

Republic of Liberia

Medium-Term Pay Reform Strategy

2014 Update

Part 1: Strategy and Implementation Plan

Prepared under the auspices of the Civil Service Agency, Republic of Liberia

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ACRONYMS

AITB	Agricultural and Industrial Training Bureau
BSE	Bureau of State Enterprises
CBL	Central Bank of Liberia
CDA	Cooperative Development Agency
CSA	Civil Service Agency
DP	Development partner
DSA	Daily Subsistence Allowance
ECOWAS	Economic Community of West African States
FY	Fiscal Year
GAC	General Audit Commission
GC	Governance Commission
GDP	Gross Domestic Product
GEMS	Governance and Economic Management Support Program
GOL	Government of Liberia
HLTF	High Level Task Force on Wage Bill Management
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
LIPA	Liberia Institute for Public Administration
LISGIS	Liberia Institute for Statistics and Geo-Information Services
LD	Liberian Dollar
M&A	Ministries and Agencies
MAC	Ministries, Agencies and Commissions
MOF	Ministry of Finance
MOS	Ministry of State
MSME	Micro, Small and Medium Enterprises
NASSCORP	National Social Security & Welfare Corporation
NFAA	National Food Assistance Agency
PAD	Project Appraisal Document
PRSC	Poverty Reduction Support Credit
PSMP	Public Sector Modernization Project
SIDA	Swedish International Development Cooperation Agency
SOE	State owned enterprise
USAID	United States Agency for International Development
USD	United States Dollar

1. INTRODUCTION

1. The Government of Liberia (GOL) issued its Civil Service Reform Strategy in 2008, followed by a Medium-Term Pay Reform Strategy in FY2009/10. While much activity has taken place in the intervening years, the compensation reform agenda remains largely unfulfilled. The Medium Term Pay Reform Strategy 2014 Update builds upon the preceding documents while incorporating new developments and analyses to underpin strategic decision-making.
2. The document presents Government's vision, objectives and principles for pay reform; surveys the current status with respect to wage bill and compensation issues; and elaborates the strategy for moving forward on government's objectives. It also presents an implementation plan for advancing systematically on the necessary technical activities.
3. The strategy is underpinned by a number of analyses that are provided in an accompanying volume. These include:
 - A review of the wage bill, and analyses of civil service employment, grading, and pay;
 - Recommendations for more transparent and efficient approaches to compensation
 - A labor market analysis and pay survey.
4. The strategy and implementation plan are aligned with Liberia's second poverty reduction strategy -- the Agenda for Transformation -- and with support that has been agreed with development partners. The latter includes two credits that provide substantial funding and technical assistance linked to progress on pay reform.

Liberia's Agenda for Transformation: The Anchor for Reform

5. Liberia's Agenda for Transformation establishes the overarching development framework for the period 2012-2017. The medium term pay reform strategy is firmly embedded in the fourth pillar on Governance and Public Institutions, whose sector goal is:

In partnership with citizens, create transparent, accountable and responsive public institutions that contribute to economic and social development as well as inclusive and participatory governance systems.¹

6. The fourth pillar's civil service dimension further specifies the goals, strategic objectives, and outcome indicators to be achieved by 2017. Pay reform is part of a set of inter-related undertakings that will contribute to achieving progress.

Goal:

Independent, accountable, merit-based and performance oriented, well-structured public sector with improved service delivery

Strategic objectives:

- *Advance reforms in the public sector based on a strategy that includes vision, mandates and functions of ministries, agencies and SOE.*
- *Improve the operational performance and effectiveness of the ministries, autonomous agencies and SOE.*

¹ This and subsequent quotes are from *Agenda for Transformation: Steps Toward Liberia Rising 2013*. Republic of Liberia, 2012.

- *Ensure a modern, professional, motivated and productive public sector workforce*
- *Ensure equal opportunity based on gender, age (youth), and disabilities at all levels of the civil service.*

Outcome Indicators by 2017:

- *All ministries, public agencies and SOE have published their strategies and organizational charts and adopted measurable and transparent indicators of operational performance.*
- ***Civil service pay scale has been rationalized and is published;** all civil service appointments are publicly advertised; and all ministries have instituted merit- based recruitment and promotion.*
- *Civil service appointments and promotions show improved balance in terms of gender, age (youth), disabilities and tribal origin.*

2. PAY REFORM VISION, OBJECTIVES AND PRINCIPLES

7. In the 2008 Civil Service Reform Strategy, the Government articulated its vision and objectives for compensation reform.

Vision

Remuneration policies and packages that attract, retain and motivate competent employees to work in a productive and efficient manner, delivering high quality services to the public, and a pension system that ensures that retired civil servants are paid decent compensation and benefits to allow for a decent retirement experience.²

Objectives

- *Provide Civil Service compensation that is adequately competitive to attract and retain personnel with the requisite competencies (knowledge, skills, abilities);*
- *Motivate and influence the work habits, productivity and performance of Civil Service employees in such a way that is consistent with and supports the achievement of the civil service reform objectives;*
- *Enable the Government to manage compensation in a sustainable, structured and consistent manner within its national budget; and*
- *Provide timely, honorable and adequate post-service compensation and benefits to retired civil servants.*

8. The updated Pay Reform Strategy continues to be guided by four key principles.

Affordability: The size of the wage bill should be commensurate with available budget resources and GOL’s overall expenditure priorities as it pursues development. Pay reform will advance in line with these limits and ensure that actual and proposed policies and actions are affordable and sustainable.

Equity: Equity means “equal pay for equal work”. Compensation is to be determined on an objective basis that reflects the relative value of positions. This encompasses both (1) Vertical equity: the levels of jobs ranging from the top to the bottom of the civil service hierarchy; and (2) Horizontal equity: similar jobs within and across bodies, as well as across the distinct cadres that comprise the government workforce.

² This and subsequent quotes are from *Civil Service Reform Strategy*, Government of Liberia, 2008.

Transparency: There is clarity in pay policy, the composition of the overall pay package (monetary as well as in-kind components), and the manner in which pay is administered.

Competitiveness: Competitive compensation is an important factor in attracting and retaining the skills that governments need to fulfill their functions and deliver services to the public. Compensation should reflect the actual value of a job, and the total compensation package should be aligned realistically with the broader labor market.³

3. APPROACH: COORDINATION AND PARTNERSHIP

9. Pay reform is a challenging undertaking. Partnerships and collaboration among stakeholders, as well as sustained commitment and effort, will be the foundations for making progress.
10. Within Government, there will be close cooperation among top-level leadership, the Ministry of Finance (MOF), the Civil Service Agency (CSA), and other key bodies. These include the line ministries, agencies and commissions (MAC) that will be directly engaged in reform, the Governance Commission (GC) and the Liberia Institute for Public Administration (LIPA).
11. Government will work closely with its development partners, who are supporting Liberia's public sector and civil service reforms with funding and technical expertise. These partnerships include the Public Sector Modernization Project (USAID, Sweden, World Bank); the Poverty Reduction Support Credit (World Bank); and technical assistance under USAID's Governance and Economic Management Support Program (GEMS).
12. The Government is convening a High Level Task Force for Wage Bill Management to ensure coordination and oversight of activities to rationalize public sector employment and compensation and ensure wage bill sustainability. The core members of the High Level Task Force on Wage Bill Management are
 - Civil Service Agency - Director General (Co-chair)
 - Ministry of Finance - Deputy Minister for Budget (Co-chair)
 - Ministry of Finance - Deputy Minister for Expenditure & Debt Management (Co-chair)
 - Ministry of State - Representative
13. The Task Force will invite additional members chosen from among ministries, agencies and commissions, with a view to creating an effective, action-focused body.
14. The following development partners who are providing direct financial and technical support in this area will have advisory status:
 - World Bank
 - International Monetary Fund (IMF)
 - United States Agency for International Development (USAID) and
 - Swedish International Development Cooperation Agency (SIDA)
15. The Task Force will:
 - Monitor shifts in budget-funded employment and personnel expenditures, and prepare quarterly reports to advise the Minister of Finance and the Director General of the Civil Service Agency on necessary actions;

³ The total compensation perspective encompasses monetary and non-monetary compensation and benefits, as well as key non-pecuniary features of employment (such as job stability, prestige and level of effort).

- Periodically review the structure and level of compensation in the civil service in order to (a) assess progress and (b) develop appropriate responses that advance pay reform objectives while ensuring fiscal sustainability;
- Oversee implementation of the pay reform strategy, and the specific policy and analytical measures that are programmed.

4. MACRO-FISCAL PARAMETERS FOR WAGE BILL AFFORDABILITY

16. Liberia's medium-term outlook is favorable, with strong growth in real GDP and declining inflation.⁴ The Government recognizes the importance of continuing to facilitate diversification of the economy and the type of broad-based economic growth that will bring greater employment opportunities and, in turn, sustainable reductions in poverty. The Agenda for Transformation thus places priority on increased investment to infrastructure, which is seen as a binding constraint on economic growth.
17. Such investment requires creating fiscal space in the budget. The Government has committed to ensuring that spending is aligned with a realistic revenue envelope.⁵ Fiscal rules adopted in FY2012/13 guide borrowing and budgetary spending.
18. The affordability of Liberia's wage bill in the medium term is defined by the fiscal rules and by the size of the wage bill relative to GDP. The fiscal rules limit personnel costs to not more than 34 percent of the budget. Liberia's wage bill is projected to be 10.7-10.8% of GDP for the period 2014-2017.⁶
19. Liberia's wage bill expenditures are currently executed in both Liberian dollars and United States dollars. The Government's monetary policy envisions shifting away from US dollars toward a greater role for the Liberian national currency in the medium-term. It also aims to contain inflation in Liberian dollar (LD) denominated spending. In order to do so, changes in government's LD-denominated spending will be matched to the volume of revenues collected in LD, and will proceed in a flexible manner.
20. The Government's de-dollarization road map will be the basis for any shifts in the currency of wage bill expenditures, and thus of wages and salaries payments to government employees.

⁴ See annexes for data tables. Further details are in *Memorandum of Economic and Financial Policies of the Government of Liberia for FY2013/14*. Government of Liberia, 2013 and *Liberia: Second Review under the Extended Credit Facility and Request for Waiver of Nonobservance of Performance Criteria and Modification of a Performance Criterion*, IMF, 2013.

⁵ *Memorandum of Economic and Financial Policies of the Government of Liberia for FY2013/14*. Government of Liberia, 2013.

⁶ See annexes for details. These projections were current as of early 2014 but expected to undergo revision in the context of the forthcoming budget. The target wage bill to GDP ratio is a broad guide, since it is reflects not only actual wage bill expenditures but also developments in GDP growth.

5. COMPENSATION STATUS QUO

21. The status quo does not meet Government's stated principles and objectives for pay policy. It presents deep-seated challenges with respect to equity, transparency, appropriate total compensation (competitiveness) and affordability. Pensions challenges are equally complex.

Equity and Transparency: Disarray in Pay & Grading

22. The 2009/10 Medium Term Pay Reform Strategy elaborated a formal pay and grading system. This includes three distinct grading structures and base salary scales for the core civil service and service delivery staff in the education and health sectors. The framework applies to the bulk of budget-funded workers, although some groups that are part of the wage bill (notably autonomous bodies and the defense sector) fall outside of it.

23. This formal system is only partially applied, however. Actual practice with respect to grading, job titles, and monetary as well as in-kind compensation is highly varied. Key features are the following.

- ***There is substantial mis-grading, and other anomalies.*** Position titles are often inconsistent with the assigned grade.⁷ Some bodies still use an older, 15-grade system. Information in entity-level Personnel Listings may not match that in other data sources due to weak recordkeeping.
- ***Position titles used in practice may be inaccurate or idiosyncratic.*** This makes it difficult to establish whether a particular position is equivalent to, higher, or lower than others. In frontline education and health service delivery jobs, educational credentials serve as a proxy for job titles.⁸
- ***Base salaries paid via the regular civil service payroll diverge from official rates.*** The base salary may also not match the assigned grade.⁹
- ***Monetary and in-kind allowances de facto constitute a parallel pay system of significant size***¹⁰. They are assigned in a discretionary manner at the level of each body. This results in wide variation in amounts awarded to similar job titles, within as well as

⁷ Examples from a review of official records include janitor, driver and office assistant positions that were assigned to executive grades rather than in the more appropriate Technical and Administrative Support (TAS) grades. Jobs with the same title were assigned to markedly different grades. For example, the job title of Accountant was given grade assignments ranging from TAS-1, (the lowest grade) up to E-2 (the second highest grade).

⁸ In part, the reliance on credentials reflects practical constraints. Particularly in education, the limited and varied skill profile of employees in teaching posts makes distinguishing among different levels of professionals a challenge. However, the use of falsified credentials undermines this approach.

⁹ The regular payroll exhibits 163 unique pay points, starting at LD 7,250. For context, the official scale for the regular civil service has 15 pay points (LD 9,062 to 14,138), the TE scale for education providers has 14 (LD 9,072 to 38,062) and the HE scale for health service providers has 7 (LD 14,500 to 59,813). This phenomenon is distinct from and in addition to sanctioned "off-scale" base salaries, which are concentrated in the National Legislature.

¹⁰ See annexes for detailed analysis and recommendations regarding allowances. There are two main monetary allowances: the General Allowance, meant for regular, non-political staff, and the Special Allowance, meant for elected and appointed officials. The Goods & Service expenditure category includes daily subsistence allowances for domestic and international travel, which serve to some extent as top-ups to compensation. Two in-kind allowances under the Goods & Services category (coupons for gasoline and fuel (diesel), and for cellular telephone airtime) also serve to some extent as top-ups.

across ministries.¹¹ Furthermore, some employees on the base salary payroll receive allowances, while others do not.

- ***Allowances are paid via mechanisms that are largely disconnected from the payroll and existing personnel system.***¹² This makes it difficult to systematically determine the total pay awarded to jobs and individuals.

Competitiveness: Government as a Dominant Employer

24. Government as a whole dominates Liberia's small formal job market, employing some 50,000 out of the 195,000 employed persons who claim paid employee status. The government has few weighty competitors in the education sector. In the health sector, the competition is predominantly from development partners, who wish to transition away from funding salaries.
25. Government employment is in many ways the most appealing option for the majority of workers. Liberia's government workers have by far the best working conditions compared to other market segments. The majority have written contracts, benefit from employer contributions to pension, and are entitled to paid time off. Such positive conditions are not typical in any other category of enterprise or organization.
26. The 2014 pay survey found that flows of workers between government and other labor market segments are limited. This suggests that government generally is not competing directly with these employers for the same pool of workers.¹³
27. For jobs such as cleaner, security guard, and driver, the public sector offers job stability, a steady income, and base salaries that exceed pay in micro- small, and medium enterprises. For individuals receiving allowances, the public sector advantage is even greater.
28. For professional and executive cadres, compensation in NGOs, large companies and commercial banks typically exceeds that in government. However total civil service earnings can in some cases rival these offerings due to monetary and in-kind allowances. Furthermore, these civil service cadres also enjoy job stability and perceived lower demands than in other market segments. Organizations interviewed for the pay survey typically did not view civil servants as competitive candidates, citing different skills and work cultures, and a preference for grooming staff from within.

Affordability and Employment Pressures

29. Affordability is an ongoing struggle. The fiscal rule criterion that the wage bill not exceed 34% of the budget has not consistently been met.

¹¹ To illustrate, Ministry of Finance general allowances data for February 2014 show 17 entries for the Comptroller position. These receive allowances ranging from USD 450 up to 5,400. Fourteen fall in the range of USD 1,200 to USD 3,000.

¹² General allowances and special allowances payments are processed based on Excel spreadsheets submitted by each entity in varied formats that typically contain only the recipient's name, a position title, the relevant US dollar amounts, and bank information. Since ID numbers of any kind are generally absent, matching an allowance to the base salary payroll or Personnel Listing can only be done case-by-case, based upon names only. Names are a poor basis for such matching, since they may be common to more than one individual, mis-spelled, recorded in ambiguous formats, and so on.

¹³ The survey interviewed micro, small and medium enterprises; large enterprises; commercial banks; and non-governmental organizations

30. Employment and payroll controls remain problematic, although effort to improve payroll management and processing and biometric vetting of payroll entries continue. Additionally, an unknown number of individuals in government bodies are “hired” informally and paid off-payroll via general allowances, petty cash or other sources. Entity-level lobbying for larger allowance budgets and decisions regarding the size of allowances paid to individuals put upward pressure on the wage bill. These dynamics burden the wage bill, and pose risks for the sustainability of future pay reforms.
31. Pensions liabilities under the non-contributory civil service pension scheme are unaffordable. At the same time, civil servants resist retiring because they deem pensions payments, which are calculated on base salary only, to be inadequate. Both of these factors limit opportunities to reshape the workforce through the hiring and promotion of motivated, skilled staff.

6. THE WAY FORWARD

32. Compensation issues have been a long-standing concern for the Government of Liberia. Previous attempts to tackle the reform agenda benefited from substantial effort yet ultimately foundered in the face of the complex challenges and capacity constraints. In the meantime, discretionary allowances practices have become more firmly rooted, as have a variety of coping mechanisms such as over-grading and personalized salary assignments.
33. The Government’s long-term target is a system that manages compensation for workers funded from the wage bill in a manner that is sustainable and affordable to the budget, ensures equitable pay for the wide range of positions within and across budget-funded organizations, and provides competitive, transparent compensation. This entails moving towards a more comprehensive and consistent approach to pay setting and pay negotiations, while retaining an appropriate degree of flexibility.

A Phased Approach that is Affordable and Manageable

34. The strategy for moving forward is shaped by several considerations.
 - Pay reform requires substantial time and effort to implement. Teams with the appropriate skills and expertise must work collaboratively with counterparts in each participating body to make sure that technical steps are done properly. Skills and coordination capabilities are in short supply and must be used effectively.
 - Progress on related administrative and civil service reform measures will influence the costs of pay reform. Most fundamentally, the size and distribution of government employment influences what Liberia can afford to pay while respecting its commitment to wage bill restraint.
 - Pay reform typically entails costs to the wage bill. This is due to (1) the cost of raising the salary of those jobs (and workers) that are deemed to be underpaid in the pre-reform system; and (2) the cost of protecting the earnings of jobs (and workers) that are deemed to be overpaid under the pre-reform system and would otherwise see a drop in pay after the reforms.
35. In order to manage these technical and fiscal challenges and increase the likelihood of making progress, reforms will be phased. Focusing efforts on a few bodies at a time will mitigate the risks associated with stretching resources too thinly, and will increase the prospects of completing technical work successfully and in a timely manner. It will also mean that the costs of reforms are incurred gradually rather than all at once, and thus are more affordable.

36. The initial phase will comprise a priority group of ministries that has been chosen to participate in the Public Sector Modernization Project (PSMP). This approach leverages the considerable technical support available to these bodies under PSMP. It also takes advantage of the financial incentives provided by the project's disbursement-linked indicators, which will encourage ministries to make demonstrable progress. These indicators relate directly to the achievement of progress on pay reform as well as achievements in associated areas, such as establishment control to ensure that hiring is restrained and aligned with strategic needs.
37. With this approach, the Government positions itself to receive USD 6.12 million in disbursements made both to participating ministries and to the central government via the Ministry of Finance. These disbursements and the related indicators are shown in Table 1.
38. The Government will also be positioning itself to receive disbursements under the series of Poverty Reduction Support Credits agreed with the World Bank for FY2013/14 through FY2016/17. Each disbursement is expected to be approximately USD 10 million, and includes conditions that are aligned with those in the PSMP.

Table 1: Public Sector Modernization Project: Disbursement Linked Indicators

Date	Ref.	PSMP Component	Action (refers only to ministries participating in PSMP)	Potential disbursement per ministry	Disbursement to GOL upon 100% achievement	Total potential disbursement
June 30, 2014	DLI-4	(1) Improve pay management	CSA has submitted Pay Strategy to Cabinet for approval	\$40,000	\$400,000	\$680,000
June 30, 2015	DLI-7	(2) Strengthened payroll management	PSMP ministries have issued employment appointment letters to all staff on personnel listing	\$40,000	\$400,000	\$680,000
June 30, 2016	DLI-5	(1) Improve pay management	At least 30% of P1-4 and E1-3 civil servants assigned to relevant pay grades	\$40,000	\$400,000	\$680,000
June 30, 2016	DLI-6	(1) Improve pay management	At least 30% of TAS1-3 civil servants assigned to relevant pay grades	\$40,000	\$400,000	\$680,000
June 30, 2016	DLI-3	(3) Improved performance	PSMP Ministries have completed one annual cycle of performance appraisal for P1-4 & E1-3 civil servants	\$40,000	\$400,000	\$680,000
June 30, 2017	DLI-1	(1) Improve pay management	70% of P1-4 & E1-3 civil servants have been paid according to approved grades for > 6 consecutive months	\$40,000	\$400,000	\$680,000
June 30, 2017	DLI-8	(2) Strengthened payroll management	PSMP Ministries no longer have any "supplementary payrolls"	\$40,000	\$400,000	\$680,000
June 30, 2018	DLI-2	(2) Strengthened payroll management	Discrepancies between payroll and personnel listing reduced to < 5% of records	\$40,000	\$400,000	\$680,000
June 30, 2018	DLI-9	(3) Improved performance	PSMP Ministries have completed three annual cycles of performance appraisal for P1-4 & E1-3	\$40,000	\$400,000	\$680,000
Disbursements, USD				\$320,000	\$3,600,000	\$6,120,000

Source: PSMP Project Appraisal Document dated January 15, 2014

39. The bodies participating in PSMP and in phase one of the reforms are:

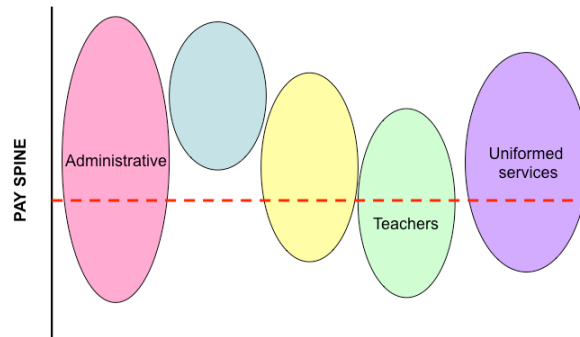
- Ministry of Education
- Ministry of Finance
- Ministry of Foreign Affairs
- Ministry of Health & Social Welfare
- Ministry of Information, Culture and Tourism

- Ministry of Internal Affairs
- Ministry of Justice

40. Reforms will subsequently expand to cover a second group of ministries and agencies that will be chosen by government in accordance with its priorities and objective criteria (such as progress on realigning mandates and functions, and workforce issues.)¹⁴ The prospect of moving to an improved compensation structure, subject to progress on specific criteria, will be made a clear and explicit incentive in order to engage leaders and staff of bodies that are not included in phase 1. Later phases will progressively encompass the key bodies and cadres funded from the wage bill over a period of two to five years.
41. The phased approach allows time to make further progress on important related undertakings. These include work to rationalize the size and shape of employment (and thus safeguard the sustainability of the wage bill) as well as strengthening the merit and performance-orientation of the civil service. The key undertakings are:
- Work to clean the regular payroll of irregular entries and close down supplementary payrolls
 - Improvements to establishment control mechanisms, to prevent additional irregularities in hiring.
 - At the level of each body, analysis of the staff numbers, skills, and functional allocations that are required in order to fulfill the body's mandate and functions. These assessments will be used to ensure that recruitment in each body is in line with assessed needs and within budget constraints.
 - Strengthening human resource management measures that emphasize merit and performance as the basis for personnel decisions. Performance appraisal processes to evaluate the individual's contribution will be introduced and refined. Once the performance appraisal process is functioning effectively, appraisal results will be used as input to promotions decisions. They may also be used to as the basis for awarding in-grade pay increments, for staff that demonstrate outstanding performance.
42. The first phase will focus exclusively on civilian staff on the regular payroll, and positions on the regular civil service scale. This will ensure a more manageable scope, both in terms of technical reach (only one grading structure and pay scale, not three) and numbers of jobholders, which will restrain fiscal impacts.
43. Service providers in health and education (the HE and TE grades) will be scheduled for later phases. The extent of challenges in education and health regarding ascertaining bona fide employment status (compounded by geographic dispersion of facilities and staff) and developing a proper career progression argue for deferring these groups to a later phase. This will allow time for related sector-focused clean ups to yield results. Additionally, because the technical plans and experience accrued by teams engaged in shepherding the first phase reforms will be applied in subsequent phases, these challenging sectors will benefit from lessons learned and refinements to the approach.
44. In the long-term, phased reforms will achieve a coherent system in which the value of all wage bill-funded jobs relative to each other has been evaluated and fixed in place, and the salaries awarded to jobs correspond to their assessed value. The pay and grading structure for cadres such as teachers and clinicians, who may spend their entire careers in what is

¹⁴ In choosing bodies to participate in subsequent phases of pay reform, the Government may draw upon the selection criteria used for PSMP. These are (1) willingness to reform, as measured via explicit, objective indicators; and (2) the number of civil servants employed.

effectively the same job, will recognize professional advancement *within* these long careers while ensuring that salaries are equivalent to those for other types of government jobs that are deemed to have the same value. The diagram below illustrates this framework of horizontal and vertical equity.



Immediate Priorities: Laying the Foundations for Pay Reform

Rationalizing Grading of Jobs

45. Proper grading is the foundation for ensuring pay equity across government. The top priority for Liberia is to clean up the disarray in grading of jobs and related anomalies in job titles. In line with the phased approach, an intensive effort will focus first on the seven ministries and staff covered in Phase 1, and then extend to other bodies.
46. The grading exercise will assign jobs to the appropriate grade of the 10-grade structure developed in the 2009/10 Strategy document. This will require evaluating jobs against the criteria stipulated for each grade, with consistency and clarity. Job evaluation establishes equity by evaluating the actual demands of the job (rather than the characteristics of the individual job-holder).

IN RESPONSE TO CSA COMMENTS ABOUT TIMING, THE BELOW IS OFFERED AS AN OPTION FOR INTENSIFYING PROGRESS OF THE GRADING EXERCISE. IT IS UP TO CSA TO DISCUSS ITS WISHES WITH USAID GEMS AND PSMP, IN CASE ADDITIONAL RESOURCES ARE NEEDED, AND DECIDE THE BEST WAY TO PROCEED. THE DECISION AND TIMELINE CAN THEN BE REFLECTED IN THE IMPLEMENTATION PLAN

47. In order to make progress in a timely fashion, a small team will be created to support the grading advisor in the current undertaking and engage with ministries on this task. A simple job evaluation methodology will be selected, to suit the need to make rapid progress and overcome limitations such as absent or inadequate job descriptions and non-representative job titles (see annex). This will entail (1) working closely with human resources staff in each participating body to discuss and agree correct grading assignments; (2) outreach to staff, to explain the grading structure, where their jobs fit and why; and (3) deciding whether to change or protect the base salaries of any staff whose jobs have been downgraded (see options for protection below).

Generating Accurate Earnings Data

48. Pay reform requires reliable data on current employment and compensation levels. These data are needed in order to determine current earnings of jobs and jobholders, develop realistic options for new pay scales, and estimate wage bill costs to ensure that proposals are affordable. The potential magnitude of reform impacts on the wage bill as well as on individual civil servants make solid analysis crucially important. Yet Liberia currently lacks such data. This creates significant uncertainty and risks to the affordability and feasibility of pay reform plans.
49. To address this issue, the Ministry of Finance and the Civil Service Agency are jointly preparing a revised payment process for allowances that will be launched in mid to late 2014 (see annexes). A new payment request template will for the first time enable systematically linking allowances data with base salary payroll data, based on personnel ID numbers. Once launched, the new template will generate ongoing, reliable data on total monetary earnings of bona fide civil servants. It will also improve the accuracy and efficiency of payments processing.
50. Ministry of Finance and Civil Service Agency staff will also conduct an analysis of in-kind allowances that currently serve, in part, to top-up pay (see annexes for plans and options). This analysis will (1) contribute to a more accurate picture of current earnings and (2) inform decisions about how to better manage these expenditures.

Creating Fiscal Space for Pay Reform

51. The Government will take appropriate measures to restrain further changes in allowances allocations. This will be done by freezing allowances to levels paid in a benchmark month prior to the freeze announcement. The aim of the freeze is to prevent gaming (ratcheting up allowances to present a higher baseline before reforms commence) and other anomalies, as well as to help to ensure affordability of forthcoming reform measures (including the cost of protection). The rationale follows the Civil Service Agency circular of February 26, 2014, and a Presidential directive nullifying previous Executive decisions with regard to allowances.
52. Progress on the undertakings specified above (namely cleaning and safeguarding the integrity of the payroll, eliminating irregular hiring, and elaborating staffing plans that match the mandate and functions of each ministry and agency) will be essential to creating additional fiscal space, and ensuring affordability of the wage bill on an ongoing basis.

Transparency & Equity: A New Approach to Salary and Allowances

53. The principles of transparency and equity call for a system in which base salaries represent the bulk of compensation that is paid to civil servants, with no hidden or overly discretionary payments. The improved data on employment and earnings generated by the grading cleanup and payments improvement will be used to devise new salary scales that will replace the current “base salary plus allowance” combination.
54. Salary ranges for each grade will incorporate the objective of motivating performance, balanced with the need to ensure affordability. Thus as one rises up the grading structure over the course of a career, grades that require progressively greater responsibility and skill will have correspondingly higher salaries. This contrasts with the current base salary scale, in which the highest-ranking jobs are paid only 1.6 times as much as the lowest (while discretionary allowances are used to make up for this inadequate incentive, to greatly varying degrees).

55. The primary path to higher earnings over the course of a career will be via promotion to a higher grade. In conjunction with the administration's commitment to strengthening merit-based human resource management practices (including performance appraisal), this is intended to motivate better workplace performance. The grade structure will also allow for in-grade pay progression via modest pay increments, awarded based upon outstanding performance. A prerequisite for launching this practice is that a robust performance appraisal system be in place, and have a proven capability to distinguish among outstanding, average and poor performers. This will be a long-term agenda.
56. Specific salary ranges for each grade as well as the pay differentials among grades (and the overall compression ratio of the highest salary levels to the lowest) will be determined by modeling options that are affordable and acceptable, using accurate data on employment by grade and robust earnings data from the undertakings cited above. Competitiveness vis-à-vis other segments of the labor market will be addressed primarily via a targeted allowance, in line with the findings of the pay survey. In order to mitigate risks related to the pace of efforts to manage and restrain employment, the initial scale will be conservative. It will be reviewed as part of the annual budget process in each subsequent fiscal year.
57. Allowances under the new pay system will be limited to payments with a clear rationale and demonstrated need. They will be awarded on a time-limited basis (rather than as a permanent component of compensation), and their aggregate cost will be limited to a modest share of the wage bill. The bulk of the current set of monetary and in-kind allowances will be cancelled or revised, and corresponding funds channeled into the new salary structure to the extent appropriate. The need for in-kind allowances such as coupons for gasoline, fuel (diesel) and cellular airtime will be reduced or eliminated by instituting more efficient administrative practices, drawing lessons from private sector practices (see annexes.)
58. Under the new system, three purpose-specific allowances will be available. All will be awarded based on evidence that demonstrates clear need or merit; and will be provided on a temporary, time-bound basis. These are:
- A market premium allowance, to mitigate severe recruitment difficulties that result from pay differentials vis-à-vis organizations that are *demonstrated to be active competitors* for a small set of high-value skills. (See annexes.)
 - Allowances associated with relocation to remote or hardship postings that are demonstrably hard to staff (see annexes).
 - Subject to high-level approval and guidance, there may be provision for a performance-based award decided at the level of each body. The funds available would be capped at a modest percentage (e.g. 2 %) of the wage bill for the relevant body and cadre.
59. The Daily Subsistence Allowance for international travel, while necessary for the work of government, serves in part as a top-up to earnings. This is substantiated by a comparison of Liberia's rates with the United Nations and US Federal Government, which shows that Liberia's rates are often higher (see annex). In the interest of transparency and expenditure efficiency, Liberia will cap its rates so that they do not exceed these international benchmarks.¹⁵
60. As a transition measure, a suitable degree of protection will be offered to jobholders whose pay under the new salary scale would be lower than their pre-reform earnings. This is intended to promote buy-in and mitigate resistance on the part of those who have benefited

¹⁵ UN and US rates are updated at least annually and published online at:
<http://www.ph.undp.org/content/philippines/en/home/operations/undp-un-dsa-rates/>
<http://www.gsa.gov/portal/category/104711> and http://aoprals.state.gov/web920/per_diem.asp

from past grading irregularities or allowances practices. A range of options is possible, and will be evaluated to ensure acceptability and fairness, and affordability to the budget. The basic choices are:

- Full protection. Jobholders are guaranteed their pre-reform level of earnings for as long as they remain in the same post. Earnings do not increase until such time as the new salary scale rises to the pre-reform level, by virtue of adjustments made via the annual budget process in future years. The advantage is acceptability to the jobholder. The risk is that some earnings may be so far above the new scale that the transition period may last for the foreseeable future, effectively forestalling reform for the affected posts.
- Gradual drawdown of excess earnings. Under this option, excess earnings are reduced gradually over a period of one to three years until they reach the new level. Jobholders have time to adjust their expectations or pursue other opportunities with higher pay than what is on offer under the new salary scale.
- Immediate adjustment with lump sum compensation. This choice front-loads the transition. The acceptability and cost depend on the size of the lump sum that is offered.

Competitiveness and Affordability

Government's Competitiveness in the Labor Market

61. Liberia will adopt international good practice with respect to competitiveness of civil service compensation. Governments around the world recognize that public sector employment offers important advantages such as job stability and good working conditions. As a result, government pay policy typically does not aim to fully match (and certainly not lead) the compensation packages offered in other market segments. Ongoing monitoring of labor market conditions via pay surveys and other methods help governments to ensure that they are offering appropriate compensation, within affordability constraints.
62. In line with the findings of the 2014 pay survey, establishing pay equity *internal* to the civil service is recognized as a top priority. Issues of *external* competitiveness will be addressed via a flexible approach and targeted to cases where pay differentials are *clearly demonstrated* to undermine the government's ability to recruit and retain key skills. There is presently little justification *on competitiveness grounds* for raising the pay levels currently offered at the lowest level of the base salary scale, which compares favorably to (and often leads) other market segments.
63. As per its mandate, the Civil Service Agency will establish in-house capacity to monitor labor market developments and conduct (or commission) periodic pay surveys. This capacity will be of increasing importance as the country's economy develops and labor market conditions change. It will also be needed for purposes of the new market premium allowance. Analyses will monitor the extent of any gender differentials in pay for equivalent jobs, and track progress towards achieving gender-based equity in pay, including representation of women in higher grades (see annex for current status).
64. The unit and its staff will actively cooperate with other centers of expertise within the administration, including LISGIS and the Ministry of Labor. This approach will take advantage of existing knowledge and skills in areas such as the design and implementation of market surveys, and statistical analysis.

Fiscal Impacts Analysis

65. Several rounds of fiscal impacts analysis will model the cost implications of different options for new pay scales. Modeling and impacts assessment will be guided by GOL's medium-term projections and targets for the wage bill, in order to ensure that reforms are fiscally sustainable and in line with the Agenda for Transformation. The exercise will be conducted in conjunction with the World Bank, whose expertise and resources include a standardized pay model that can be readily applied in Liberia. Complementary, customized models will be developed as appropriate, for example to estimate the costs of protecting the earnings of any individuals whose post-reform earnings would be reduced.
66. Modeling will test a range of scenarios covering a 3-5 year period. These will incorporate high, low and base case assumptions about progress on undertakings such as the grading exercise and payroll clean up. The scenarios will model different size, composition and distribution of staffing in the target bodies, and different choices by GOL regarding pay levels for the existing grading structure.

Reform Implications for Pensions Liabilities

67. The long-term future of post-service compensation for civil servants will ultimately be determined in the context of national-level pension reforms. These will need to tackle complex challenges with regard to the National Pension Scheme as well as the dedicated post-service arrangements for government employees, including the Civil Service Retirement Scheme.¹⁶
68. Pay reform adds an additional, pressing challenge to the civil service pensions agenda. The current cost of civil service pensions entitlements (calculated on base salary earnings only and paid from the annual budget) is unaffordable. Replacing the current base salary plus allowances combination with a base salary scale that incorporate the bulk of compensation would further increase these already unsustainable liabilities. The Government will seek specialized advice regarding measures to mitigate these potential impacts in the near to medium-term. This will entail elaborating specific options, each supported by actuarial analyses that assess cost implications, and drafting any required amendments to existing regulations.
69. In the immediate term, the Civil Service Agency will pursue improvements to administrative processes related to civil service pensions (including efficient identification of pensions-eligible staff, and activating the pensions portal of the human resources management information systems database.)

Outreach and Communication

70. Outreach and communication effort will support pay reform undertakings. A range of communication tools and messages will be developed to suit the role and information needs of different sets of stakeholders. These will draw upon the Government's rich experience in managing communications for other change processes, including the transformation of the Ministry of Finance and payroll cleanup exercise.

¹⁶ These have been well documented in recent analyses, which provide specific recommendations. See *Government Service Pension Reform in Liberia: Final Report of Pension Policy Consultancy*, Gary Hendricks, unpublished report dated 29 December 2011; *The Pension Sector in Liberia – Background Note*, World Bank, 2013; and *Liberia - A Diagnostic of Social Protection*, World Bank, 2012. Cabinet gave approval in principle to reform of civil service pension arrangements but little progress has been possible.

7. LIST OF ANNEXES AND TABLES

The analyses conducted as part of the 2014 strategy update are available in part 2 of the document.

Annexes

- Annex 1: Macro-Fiscal Context: Medium-Term Projections
- Annex 2: Wage Bill Analysis
- Annex 3: Liberia's Wage Bill in a Regional Context
- Annex 4: Civil Service Employment by Grade, Entity and Gender
- Annex 5: Current Pay and Grading Frameworks for the Civil Service
- Annex 6: Examples of Variation in Grading of Positions
- Annex 7: Job Evaluation and Liberia's 2013-2015 Undertaking
- Annex 8: Generating Accurate Earnings Data: Revised Allowances Template
- Annex 9: Analysis of Current Compensation in the Civil Service
- Annex 10: Cash and In-kind Allowances by Type: Review and Recommendations
- Annex 11: Options for Managing Telephone, Gasoline and Fuel Expenses
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8. IMPLEMENTATION PLAN

- Activities and timeline in this implementation plan are aligned with the Public Sector Modernization Project (PSMP). Specific PSMP milestone and disbursement-linked indicators are listed as appropriate. Full details of PSMP activities and time line are in the PSMP Project Appraisal Document of 15 January 2014.
- The phased reform strategy means that for each activity in the implementation plan, priority attention is given first to those bodies selected for the next phase of expansion (i.e. The seven ministries and agencies participating in PSMP in the first phase; then the second group of ministries and agencies that will be identified, and so on.)

Theme	Ref.	Activity	Indicative Timeframe	Responsible Parties	Resource implications	Notes
Oversight & management	1	<p>Establish and operationalize High Level Task Force on Wage Bill Management</p> <ol style="list-style-type: none"> 1. Convene first quarterly meeting of core members 2. Invite additional members 3. Establish secretariat function within CSA 4. Schedule quarterly meetings, in advance of and coordinated with quarterly multi-stakeholder forums taking place under PSM Project <p><i>Result: Creation of effective high-level coordination mechanism to oversee and guide reforms civil service-wide</i></p>	May 2014 and ongoing	CSA, MOF, MOS		First meeting held May 2014.
Oversight & management	2	<p>Cabinet approves Medium Term Pay Reform Strategy (2014 Update)</p> <ul style="list-style-type: none"> • Potential disbursement of USD 680,000 to ministries and GOL upon achievement of target under PSM Project and USD 10,000,000 to GOL under PRSC II <p><i>Result: Approved updated strategy and implementation plan.</i></p>	By 30 June 2014	Cabinet, CSA	Disbursement linked indicator for PSMP and PRSC II	
Rationalized grading structure	3	<p>Rejuvenate grading and classification structure. Activities include: review classification of civil service jobs, place all jobs into appropriate grades, prepare list of standardized job titles and prepare job descriptions, develop approved establishment lists, establish hierarchies among job classifications, and assist MACs in reviewing their employment needs</p> <p><i>Result: All jobs and staff assigned to proper grades. Clarity about allowed job titles, job content and types/numbers of staff needed. MACs have improved staff plans</i></p>	Autumn 2013 to Autumn 2015	CSA, USAID GEMS, teams in participating MAC	USAID GEMS grading advisor is funded and active	Any additional needs to be discussed in context of PSMP
Pay management and fiscal space	4	<p>Introduce standardized template for allowances payments as basis for MAC submissions to MOF</p> <ol style="list-style-type: none"> 1. Draft template with standard format, introducing new fields for payroll number; ID number; department; location; and standardized formula for calculating deductions (<i>completed</i>) 2. Pilot template in 2-4 MACs and prepare final format based on feedback 	<ol style="list-style-type: none"> 1. April 2014 (complete d) 2. May 2014 3. June 	MOF, CSA	Modest costs for half-day workshop	

Theme	Ref.	Activity	Indicative Timeframe	Responsible Parties	Resource implications	Notes
		<p>3. Hold workshop with relevant staff (comptrollers and team) in all submitting bodies to introduce new template and explain its proper use</p> <p>4. Launch mandatory use of new template for all allowances payments requests. MOF analysts vet all new submissions against existing payroll and personnel records to ensure entries in newly-introduced fields are correct (estimated three month transition period)</p> <p><i>Result: Better ongoing data on allowances payments serves as basis for developing options for new salary scales and ensuring affordability via fiscal impacts analysis.</i></p>	<p>2014</p> <p>4. July 1 - Sept, 2014</p>			
Pay management and fiscal space	5	<p>Freeze size of general allowances payments made to individuals, using an appropriate pre-announcement month as the baseline for amounts. Any subsequent changes or allowances for new hires will require review and approval by the CSA in conjunction with MOF, which receives and processes allowances payments.</p> <p><i>Result: Additional fiscal space created for pay reform including safeguarding affordability by restraining future costs of protecting pre-reform earnings of any losers.</i></p>	July 1, 2014	CSA, MOF		CSA General Allowance Policy circular of 26 Feb. 2014 reconfirmed CSA determines all general allowances.
Redesign of compensation arrangements	6	<p>Conduct 2014 baseline pay comparator analysis of compensation in the civil service and a sample of other micro, small, medium and large-sized employers</p> <p><i>Result: Expanded understanding of Government position in labor market and nature of competitiveness challenges is used to inform pay policy.</i></p>	Nov. 2013 - April 2014 (completed)	CSA	Funded under the Civil Service Reform Project	
Redesign of compensation arrangements	7	<p>Adopt international benchmark Daily Subsistence Allowance (DSA) rates as maximum cap for GOL DSA rates for official travel abroad. Options: United Nations or United States federal government rates, both of which are published online and updated at least annually.</p> <ul style="list-style-type: none"> Annually, as part of budget process, update official GOL International DSA rates to ensure they are at or below current rates as published by the chosen source (UN or US). <p><i>Result: More efficient travel expenditures, improved transparency of pay, and reduction in perverse incentives for excessive travel.</i></p>	July 1 2014 with annual updates	MOF	No funding required	
Redesign of compensation arrangements	8	<p>Develop options for more effective management of goods & services expenditures on (1) telephone and (2) gasoline and fuel, based on operational needs of individual MACs and different cadres of staff (see Strategy annex)</p> <ul style="list-style-type: none"> Data will be drawn from IFMIS records (on allocations to entities and individuals), supplemented as necessary by records from individual MACs. <p><i>Result: Practical, costed options for increasing efficiency of goods & services expenditures and improving transparency of pay by reducing scope for top-ups.</i></p>	July – Sept. 2014	MOF, CSA	No funding required	Analysis by MOF staff with necessary experience and technical skills, in conjunction with CSA
Civil Service compensation analysis	9	<p>Conduct deepened analysis of civil service earnings using robust data from new Allowances Template in order to create current database of each civil servant's actual earnings.</p>	Oct. - Nov. 2014	High Level Task Force	CSA and MOF staff with necessary experience and	Task Force to identify staff with suitable skills for

Theme	Ref.	Activity	Indicative Timeframe	Responsible Parties	Resource implications	Notes
		<ul style="list-style-type: none"> Match allowances data for civil servants (only) to payroll and personnel listing datasets using ID numbers to get comprehensive earnings data (including CS who earn base salary only) by: position, grade and job-holder; within and across bodies that employ civil servants. Analyze statistically to quantify the range and variation in total monetary earnings (minimum, maximum, average, median, mode and standard deviation). Conduct gender analysis of presence and earnings of women in professional and managerial grades, to probe for any systematic gender bias. <p><i>Output: Accurate data flows on actual earnings of civil service, to be used for next round of modeling and fiscal impacts analysis.</i></p>			technical skills	this technical work and oversee their work.
Redesign of compensation arrangements	10	<p>Devise options for pay scale for civil service that incorporate improved data on current earnings made possible by revised allowances template for payment processing.</p> <p><i>Output: Options for pay scale that are based on more realistic information on current earnings</i></p>	Dec. 2014- Feb. 2015	CSA, MOF and representative s of MACs	Technical Assistance needs to be discussed in context of PSMP	
Fiscal impacts analysis	11	<p>First round of modeling of potential fiscal impacts of re-grading and new salary options, incorporating:</p> <ol style="list-style-type: none"> Revised employment levels by grade, reflecting findings from Grading exercise to correct mis-grading and use standard job titles <ul style="list-style-type: none"> Comprehensive earnings data (based on new allowance template) Tests options for new salaries that would best accommodate prevailing pay levels (including cost implications of protection options: full, gradual draw-down, lump-sum) and different assumptions about employment levels. Accompanying analysis of implications of new salary structure for tax deductions and net earnings <p><i>Output: Initial estimates of potential wage bill impacts for a range of reform options</i></p>	Dec. 2014 – Feb. 2015	MOF, in conjunction with CSA	Technical assistance from World Bank	Use existing World Bank modeling tool plus customized analysis as needed.
Redesign of compensation arrangements	12	<p>Decision regarding type of protection to be offered to individuals whose pre-reform monetary earnings exceed the levels proposed under the new pay scale</p> <ul style="list-style-type: none"> Initial evaluation of options and costs, based upon first round of fiscal impacts analysis and information from Grading & Classification exercise <p><i>Output: (1) Recommendation regarding level of protection to be offered to civil servants who would otherwise lose income under new pay scale. (2) Basis for Policy decision to be made and communicated six months prior to transition to new salary scale</i></p>	<ol style="list-style-type: none"> Dec. 2014 – Feb. 2015 By end 2015 	<ol style="list-style-type: none"> MOF, in conjunction with CSA MOF, CSA, Cabinet 	Technical assistance may be required	
Rational employment structure	13	<p>Viable, affordable staffing plans for bodies participating in Phase 1 of pay reform:</p> <ol style="list-style-type: none"> Produced via Mandates and Functions Reviews or other mechanisms Implementation has realigned staffing to suit needs and ensured correct grading assignments 	<ol style="list-style-type: none"> By Dec. 2014 By Dec. 2015 	GC, CSA, participating MACs	GOL budget funds any redundancy payments that may be required	

Theme	Ref.	Activity	Indicative Timeframe	Responsible Parties	Resource implications	Notes
		<i>Result: Improved employment structure contributes to more efficient wage bill expenditures</i>				
Fiscal impacts analysis	14	Second round of fiscal impacts analysis , using near-final data from grading exercise, latest data on allowances payments, and results of employment realignment in seven MACs participating in Phase 1. <i>Output: Assessment of fiscal impacts to ensure that reforms are affordable and sustainable.</i>	Autumn 2015	MOF, in conjunction with CSA	Technical assistance from World Bank	
Phasing & Transition Policy	15	Identify second group of MACs to be prioritized for transition to new pay scale , based on selection criteria and subject to the MAC completing required measures prior to inclusion <i>Result: Decision on expansion of reform allows preparations for next phase to advance.</i>	By end 2014	High Level Task Force, Cabinet		
Fiscal impacts analysis	16	Additional rounds of fiscal impacts analysis for each subsequent phase of expansion, focused on the next group of MACs identified for transition to new salary scale <i>Result: Ensures that reforms remain affordable, based on most current data and assumptions.</i>	To be determined as per phasing	MOF, in conjunction with CSA	Technical assistance from World Bank	
Redesign of compensation arrangements	17	Devise new, time-bound allowances for (1) Market Premium for scarce skills (2) Remote and hardship posts (3) Performance awards (based upon framework in Strategy). 1. Prepare options, supported by analysis of numbers of posts that may require allowances, potential size of payments, and fiscal impacts estimates. Expenditures for each allowance to be capped at standard percentage of body's wage bill. 2. Policy decision on new allowances 3. New allowance policy comes into effect for bodies that have transitioned to the new salary scale. Actual payment of new allowance will be subject to submission and approval of requests that comply with the required procedures (including justification and related data or staffing, turnover, and costs.) <i>Result: Allowances options provide mechanism to address competitiveness and motivation in a flexible, transparent and affordable manner.</i>	July 2014- June 2015	CSA, MOF	<ul style="list-style-type: none"> • May require technical advice from World Bank. • Cost of allowances (to be specified in policy, as % of relevant wage bill expenditures) 	
Pensions	18	Agree transition arrangements for pensions to ensure that impact of transition to new salary scale on pensionable earnings (and pension liabilities) is managed in a fiscally sustainable manner, in line with GOL policy on pensions. <ul style="list-style-type: none"> • Specialized analysis presents options based on actuarial analysis, including draft amendments to existing regulations. 	Finalize by Dec. 2015	Pensions Committee, MOF, CSA, NASSCORP	Specialized technical assistance necessary. Funding to be identified.	

Theme	Ref.	Activity	Indicative Timeframe	Responsible Parties	Resource implications	Notes
Currency of payment	19	<p>Periodic adjustments to proportion of salary paid in LD vs. USD, as determined under GOL's De-dollarization policy and budgetary developments.</p> <ul style="list-style-type: none"> Payroll software to be adjusted as needed <p><i>Result: Wage bill expenditures incorporate de-dollarization policy in a realistic, non-inflationary manner.</i></p>	Ongoing	MOF & CBL	Cost of any necessary adjustments to payroll software	
Payroll management	20	<p>Transition arrangements to prepare for paying new salaries in LD and USD.</p> <ol style="list-style-type: none"> Modification of payroll software platform to incorporate new salary levels, proportional payment in LD and USD (specified by MOF and CBL), and the chosen Protection option for individuals whose current earnings exceed levels under the new salary scale. Prepare for dual currency payments: ensuring individuals' banking arrangements are in place and communicated to payroll. Make all necessary adjustments to payroll software for paying salaries split between LD and USD in specified proportions. Training of relevant payroll and payments processing staff <p><i>Result: Payment mechanisms and staff are prepared for implementation of new salary scale.</i></p>	Mid-2015 through spring 2016	CSA and MOF	Firm with appropriate software expertise to be contracted.	
Outreach	21	<p>Communication and awareness campaign: Outreach to civil servants, and other affected parties (including labor unions and the general public) regarding grading cleanup, transition to new pay scale, and shifts in currency of payment, using a variety of channels of communication (e.g. brochures, radio, peer counselors)</p> <ul style="list-style-type: none"> Periodic surveys of civil servants in participating bodies confirm increased awareness of pay reform and grading changes <p><i>Result: Affected parties understand the reasons and actions involved in each stage of pay reform.</i></p>	Phased, to accompany stage of preparations,	CSA and participating ministries. Supported under PSMP	Supported under PSMP	
Redesign of compensation arrangements	22	Training of CSA Employment Services staff in new salaries scale and grades	Autumn 2015	CSA		
Redesign of compensation arrangements	23	Approve and publish new salary scale	2016	CSA and MOF		
Disbursement linked indicator	24	<p>At least 30% of Professional- and Executive- grade civil servants (top 7 grades) in ministries under PSMP are assigned to appropriate pay grades</p> <ul style="list-style-type: none"> <i>Potential disbursement of USD 680,000 to ministries and GOL upon achievement of target, under PSM Project</i> 	June 30 2016	CSA, MOF, participating ministries & agencies	Disbursement linked indicator for PSMP and PRSC	
Disbursement linked	25	At least 30% of Technical and Support-grade civil servants (bottom 3 grades) in ministries under PSMP are assigned to appropriate pay grades	June 30 2016	CSA, MOF, participating	Disbursement linked indicator for PSMP	

Theme	Ref.	Activity	Indicative Timeframe	Responsible Parties	Resource implications	Notes
indicator		<ul style="list-style-type: none"> • <i>Potential disbursement of USD 680,000 to ministries and GOL upon achievement of target, under PSM Project</i> 		ministries & agencies	and PRSC	
Payroll integrity	26	<p>Audit of Civil service payroll is completed</p> <ul style="list-style-type: none"> • <i>Potential disbursement of USD 680,000 to ministries and GOL upon achievement of target, under PSM Project</i> 	By June 30 2016	GAC	Disbursement linked indicator for PSMP	
Staffing aligned with needs	27	<p>Review employment funded exclusively via general allowances in each individual MAC, and any other workers not presently on any payroll nor covered by the payroll clean up / biometrics exercise.</p> <p><i>Output: Costed options for managing these workers (as a group, and individually), including regularizing their status or terminating their employment.</i></p>	2015	CSA & MOF		
Rational employment structure	28	<p>Options for transitioning Development Partner-funded health workers onto standard terms and conditions for GOL-funded health workers.</p> <ul style="list-style-type: none"> • Analyze numbers, payments to individuals, and aggregate expenditures for DP-funded employment <p><i>Output: Realistic, costed options and priorities for transitioning in a phased, fiscally sustainable manner in line with available resources and budget constraints</i></p>	2015	CSA, MOH		

