigation and prosecution of corruption, particularly affecting the EC’s financial interests. info@era.int and www.igac.net
- **March 17-19, 2010, 4th Annual Fraud & Corruption Summit, London, UK.** The summit will focus on the detection, prevention, and investigation of fraud, corruption and financial crime. shook@mistieurope.com and www.mistieurope.com
- **March 23-24, 2010, 23rd National Conference on Foreign Corrupt Practices Act, NY, USA.** Benefit from the practical perspective of seasoned corporate FCPA compliance executives, get an update on enforcement and policy initiatives from top Government officials and FCPA attorneys, and learn how industry is setting up internal controls to comply in this constantly changing global legal landscape. www.fcpanconference.com
- **March 25, 2010, Company Secretary Workshop: Essential Company Secretarial Practices in Corporate Governance, Dubai, UAE.** This is a one day interactive workshop with presentations covering five modules on different aspects of the role of the Company Secretary and corporate governance, benefiting from case studies, recent surveys and research data. info@hawkamah.org and www.hawkamah.org

NOTEWORTHY LINKS

World Bank MENA Governance Website:
<http://www.worldbank.org/mena/governance>

World Bank General Governance Website:
<http://www.worldbank.org/governance>

The World Bank’s Administrative and Civil Service Reform Website:
<http://go.worldbank.org/J5MJ0P5HR0>

Independent Evaluation Group (IEG) Website:
<http://www.worldbank.org/ieg>



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