

DESIGN OF THE PUBLIC SECTOR MODERNIZATION PROGRAM

(TC-99-04-00-2)

EXECUTIVE SUMMARY

Requester:	Cooperative Republic of Guyana		
Executing agency:	Office of the President with the assistance of the Ministry of Finance and Ministry of Public Service		
Terms:	Execution : 18 months Disbursement : 24 months		
Amount and source:	IDB (Net Income FSO):	US\$	1, 005,000
	Local counterpart funding:	US\$	105,000
	Total:	US\$	1,110,000
Objectives:	<p>The objective of the proposed technical cooperation is to assist the Government of Guyana (GOG) in the preparation of groundwork, designs and a policy framework for a public service reform. This operation will help GOG identify options for public service reform, sources of external financing and implementation plans. A major sub-objective is to obtain substantial and visible consensus for public sector reform from Government and key stakeholders.</p>		
Description:	<p>The project finances the provision of technical consultancy services, diagnostics and limited in-service training, to improve management and staff development, and is divided into five components:</p> <ul style="list-style-type: none">▪ Building GOG capacity for public sector reform;▪ Building stakeholder consensus for public sector reform;▪ Improvement of baseline data and human resource management systems and procedures;▪ Designing voluntary retirement program in light of a labor market study; and▪ Designing public sector compensation reform. <p>These system wide designs are expected to proceed in parallel to another bank-financed operation that will prepare institutional and organizational capacity assessments of all ministries. The components will be executed using task groups of individual external and local consultants, and public service management staff. A Public Sector Reform Committee will be re-activated to oversee this as well as other reform projects.</p> <p>The rationale for the initial focus on human resource management and development in the public service is straightforward: until the quality of staff at all levels is brought up to the requisite standard, and numbers and skills are properly organized and matched to workloads, other important areas of public sector reform will not succeed and service delivery will not reach its potential.</p>		

Benefits and beneficiaries:	<p>The proposed technical cooperation program will support government's efforts to continue the dialogue on PSR with the stakeholders in Guyana, as well as with multilateral financial institutions, and prepare the necessary technical reports required for informed decision-making. The beneficiary of this operation is the Cooperative Republic of Guyana.</p>
Risks:	<p>The risks associated with this operation are considered minor because the activities consist primarily of consultancies to prepare technical studies and designs, which will help set the stage for <u>future</u> policy reform. The risks include: (1) weak management particularly in areas where the project will operate and eventually improve performance; (2) scarce and competent counterpart staff; (3) unsuccessful efforts to build stakeholder consensus during the design stage of reform. Nevertheless, the project will seek to mitigate risk through careful executed designs and with maximum participation by Government, stakeholders and facilitators.</p> <p>However, relatively more risk is associated with the <u>future</u> implementation of the reforms to be designed, particularly the employment rationalization and retrenchment. The risks may include: (1) a militant labor force and (2) a volatile political environment in the run up to elections at the end of 2000. In order to mitigate these future risks from the design stage, the project will develop flexible policy options rather than single recommendations; initially entail only a voluntary rather than compulsory retirement; and involve consultants with expertise in Caribbean labor relations.</p>
Relationship to Bank's Country Strategy:	<p>The centerpiece of the Bank's strategy for Guyana is public sector reform. With the proposed technical cooperation program, the Government will have most of the design elements ready to undertake public service reform. The proposed program is therefore fully consistent with Bank strategy for Guyana. Government has also requested the Bank to finance a parallel operation required to prepare Institutional and Organizational Capacity Assessments for all ministries.</p>
Special contractual conditions:	<p>Prior to first disbursement: (1) the project coordinator shall be selected and ready to sign contract; (2) five lead counterpart staff, one for each of the project components, shall be appointed; and (3) the Public Sector Reform Committee shall be fully re-activated.</p>
Exceptions to Bank Policy:	<p>None.</p>

I. BACKGROUND

- 1.1 After fifteen years of severe economic decline ending in 1991, macroeconomic stabilization and structural reform helped to turn around Guyana's economy. Very few public sector reforms have taken hold due to social, political and economic considerations, and because the reforms rely on scarce human capacity or on inter-Ministerial or inter-agency decision making, coordination or approval. The public service has been identified as one of the most urgent and important areas of outstanding structural reform. Policy, institutional and organizational reforms need to be addressed expeditiously to maintain the little reform momentum that presently exists, particularly at a time when all major multilateral and bilateral programs supporting public sector reforms have, or are about to, come to an end. The centerpiece of the Bank's strategy for Guyana is to help the Government address the modernization of the public sector. The rationale for the initial focus on human resource development in the public service is straightforward: until the quality of staff at all levels is brought up to the requisite standard, and numbers and skills are properly organized and matched to workloads, other important areas of reform will not succeed and service delivery will not reach its potential.

A. Macroeconomic and social context

- 1.2 Guyana's economy turned around in 1991 as a result of the macroeconomic stabilization and structural reforms that were initiated in 1988 with the assistance of the International Monetary Fund, the World Bank and the Inter-American Development Bank (IDB). The Government's Economic Recovery Program consisted of fiscal restraint, tight monetary policies, liberalization in the external and various domestic sectors, privatization and measures to contain the external debt. The benefits of reform are manifest in the achievement of growth in real GDP averaging about 7.0% between 1991 and 1997 compared to negative growth in the 1980s, and inflation was reduced from over 100% to only 4.5% in 1997. Guyana experienced a brief recession in 1998 as GDP contracted by 2.0%, and growth resumed at a rate of 2.0% in 1999.

B. Public sector

- 1.3 Guyana's public sector greatly extended its involvement in the economy yet has one of the lowest levels of institutional development in the region. During the 25 years of cooperative socialism, the public sector in Guyana expanded dramatically in both functions and size. The Government of Guyana (GOG) assumed responsibilities not only for basic infrastructure and social services, but also for nearly 90% of productive activities in the formal sector. Another administrative layer was added to bureaucracy after the Local Democratic Organs Act was passed in 1980, which sought to decentralize with the creation of 10 regions with their respective Regional Administrations and Regional Democratic Councils, including 6 town Municipalities, 19 district councils, 32 village councils, and 75 Amerindian councils. The augmented role of the public sector was also evident in the growth of semi-autonomous agencies, public corporations and financial entities.
- 1.4 Since then, low real and relative pay, attrition and privatization efforts have significantly reduced the size of the public sector. However, the structures were unwieldy and dysfunctional and resulted in the following problems:

- Deterioration of the quality of public services.
- Deterioration of the quality and composition of public employment, particularly at the management and technical levels, due to the failure to provide adequate compensation and performance incentives.
- Over-extension, weak financial management, lack of effective control along with over-centralization of decision making, and high cost of a large public sector in a small economy
- Overlapping/contradictory jurisdiction and functional responsibility.

By solving these problems, Guyana will be in a better position to deal with its developmental, macroeconomic and social challenges.

C. Lessons from past reform initiatives

- 1.5 Civil service reform has been the most disappointing aspect of structural adjustment, despite years of intensive donor assistance. In the past decade, the major reform programs consisted of the following: British Overseas Development Administration (ODA) programs in civil service structure, personnel management, compensation and public service reform strategy; the World Bank's Public Administration Program which included revenue administration; Canadian International Development Agencies (CIDA), Guyana Economic Management Program in program budgeting; the IDB/United Nation Development Program (UNDP) Macroeconomic Management Program in Ministry of Finance (MOF) and Customs; and United States Agency for International Development's (USAID) capacity assessments in MOF and the justice system.
- 1.6 Some important reasons for the failure of these reforms include (1) the fact that revised organizational structures and staff responsibilities were not simultaneously matched by improvements of compensation, which can be attributed to the budgetary limitations resulting from the high debt service requirements and the large number of low skilled staff; and (2) the absence of strong and visible support and drive for PSR from the highest levels. As a result of (1) and (2), the government was not able to retain or hire competent staff, there were problems due to the lack of ownership by stakeholders; and institutional arrangements to implement the reforms were totally inadequate. However, there is now support, even strong support from individual Ministers and Permanent Secretaries, for a radical modernization of the public sector and particularly the Public Service.
- 1.7 Another lesson that can be derived from Guyana's past experience is that civil service reform has two important aspects that must move in tandem: *Vertical reforms* in individual public entities to strengthen organization, management and human resources, and *horizontal reforms* that cut across institutional boundaries to improve the environment in which public sector entities function. Five horizontal initiatives are deemed vital to improve performance: (a) building GOG and stakeholder ownership and consensus for public sector reform; (b) improving compensation relative to the private sector to enhance Government's ability to attract and retain skilled employees; (c) rationalizing the composition of employment; (d) establishing clear *rules of the game* in the public service; and (e) creating adequate institutional arrangements to accelerate reform.

- 1.8 The recent substantial pay award¹ for the civil service from the Arbitration Tribunal (set up by GOG as a precondition for settling the two month strike in May-June this year) should have created an improved atmosphere in which to pursue public service reform and this operation in particular. Moreover, the Tribunal's Judgement report emphasized the importance for the future of a pay policy to avoid further confrontational negotiations, and stressed the need to start the reform process at once by, for example, establishing a Public Service Reform Committee (PSRC), bringing the Unions into the reform process, and beginning implementation team building in Ministries and Departments. For their part, "the Unions expressed unreserved commitment and support for Public Sector Reform, retraining and voluntary severance." As a result of the award, the World Bank has started to prepare an emergency Public Service Adjustment, which is primarily focused on the fiscal costs associated with the Arbitration Panel award and some initial retrenchment targets. Approval of this credit is expected in April/May 2000.
- 1.9 In order to prevent backward and forward duplication, the project team has played a leading role in donor coordination in this sector during 1998-99. The project team also collected over 65 technical studies and project documentation for use by project consultants and to build on useful approaches.

D. Bank strategy and rationale for proposed program

- 1.10 Bank strategy for Guyana gives top priority to Public Sector Modernization, developing more efficient financing and resources allocation mechanisms, and stimulating private sector development. Public sector reform is expected to benefit the entire economy, particularly by establishing an enabling environment for private sector development, by strengthening the delivery of services in the social sectors, and by improving productive and social infrastructure. The initial focus of reform is on human resource development because, until the quality of staff at all levels in the public service is brought up to the requisite standard and numbers and skills are properly organized and matched to workloads, other important areas of reform will not succeed and service delivery will not reach its potential.
- 1.11 The Country Paper of 1999 contemplates assistance to the Government both in setting the stage for, and implementation of, public sector reform. Technical designs will be undertaken under the proposed technical cooperation program -- Design of the Public Sector Modernization -- as well as under a parallel operation requested by Government to prepare Institutional and Organizational Capacity Assessments for all ministries. The Country Paper also contemplates a Bank loan to support the future implementation of the policy reform program to be designed - the Public Sector Modernization Program.

¹ 31.06% for 1999 based on the December 31, 1998 wages and salary structure; 26.66% for 2000 based on the December 31, 1999 wages and salary structure; plus other monetary benefits. Only civil service staff belonging to PSU and FUGE received the award; other public service staff such as teachers, police and the Guyana Defense Force did not, receiving smaller increases.

II. OBJECTIVES

- 2.1 The objective of the proposed operation -- Design of the Public Sector Modernization (PSMP-TC) -- is to assist the GOG in the preparation of groundwork, designs and policy framework for a public sector modernization program. The PSMP-TC will help GOG design public sector reform options and policies, possible follow-on operations and external financing, and prepare for implementation. It will do this by confirming and diagnosing in more detail the issues requiring priority reform of the public service in particular, by designing and specifying improvements, and by focusing very specifically on human resource management and development.

III. PROJECT DESCRIPTION

- 3.1 The proposed PSMP-TC will endeavor to accomplish the above objectives, in its 18 months duration, through the coordinated provision of technical consultancy services, diagnostics and, where possible, in-service training to improve the management and development of human resources in the public service. Project activities will be organized in five priority components (described in the next section):
- Building GOG capacity for public sector reform;
 - Building stakeholder consensus for public sector reform;
 - Improving baseline data and human resource management systems and procedures;
 - Designing voluntary severance program in light of labor market study;
 - Designing public sector compensation reform.
- 3.2 Activities in each area will be carried out by a task force combining long term resident consultant(s), counterpart staff and short-term expert(s) as needed. This approach obviously raises the question of availability of qualified counterpart personnel in policy and institutional development, which are very scarce in the target agencies and within Guyana generally. Many of the critical tasks essential to the functioning of the public sector tend to be concentrated around a small number of staff, particularly where policy decision making is concerned. Inadequate salary levels and inappropriate composition of employment, resulting in insufficient incentives to attract or retain staff and ensure good performance, is a generalized phenomenon. The design of project activities and implementation strategy take into account these initial constraints and is the major focus of project efforts.
- 3.3 The project will therefore attempt to generate capacity without increasing unduly the workload on the already scarce capacity, by prioritizing long term support in the most critical areas and by fostering close working collaboration and team work between the staff of key agencies and technical advisors. Such interaction and hands on training will favor the transfer of skills and reduce the need for formal training. The Government will be encouraged to provide incentives to encourage counterpart staff to actively participate in the above learning process and fully contribute expertise and best efforts to project activities.

- 3.4 While there are three key institutions involved with public sector reform – Office of the President (OP), MOF and the Public Service Ministry (PSM)– the OP will have the main responsibility for administering the project. To ensure a wider and more detailed management of the project, the PSRC (first established in 1995 and lapsed in 1997) will be reactivated (and report to or acquire the status of a Cabinet Subcommittee) with a broader membership base to provide the forum for approving policy decisions before they are presented to Cabinet, and for initiating, prioritizing, planning, proposing, monitoring and directing Public Sector Reform programs and projects.

A. Project components

1. Building capacity for public sector reform

- 3.5 This component will strengthen the institutional and organizational capacity required to advance and execute public sector reform through a study and consultancy support. The study will clarify the responsibilities, functions and reporting relationships among some of the key ministries charged with the public service function: OP, MOF, PSM, Public Service Commission (PSC) and other public service personnel units. It will also clarify the role of, and relationship between, elected and appointed officials, and address problems related to capacity and the delegation of responsibility.
- 3.6 Because of the acute shortage of high level personnel, the project will support Government recruitment of a project coordinator and other international advisors on public sector reform. The main responsibility of the project coordinator would be to dedicate full time attention to the planning, coordination and efficient implementation of this operation thereby furthering Government's Public Sector Reform Strategy (PSRS) and related programs. A policy advisor (PA) will provide technical advice on all aspects of public sector reform policy and, in particular, will manage the generation of consensus for reform among GOG and key stakeholders. The PA will lead the Guyanese team in identifying, designing, negotiating and clarifying the requirements of the future implementation policy reform. To build local capacity for managing reform, the consultants will train counterpart staff by engaging them in the design of future reform and in laying the groundwork to facilitate its implementation. In addition, the component will strengthen capacity and support activities of the Public Policy Planning Unit of the Presidential Secretariat, the PSRC and other related sub-committees.

2. Building Stakeholder Consensus for Public Service Reform

- 3.7 This component will make serious attempts to help remedy the past and even current lack of ownership of public sector reform by GOG and stakeholders (the former due to exclusion of the MOF in major past initiatives, and the latter because of too few serious attempts to bring them on board). The focus will be on ownership and commitment building by Government and stakeholders toward the overall Public Sector Reform Strategy (PSRS), the design of reforms, and to support the preparation of possible follow-on programs.
- 3.8 A workshop will be organized to help build an overall consensus on public sector reform among key stakeholders, those people who will be directly and indirectly affected by a public sector reform project, and other interested parties who have the ability to influence the project's outcome. The workshop is intended to take the

participants through symptomatic problem identification, problem analysis, impediment identification and a review of the draft PSRS. Through this process, a consensual strategy would evolve in a way that would help ensure not only the validity of the assumptions made but also would build ownership for an effective implementation of reforms.

- 3.9 When meaningful consensus is achieved, the component will push for a full commitment from the President and other top level GOG officials to: (a) their vision of the future of the public service and the relationship between the public and private sectors (a proposed vision appears in the draft PSRS); and (b) the clear intention of GOG and Unions to achieve the vision and back, cooperatively, PSRS and all the component programs, current and proposed. The GOG and stakeholders will be encouraged to discuss, improve and agree the draft PSRS in order to build common ground and prevent social unrest, as that following the April 1999 labor union strikes.
- 3.10 To engage the Trade Unions representing public sector workers fully in the dialogue and design of reforms, the project will also seek to engage the Caribbean Congress of Labour (CCL). The CCL is a highly responsible and well respected umbrella organization for Caribbean Labor Unions with expertise in labor relations. In the process, international seminars and workshops may be arranged for Public Service officials. A study tour may be organized for PSRC members to visit suitable emerging or newly industrialized countries with more 'modern' public sectors than Guyana, in the Caribbean Community (CARICOM) and elsewhere, so that members can see some of the institutions and activities proposed in the PSMP actually in operation
- 3.11 The component will develop and assist with the implementation of a communications strategy and campaign to inform and involve all public servants, and their representatives, in the project.
- 3.12 Finally, the cooperation of all major bilateral and multilateral donors will be necessary for this initiative to succeed. To this end, the component will seek to remobilize a committee representing major donors and improve coordination of their respective PSR activities (including funding), and improve information flows to and feedback from donors.

3. Improvements to baseline data, human resource management systems and procedures

- 3.13 An adequate assessment of the problems of the civil service and a proper baseline are critical to the execution of this program and to enable measuring progress on reform. Consequently, this priority component is front-loaded in relation to the other program components, and it will seek improvements to baseline data and human resource management systems and procedures with a view to helping GOG regain control over the public service pay and employment levels and ready systems for the implementation of policy reforms.

a) Payroll audit, data collection and computerization of manual payrolls

- 3.14 This sub-component is designed to remedy serious deficiencies of existing payroll data quality and quantity, and to help computerize the partially computerized and entirely manual payrolls. The work involved is purely technical and there is therefore little need for extensive discussion and consensus among the staff in general. Because of the importance of establishing a proper baseline for dialogue and reform, this sub-component will be implemented in a front-loaded manner and in parallel with the introduction of a new Y2K compliant payroll hardware and software system being financed by the World Bank. The activities will include:
- undertaking an entity-by-entity audit of employment and pay,
 - unifying multiple computerized databases and completing data entry from various partially and completely manual payrolls, and
 - purging the database of errors and omissions in search of immediate budgetary savings such as ghost workers, mismatch of actual vs. authorized posts and other employment anomalies.
- 3.15 A survey of public employment data was planned to be undertaken with the payroll audit but will have to wait until the personnel information system (see paragraph 3.19 below) is fully implemented and operational with a functioning and reliable data feeder system from all public service agencies.
- 3.16 At the outset, detailed discussions with MOF managers will be needed to establish the procedure for conducting the audit and data collection, the management arrangements, the human and financial resources needed, and the precise destination for manual payroll copy.
- 3.17 Once the auditors complete the verification of existing payroll data and collection of missing data in each agency, the timely physical transmission of hard copy data from manual payrolls to the MOF and the entry of the data to the new payroll system will be the responsibility of MOF and the relevant agencies. However, the project will do all it can to ensure that these activities are performed promptly, and some resources have been allocated for this purpose.
- 3.18 After completion of the work, a report will be prepared detailing results, terms of reference for follow-up technical assistance and possible changes in legislation, policy and procedures. As mentioned in 3.24 below, that sub-component will identify effective control mechanisms (such as specific approvals) for hired or leaving staff to be entered or deleted from the payroll database before they can be paid either salary or a leaving compensation package.

b) Improvement of the human resource management systems and procedures

- 3.19 This sub-component is designed to remedy errors and omissions in the human resource management information systems (HRMIS) and procedures.

i) Improvement of operating and information systems

- 3.20 The first part deals with pure operating and information systems of which there are three. The first of these is the payroll administration system, which includes all the procedures, staff and equipment needed to operate each payroll and maintain the

information on it current. As computerization of all payrolls proceeds, payroll administration will become more centralized, uniform and simpler, and therefore easier to control. In view of the imminent completion of the computerization program, this study will concentrate mainly on the central payroll.

- 3.21 The second system is intended to control the public service establishment through the Inventory of Authorized Posts which resides in the PSM. This database, through lack of maintenance and provision of timely accurate information, no longer serves the purpose for which it was designed. The system has virtually lapsed.
- 3.22 The third system is the public service human resource management information system (HRMIS) – previously known as the Personnel Record Keeping System – also located in PSM, which should contain a range of personal and employment history data for every employee in the public service, including subcontractors. However, this PC-based system has outmoded software, contains no contractor information, and the database has been unreliable for at least the last four years despite the recent efforts of a trained and experienced Guyanese systems analyst. The system's two main problems are lack of functionality and capacity in hardware and software, and an absence of system and discipline in the supply of current information from central and line agencies in the public service. In addition, there have been and still are serious management shortcomings in the operation of these systems. The new Y2K payroll system has a HRMIS module, for which Government has not signed a licensing agreement, which may in the future, form the core of a HRMIS properly integrated with the new computerized payroll.
- 3.23 To remedy these shortcomings and produce plans for an integrated employment management information system and its implementation, this sub-component will:
 - prepare and conduct a short workshop with all managers and staff in the areas concerned to explain the purpose and results expected from the proposed study and request their full cooperation and feedback on all aspects of the existing and proposed systems. The objective of this will be to generate consensus on the need for, methodology to be used, and benefits expected from the study;
 - review procedures, practices (including management) and staffing, with special reference to feeder information systems, to identify weaknesses and omissions;
 - formulate an action plan for future improvements to procedures, practices and staffing, including equipment, hardware and software, and provide cost estimates.
- 3.24 During the execution of this sub-component, the consultants responsible will interview a sample of line agencies as well as MOF and PSM, the former to establish the timing and details of the planned payroll system. The work will provide the blueprint for an integrated Management Information System covering all personnel related functions, needed to support the effective operation of the new payroll system. In particular, the HRMIS will be utilized for employment management and as the source of accurate personnel information for use in the payroll, compensation and budget systems. In view of past maintenance problems, policies to apply control mechanisms and meaningful incentives to individuals or agencies not complying with database maintenance procedures may need to be

considered, which could be linked to strict rules such as those governing procurement.

ii) Improvement of human resource management procedures

- 3.25 The second part of this sub-component deals with systems related to employee performance and remuneration, in particular the classification and documentation of jobs (in job descriptions), job evaluation and grading, and conditions of employment. To remedy deficiencies in these systems, the sub-component will:
- generate the necessary consensus and feeling of ownership, by meeting and briefing all the main interest groups, staff representatives and Unions in coordination with GOG counterparts, to explain the proposed study and how they will be able to contribute;
 - review, from a sample of public service agencies and jobs: current job classification and structure, job evaluation and grading schemes, staff performance appraisal scheme and conditions of employment;
 - prepare and obtain approval for comprehensive improvements to job classification and structure, grading and evaluation schemes, and their administration;
 - design an improved performance appraisal scheme and procedure for its introduction, including staff training details; propose improvements to conditions of employment; and
 - gain approval for the final grading structure and relativities between sample posts and grades, and for a strategy to maintain comparability between the public service and the local and regional labor markets.
- 3.26 Several important organizational, human resource and security issues must be resolved in order to implement the action plans to be designed by this sub-component, such as the location of the HRMIS within GOG. Policy decisions must be taken on whether the PSM or MOF will be responsible for maintaining the information systems, and what changes will be needed to management structure and practice. The three databases should be integrated, but the payroll database in particular must be protected from accidental and deliberate corruption by rigorously enforced back-up and security procedures.
- 4. Designing a voluntary severance program**
- 3.27 The objective of this component is a fully specified/agreed voluntary severance program for the entire public sector with detailed recommendations for application, benchmark setting, policy conditions, changes of institutional and legislative environment, its relation to other project components, and for implementation, timing, and costs of any technical assistance needed. This technical work will be prepared with the benefit of a labor market sector study also financed by this component, which identifies the key issues of the Guyanese labor economy and suggests designs and projects that would help ameliorate the impact of the policy reforms to be proposed.
- 3.28 For political and labor relations reasons, the GOG has decided that those staff shown to be genuinely surplus to requirements should be offered compensation for

voluntary severance rather than be made compulsorily redundant. The optimal scope of retrenchment should be revealed by a Public Expenditure Review, by this project, and by the institutional and organizational capacity assessments of all ministries to be financed under a separate operation. Staff requirements/surpluses should also emerge as a by-product of the strategic planning exercise under way in the public service with the help of CARICAD and the Commonwealth Secretariat.

- 3.29 The labor market sector study is front-loaded and meant to provide an overview of labor market conditions in Guyana with emphasis on: a) the situation of employment and earnings in the Guyanese economy; b) differences among groups, in particular, public-private, male-female, ethnic groups, and the self-employed; and (c) migration patterns. The study will use data from the Labor Market Survey that has been undertaken regularly since 1998, the Household Income and Expenditure Survey of 1999, the audited payroll and whatever useful information can be retrieved from the Personnel Record Keeping System. The study will recommend improvements to the policy and legislative regime to support reform.
- 3.30 In addition, this sub-component will: a) design a voluntary severance scheme for the public sector; b) deliver a one-day course to train policymakers on its application; c) document the linkages between the implementation plan and the possible follow-on public sector modernization program, with clear recommendations on the timing of the key activities to serve as policy benchmarks; and d) identify further technical assistance required to ready personnel and management systems for implementation.
- 3.31 In developing an appropriate severance package, the following principles should be observed: a) it should be seen to be fair by those remaining in employment as well as those leaving; b) it should be easy to understand and calculate; c) it must be affordable, and therefore defensible if external funding is sought; d) it should be rational; and e) its terms should be no worse than those available by statute. Given the possible staff needs and surpluses and varying budget constraints, a user friendly spreadsheet model will be prepared to generate feasible options for the severance package and Government consideration. The model will capture all relevant constraints and information from the labor force surveys, household surveys, econometric analysis and economic theory.

5. Designing a public service compensation reform and implementation

- 3.32 This end-loaded component will support the GOG in the reform of public service compensation. The consultants and GOG counterpart staff will meet and brief all the main interest groups, staff representatives and Unions to explain the proposed study and how they will be able to contribute, to generate the necessary consensus and feeling of ownership, and to help the later implementation of proposals. Government staff will be assisted to design alternatives for pay policy and a comprehensive pay structure, using a user friendly compensation model developed earlier this year by Bannock Consulting that captures all essential features of the public service and budgetary constraints. An action plan will be developed to establish linkages to performance appraisal and salary administration. The compensation model would be updated with audited payroll information and installed as an integral feature of the payroll and (later) HRMIS systems in order to supply information to policy making and the budget process. Government staff will

be trained to examine alternative pay and employment scenarios in the compensation model.

- 3.33 The reform of public service compensation will be designed to complement other project components (i.e. the job evaluation methodology, performance appraisal, terms and conditions of employment, the voluntary severance program, etc.). The technical assistance will also clarify all the policy, legislative and implementation benchmarks to be contained in possible follow-on operations. A Heavily Indebted Poor Countries Initiative (HIPC) policy condition already requires GOG to update regularly the 1998 private sector compensation survey and to keep track of movement in private sector compensation, but the system should be expanded to include Caribbean comparators because free labor mobility of professionals is allowed among CARICOM countries.
- 3.34 The recent two-year pay award to civil service staff (see paragraph 1.8 above) has created a window of opportunity until the end of 2000 to fix systems and pay policy. If this opportunity is not taken, more confrontational negotiation and possibly strikes will ensue: mistakes of the past should not be repeated.

B. Project implementation

- 3.35 A team of consultants will be contracted to provide coordinated technical assistance to the Government in implementing the program components and defining the policy, institutional and organizational reforms for a public sector modernization program. Each component will be implemented through a combination of the following inputs.

1. Long-term resident and short-term consultants

- 3.36 A long-term resident consultant, acting as project coordinator, will be attached to the Project Management Unit (PMU) for the duration of the project. This consultant will ensure long term, continuous support to the OP in each of the five project components. He/she will be responsible for the work of all team consultants, and will ensure that they achieve their objectives. There will be two other long term consultants: a policy advisor to provide advice and support in reform policy, methodology and consensus building, and a Guyanese human resources management consultant. In addition, there will be four short-term consultancies, each requiring one or more specialists. Terms of reference (TOR) have been prepared for these specialists and are included in Annex II. Consultants working on specific project components will be expected to understand and work in parallel to the other project components and under the direction of the project coordinator and policy advisor in order to ensure a consistent and coordinated approach. At least one Government counterpart staff will be appointed for each of the five project components.

2. Studies and additional short-term consultancies

- 3.37 Studies requiring various types of specialized, short-term consultancy inputs will be undertaken under this project. TOR for additional studies and short-term consultancies will be prepared and reviewed by the PMU.

3. Improvement plans, systems and training

- 3.38 Consultants will be expected to provide detailed implementation plans and systems, and to include recommendations for staff training in the operation of revised systems and procedures. An important aspect of their work is to ensure consistency across project components.

4. Project preparation

- 3.39 By assisting the OP in the definition and implementation of policies, this project will identify new areas where further sector institutional changes and investments are required. Therefore, sufficient resources have been allocated (as contingencies) to enable the PMU to study new policies and assess the feasibility of projects based on sector priorities.

C. Project management

- 3.40 Project Management Unit: The execution of the project will be the responsibility of the Office of the President (OP), which will establish a Project Management Unit (PMU) headed by a Project Coordinator (PC) and consisting of representatives of the OP, MOF and the PSM. The PMU will integrate the project administration duties i.e. ensuring that all necessary inputs are delivered on time and that standard procedures are used to achieve project objectives with the more technical responsibilities of constantly monitoring the technical quality and dissemination, within the GOG, of the outputs delivered by the project. The candidate for project coordinator, the contract between the OP and the candidate, and the terms of reference for the PC shall be subject to prior IDB approval. The Bank's standard procurement procedures will be followed to hire the project coordinator and other consultants required for the project. The project coordinator will be selected and ready to sign the contract as a **condition prior to first disbursement**.
- 3.41 Task Forces: To maintain focus on each of the five components and to ensure transfer of knowledge and experience with public service reform, **task forces** will be assigned for **each project component**, which will be composed of the counterpart staff assigned to that component and one of the long term resident consultants, and will be chaired by the component's lead counterpart staff. These task forces will meet frequently with the three members of the PMU and directly support all aspects involved in the implementation of the project component for which they are responsible. The appointment of **five lead counterpart staff**, one for each component, with clear lines of authority and responsibility for coordination across GOG agencies will be a **condition prior to first disbursement**.
- 3.42 PSRC: To ensure that policy coordination takes place at the highest Government levels, **the PSRC** will be re-established to coordinate all public service reform activities and to advise the OP and Cabinet on all matters of public service reform. Members of the PSRC will include senior officials from the OP, PSM, MOF, PSC, with additionally, members from the Unions, the private sector and other stakeholders groups. The PSRC will monitor sectoral PSR projects, including this operation, and will be **chaired by the Head of the Presidential Secretariat**. In view of its importance to the public service reform process, **the reactivation of the PSRC shall be a condition prior to first disbursement**.

- 3.43 Use and control of project funds: For the PMU to hire consultants, organize the consensus building workshops and undertake other project activities, a revolving fund of 10% of the operation amount will be established and replenished upon presentation of legitimate expense claims.
- 3.44 Timetable for implementation. The project will implement according to the following indicative schedule:

Timetable for Implementation	
Advertising for long-term consultants	At date of agreement
Short-listing long-term consultants	1 month after date of agreement
Contracting long term consultants	2 months from the date of agreement
Designation of the five key Government counterparts	2 months from the date of agreement
Execution period for the project	12 months from the date of hiring PC
First disbursement to the revolving fund	1) When long-term consultants are selected and ready to sign contracts; 2) When five lead counterpart staff are appointed; 3) When the PSRC has been fully reactivated.
Mid-term report	6 months from the date of hiring PC
Final report	12 months from the date of hiring PC

- 3.45 The project disbursement period is not expected to exceed 24 months.

IV. REPORTING AND MONITORING

- 4.1 The PC will prepare and submit to the Bank two reports: a mid-term progress report with a proposed workplan for execution during the following six months, and a report at project completion. The Bank will comment on progress and on the proposed plan, and provide recommendations for any changes to be made within two weeks of the submission of the reports to the Bank's country office. From this TC document, the PMU will prepare a draft of the first six-month work plan. For the purposes of a smooth functioning of this project it is useful to differentiate between different types and levels of monitoring.
- 4.2 Technical monitoring of components and outputs. This will be the primary responsibility of the PMU and will form the basis of the mid-term report and the subsequent workplan, and the final report. The main emphasis will be on ensuring that consultancies and studies are delivering the outputs specified in the six-month workplan in each of the five component areas. The six-month workplan will specify: (a) outputs, (b) consultancies to address these, and (c) expected products to be obtained from these consultancies. All administrative aspects will be the responsibility of the PMU and the Bank's country office in Guyana.

- 4.3 Quality control. The PA will be asked to undertake the following quality control tasks: (a) quality control of project components and consultancy outputs provided including: (i) review and technical appraisal of all consultancy documents produced and of pilot components undertaken; (ii) technical appraisal of training components undertaken under the project; (iii) assessment of the impact of project components on policy and institutional development within the Government of Guyana; (iv) review and appraisal of project implementation arrangements and dissemination components in so far as they contribute to the achievement of project objectives; and (v) review and production of technical reports to be submitted to the Executing Agency and the Bank. The reports will emphasize all aspects, including a detailed appraisal of project management arrangements.
- 4.4 The executing agency will present an independently audited financial report on the uses of the contributions of the Bank and local counterpart funds. The audited financial statements will be presented within 90 days of project completion, according to procedures acceptable to the Bank.

V. SUPERVISION

- 5.1 Supervisory missions will need to identify (a) the level of progress achieved, (b) the reasons for any lack of progress if any, (c) possible interventions which will deliver the expected output, and (d) achievement indicators within each of the five project components. This analysis should lead to specific recommendations to the GOG and to possible policy changes. Proposed actions to be taken by the GOG to implement recommendations arising from projects components will also be discussed during the meetings, to identify required decision making actions as well as ways to provide support through the project or other means.
- 5.2 It is proposed that these reviews involve the OP, MOF, and the IDB with the required consultancy support. Two supervisory missions will be carried out, the first six months after the first disbursement.

VI. COSTS

- 6.1 The cost of this technical cooperation agreement is estimated at US\$1,110,000 of which US\$1,005,000 will be provided by the Bank on a non-reimbursable basis from the Net Income of the Fund for Special Operations; and the equivalent of US\$105,000 by the GOG. The IDB contribution will finance honoraria, transport, per diems, and possibly training fees. The national counterpart funding will cover the cost of office space, some vehicle operating costs, secretarial and logistical support, office supplies and local counterparts for the project.
- 6.2 To ensure ownership by the GOG and that on-the-job training takes place, the technical cooperation agreement will require the GOG to ensure that appropriate full time counterpart staff and funding are available for the five project components. The improvement of current compensation levels for professional and technical staff, as envisioned under the HIPC Initiative and for which Government made provision in the 1999 budget, will give the counterpart staff an incentive to fully participate in the project activities, take advantage of the learning

opportunities and enhance Guyanese ownership of the overall effort. The cost of each of the activities of the technical cooperation is summarized in 7.3 below and details are shown in Annex III.

VII. BUDGET OVERVIEW

- 7.1 The disbursements of the Bank's contribution exclusively to project components, with the exception of the amount set aside for contingencies, will be administered by the OP. Before the request for first disbursement of Bank resources, the GOG should present, to the satisfaction of the Bank, the following: a) the project coordinator selected and ready to sign contract , b) the names and designations of the five Government counterpart staff (one for each project component) ; and c) evidence that the PSRC has been fully reactivated.
- 7.2 A condition for the release of funds under each area of activity will be satisfactory progress in each project component as evidenced by the reports submitted by the PMU. Such reports should clearly spell out: (a) the results of the analysis of options in each project component; (b) the reasons for any lack of progress and corrective measures to be taken; (c) the next steps being proposed; and (d) the level of Government ownership and political support that different options receive.
- 7.3 The budgeted project costs are summarized in the table below.

SUMMARY COST TABLE (in US\$)			
Item	IDB (Net Income FSO)	Counterpart	Total
Component 1. Building capacity for public sector reform			
1. Professional long term consultant fees	390,000		390,000
a) Project Coordinator	200,200		200,200
b) Project Advisor	189,800		189,800
2. Travel, per diem, and allowance	46,184		46,184
<i>Subtotal</i>	<i>436,184</i>		<i>436,184</i>
Component 2. Building stakeholder consensus for public sector reform			
1. Consensus building activities	50,000		50,000
<i>Subtotal</i>	<i>50,000</i>		<i>50,000</i>
Component 3. Improving baseline data, human resource management systems and procedures			
1. Professional consulting services fees	227,750		227,750
2. Travel, per diem and transportation	38,398		38,398
3. Projection equipment	2,400		2,400
<i>Subtotal</i>	<i>268,548</i>		<i>268,548</i>
Component 4. Designing a voluntary retirement program			
1. Professional consulting services fees	95,950		95,950
2. Travel, per diem and transportation	14,331		14,331
3. Communication expenses	279		279
<i>Subtotal</i>	<i>110,560</i>		<i>110,560</i>
Component 5. Public service compensation reform			
1. Professional consulting services fees	36,203		36,203
2. Travel, per diem and transportation	25,346		25,346
3. Training abroad	7,592		7,592
<i>Subtotal</i>	<i>69,141</i>		<i>69,141</i>
Local consultants and support staff		75,000	100,000
Logistics and equipment		30,000	30,000
Contingencies and short term studies	70,568		70,568
TOTAL	1,005,000	105,000	1,110,000

VIII. BENEFITS AND RISKS

A. Benefits

- 8.1 There are some reasons for thinking that the present and likely future environment for public sector reform is more supportive than hitherto, and that the PSMP now has a better chance of achieving genuine progress. The first reason is that the Government has stepped up the policy dialogue on public sector reform with multilateral financial institutions and bilateral donors. The second reason is the promise of considerably increased funding and reduced debt payment in exchange for the attainment by GOG of certain structural reforms and a more functional public sector. The main sources of funding are: (1) The HIPC amounting to some US\$25-30 million of debt relief per annum as of the approval in May 1999 and (2) possible external funding of the reform initiatives.
- 8.2 Finally, GOG has taken certain PSR steps over the past two years without external technical support, which demonstrates some commitment to PSR. These actions are: enacting the Termination of Employment and Severance Pay Act 1997 under which an employee may be terminated with or without a standard entitlement to severance pay; the preparation by PSM and submission to Cabinet of a Discussion Paper on the implementation of a structured reform agenda; and the holding of a four-day workshop for senior GOG officials on "Enhancing Public Service Performance in Guyana", which yielded a draft White Paper on Public Service Reform in an attempt to build consensus and commitment for PSR. The Discussion Paper proposed the introduction of strategic planning and improved customer service and the establishment of a separate entity for the implementation and promotion of PSR, which is the subject of an upcoming CARICOM-sponsored seminar. The White Paper has also been an important input for the preparation of a draft PSRS under the PSMP.

B. Risks

- 8.3 The political environment remains somewhat volatile with the recent changes in leadership and up-coming elections at the end of 2000. The recent strike is evidence of a militant work force who are now able to get what they want. The next demand is likely to come from those public service workers who were left out of the arbitration award. Counterpart staff are also scarce which will contribute to delays of essential decision making; lines of authority and delegation are unclear at the top and authority is even more centralized today; and management capacity is very low in central government, particularly in personnel.
- 8.4 The risks are fairly typical of a developing country and the Guyanese public service has been in decline for many years. However, the proposed technical cooperation will help to mitigate some risks, particularly those of organization structure, management and staff quality, albeit in the medium term. This will come about through, for example, improved compensation attracting higher caliber applicants to the public service, and the cumulative effect of the various programs to improve organization, systems and management practice.

IX. CONTRACTUAL CONDITIONS

- 9.1 There are three contractual conditions prior to first disbursement: (1) the project coordinator shall be selected and ready to sign contract, (2) five counterpart staff, one for each project component, shall be appointed, and (3) the PSRC shall be fully re-activated.

Guyana: Design of the Public Sector Modernization Program – TC 99-04-00-2
Logical Framework

	OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	To launch modernization of the public sector in general and the public service in particular	<ul style="list-style-type: none"> Public high profile acceptance by GOG of PSR Strategy. Reactivation of Public Sector Reform Committee 	<ul style="list-style-type: none"> Written acceptance of PSR Strategy by Head of the Presidential Secretariat Ex post evaluation 	<ul style="list-style-type: none"> Demonstrated commitment to TC and PSR by President and GOG officials Substantial consensus for stakeholders especially UN
	To assist GOG with preparation of groundwork, designs and a policy framework. The focus is on human resource management and development	<ul style="list-style-type: none"> Same as above Implementation plans developed and accepted for reform in the five components 	<ul style="list-style-type: none"> Same as above PSRC agendas and minutes Bank/OP/MOF meetings Reports to Bank from PC Mid-term review 	<ul style="list-style-type: none"> Same as above. Full involvement of MOF
S	<p>1. To build GOG capacity for public sector reform, communications strategy and project coordination</p> <p>2. To build stakeholder consensus for public sector reform</p> <p>3. To Improve baseline data, human resource management systems and procedures</p> <p>3a. To undertake payroll audit, data collection and assist the computerization of manual payrolls</p> <p>3b. To improve three human resource management systems and procedures</p> <p>4. To design voluntary severance program and undertake a survey of the labor market</p> <p>5. To design a reformed compensation structure</p>	<p>1. Project Coordinator and Policy Adviser hired to support PMU. Definition of consensus achieved with HPS and Minister of Finance.</p> <p>2. Consensus workshop held. Public statements from President of vision for public service and intention to achieve it. International workshop and study tour held.</p> <p>3. Two HR Management consultants selected and hired.</p> <p>3a. Payroll audit conducted and data collected. Manual payroll computerized.</p> <p>3b. Designs produced for three personnel systems. Design of sample job classification system, job grading and job evaluation schemes. Design for performance appraisal scheme and terms and conditions of employment</p> <p>4. Completed labor market survey. Identification of staff surpluses from macro and micro sources. Design and agreed voluntary severance package for all staff grades.</p> <p>5. Updated compensation model. Trained model operators. Approved compensation policy. Revised salary and allowances structure(s). Salary administration system.</p>	<ul style="list-style-type: none"> Meetings between Bank/OP/MOF Reports to Bank from PMU and Policy Adviser Consultant reports to Bank Mid-term review. Ex post evaluation Completed consensus building activities and/or events. Payroll records Data purged of mistakes and anomalies and proper baseline established. Establishment controls introduced for pay and employment records, as well as to clarify hiring policies. Completion of severance options that dialogue among social partners Documented pay policy Documented designs to improve compensation that is within budgetary limitations and acceptable to social partners. Decompression of salaries. 	<ul style="list-style-type: none"> Continuing demonstration of commitment for PSMP-TC generally on the part of the Cabinet, and officials government Available counterpart motivation to improve systems Substantial consensus for stakeholders, especially UN May generate immediate cost savings System designs lend themselves to training of personnel to sustain systems. Macro and micro targets for severance program free up resources that are used to improve the compensation of remaining/required staff. Freed budgetary resources can be used to improve staff compensation

<p><u>Component 1</u></p> <ol style="list-style-type: none"> 1. Hire project coordinator 2. Hire policy advisor and consultants 3. Review central government top structure 	<ul style="list-style-type: none"> • Suitable candidates hired. • Suitable candidates hired. • PC/PA report to improve decision making process after project approval (month 1-2). 	<ul style="list-style-type: none"> • Signed contract with PC (month=0). • Signed contract with PA (month=0). • Reports to Bank from PMU • Bank participation in activities, seminars, etc. • Press releases and timely implementation of project • Counterparts appointed and work carried out according to schedule. 	<ul style="list-style-type: none"> • Continuing demonstration commitment for PSMP-T generally on the part of the Cabinet, and officials government • Available counterpart staff • Substantial consensus for stakeholders, especially UN
<p><u>Component 2</u></p> <ol style="list-style-type: none"> 4. Build consensus and ownership of PSR and PSMP 5. GOG publicly commit to project 	<ul style="list-style-type: none"> • Consensus building activities built into all project components and throughout project (mo. 1-12) • Public statements and actions to expedite implementation (mo 1-12). • Government counterpart staff (auditors, accountants and data entry operators) used for implementation (months 1-3). • HRM Specialists implement work (months 1-12) and PC/PA structure dialogue and consensus around issues. 	<ul style="list-style-type: none"> • Progress reports to Bank from PMU 	<ul style="list-style-type: none"> • Same as above
<p><u>Component 3 a</u></p> <ol style="list-style-type: none"> 6. Undertake entity-by-entity payroll audit; assist merge manual to computer payrolls; identify savings 	<ul style="list-style-type: none"> • HRM Specialists implement work (months 1-12) and PC/PA structure dialogue and consensus around issues. 	<ul style="list-style-type: none"> • Progress reports to Bank from PMU 	<ul style="list-style-type: none"> • Same as above
<p><u>Component 3 b</u></p> <ol style="list-style-type: none"> 7. Design improved systems for: payroll administration; establishment database administration; personnel information database. Design outline of improved job: structure, grading and evaluation schemes 	<ul style="list-style-type: none"> • Short term consultancies implemented (months 3-12) and PC/PA structure dialogue and consensus around issues. 	<ul style="list-style-type: none"> • Reports to Bank from PMU identifying possible follow up assistance. 	<ul style="list-style-type: none"> • Same as above
<p><u>Component 4</u></p> <ol style="list-style-type: none"> 8. Design voluntary severance package and Labor Market Sector Study 	<ul style="list-style-type: none"> • Short term consultancies implemented (months 3-8) and PC/PA structure dialogue and consensus around issues. 	<ul style="list-style-type: none"> • Same as above. 	<ul style="list-style-type: none"> • Same as above
<p><u>Component 5</u></p> <ol style="list-style-type: none"> 9. After Component 2b, update compensation model, train staff in model use, design new pay structure especially for senior professional grades 	<ul style="list-style-type: none"> • Short term consultancies implemented (months 8-12) and PC/PA structure dialogue and consensus around issues. 	<ul style="list-style-type: none"> • Same as above. 	<ul style="list-style-type: none"> • Same as above

PROPOSED RESOLUTION

GUYANA. NON-REIMBURSABLE TECHNICAL COOPERATION FOR DESIGN OF THE PUBLIC SECTOR MODERNIZATION PROGRAM

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements with the Cooperative Republic of Guyana as may be necessary and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document AT-_____, with respect to a nonreimbursable technical cooperation to support the design of a public sector modernization program.
2. That up to the sum of US\$1,005,000 is authorized for the purposes of this resolution, chargeable to the net income of the Fund for Special Operations.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.