

Public Sector Executives in LAC: Overview of Experiences and their Impact

Mariano Lafuente

Senior Public Management Specialist
Institutional Capacity of the State Division
mlafuente@iadb.org  @LafuenteMariano

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Outline

What do we mean by public executives?

How do Latin America and the Caribbean (LAC) countries manage their public executives?

Why is it important to have a professionalized cadre of public executives in LAC's public sector?

How can LAC move to having more professional cadres of public executives?

What do we mean by Public Executives?

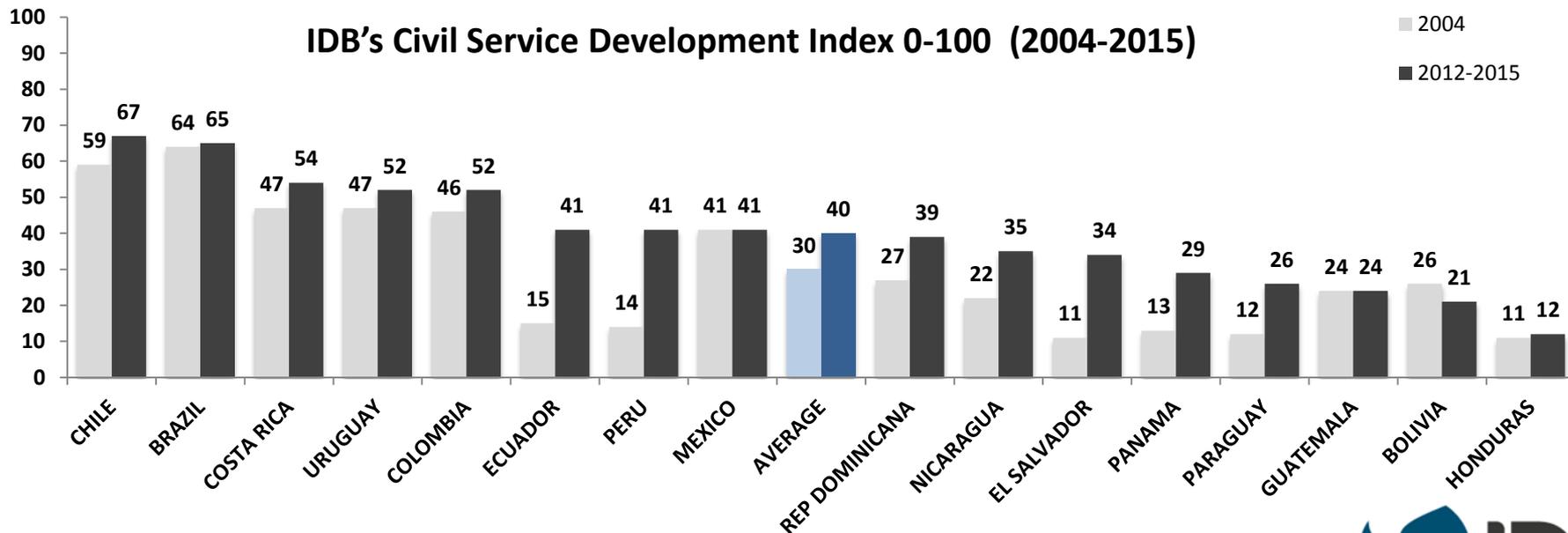
What do we mean by Public Executives?

The *top management category* of the civil service – the levels immediately below the politically appointed minister and deputy minister

In LAC, it usually includes Heads of Agencies, Deputy Heads of agencies, Director Generals, Directors, Deputy Directors.

How do LAC countries manage their public executives?

Public Executives management in context: Latin America's Civil Service management has evolved in the last 11 years, but at a different pace...



Source: IDB (2015)



Public Executives continue to be selected mostly based on political relations or seniority as opposed to managerial skills and performance in most countries...

- **Latin America:** High degree of discretion, with no requirement of specific skills and competencies, no performance contract (only *political* contract). They serve at the pleasure of the political authority
- **Caribbean:** Tend to offer these positions to career civil servants, limited options to attract executive talent from the private sector (usually, seniority > skills or performance).

Some countries have come up with Public Executives cadres as a method to address discretion, others have opted for other solutions

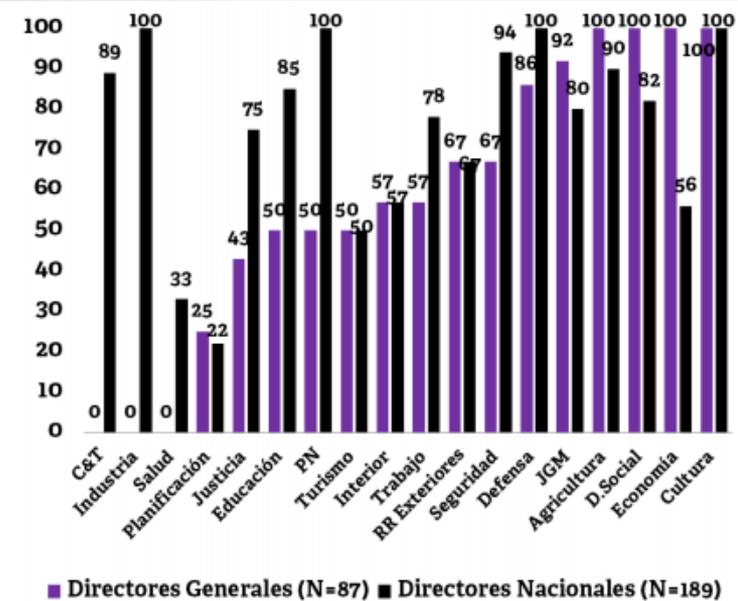
- **Chile:** Senior Executive Service since 2004. In 2015 covers 76% of posts + other
- **Peru (2008):** Public Managers Cadre. Over 500 posts at mid-management level
- **Ecuador (2013):** SES for selected positions, discretion for the rest
- **Caribbean, Costa Rica, Uruguay:** Mostly career civil servants
- **Brazil:** Mix between career civil servants and external candidates selected discretionally
- **City level:** *Buenos Aires (Argentina) – separate cadre of Public Managers for mid-level executives.*

Discretion in hiring public executives is not necessarily bad governance, but entails some risks...

- In more rigid systems, opportunity to escape rigidity of personnel laws and attract highly qualified staff (Grindle 2012)
- But due to political incentives, discretion is associated with considerable potential for an unwise use



Argentina: Percentage of Public Managers Exempt from Skills Requirements (2014)



Source: CIPPEC (2015)

Why is it important to have a professionalized cadre of public executives in LAC's public sector?

Measuring the impact of public executives in public sector performance is a complex task...

- Difficult to isolate the executive's contribution to institutional performance
- Difficult to compare between institutions, or even to analyze the same institution before and after the arrival of a professional public executive
- Difficult to establish the baseline from which to measure performance
 - Politically appointed executives can do a great job too
 - Existing performance indicators may not be too objective or useful

Despite the complexity, there is some initial evidence that professional public executives are leading to better performance

- Chilean public hospitals increased their efficiency when executives selected under merit-based procedures led them (Lira, 2013).
- Chilean institutions with public executives selected through SES increased *efficiency* (increased ratio of investment expenditures) (Morales, 2014).
- In Peru, executives selected through the Public Managers Cadre increased investment budget execution in their institution or subnational government – one of the main purposes for the creation of the cadre – with no corruption issues (Corrales, 2013; 2014; SERVIR 2014).

What is the impact of a professionalized cadre of public executives on public management? – IDB study

- Qualitative approach
- Case studies of 8 public executives and their environment



What is the impact of a professionalized cadre of public executives on public management? – IDB study

Effects on
management

Before and after comparison on several management areas
People / Interorganizational relations/ Resources management / Strategy/
Structures and processes / Other

Performance

What has been the specific effect (positive or negative) of the public executive on the agency's performance?

General Value of
merit-based
systems

What is the value of a merit-based system for public managers' recruitment, compared to political appointments?

Not possible to clearly conclude that merit-based public executives have a direct effect of on their agencies' performance, but...

- **Chile – INAPI.** Time to process patents and trade requests was reduced from 10 months to 4.8 months after arrival of Public Executive.
- **Chile – SEC.** In 4 years, the average time of annual electric interruption decreased from 48 hours (2010) to 15 hours (2014). Number of electric generators out of standard decreased from 280 (2010) to 50 (2014).
- **Peru – all cases.** Better investment budget execution rates.
Management processes



Also, repeatedly found improvements in management areas that contribute to better performance (results chain)

Area	Improvement	Chile	Peru
Managing People	Better intra-organizational coordination		✓
	Improvement on monetary and non-monetary compensations and payroll management	✓	✓
	Control of intra-organizational conflicts	✓	✓
	Promotion of certain values such as merit and transparency		✓
Inter-organizational relations	Better inter-organizational coordination	✓	✓
	Better positioning of the institution	✓	✓



Also, repeatedly found improvements in management areas that contribute to better performance (results chain) - cont

Area	Improvement	Chile	Peru
Resources Management	Renovation of physical environment for civil servants and/or customers	✓	✓
	Acquisition of IT infrastructure	✓	✓
	Increase of investment budget execution rates		✓
Strategic Management	Definition or redefinition of strategic mandate	✓	✓
	More relevance for customers or direct clients	✓	✓



Also, repeatedly found improvements in management areas that contribute to better performance (results chain) - cont

Area	Improvement	Chile	Peru
Processes and structures	Formalization of primary and/or support processes	✓	✓
	Clients' relevance	✓	✓

What is the general value perceived for public executives selected through merit-based process?

- **More legitimacy** – public executive perceived as skilled internally and externally. Transparency of the recruitment process reduces initial costs.
- **More commitment and engagement** of executives with the organization they lead
- **Longer tenure**, bringing more stability in the institution (in US too - Lewis 2008)
- **More autonomy**, executives as adequate technical counterbalance of political authorities
- **Training and coaching** for executives permeates below (Peru)



Why is it important to have a professionalized cadre of public executives in LAC's public sector?

Professional Public Executives seem to have a positive effect on public sector performance

This is reflected in:

- (1) Improvements of **performance indicators**;
- (2) Substantial improvements in **inputs, processes and intermediate results**, which contribute to the results chain.

How can LAC move to having more professional cadres of public executives?

Some lessons learned on the establishment and consolidation of public executives cadres in Latin America

1. Find good reasons for politicians to stop selecting public executives through discretionary decisions
 - Take advantage of political scandals derived from bad management of political appointees in technical public executive positions
 - Sell the reform as contributing to key political priorities and not as an end in itself: “merit-based executives can better deliver your priorities”
 - Implement gradually and through pilots: “We can do this in an incremental way that won’t be too disruptive”
 - Public Executives cadres is a trend, everyone is doing it



Some lessons learned on the establishment and consolidation of public executives cadres in Latin America

2. Address political economy aspects within the government:
 - Engage fiscal institutions – they can make it happen (or block it)
 - Protect SES reform from ‘big-bang’ civil service reform

3. Ensure management capacity for implementation
 - Centralize recruitment of public executives (at least at first)
 - Ensure there are basic capacities to manage the system



More in general, for Latin America and the Caribbean...

Should the region move to *finding* leadership skills through competitive processes (SES) or *growing* them?

If *growing* them...

- Caribbean, Costa Rica, Uruguay → Civil Service
- Non-SES countries → Political Parties?

There seems to be space to strengthen public executive skills through more focused and robust leadership and capacity building for public executives



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