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# Rewards for High Public Offices and the Quality of Governance in Sub-Saharan Africa

By Theodore R. Valentine



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Special Paper  
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By Theodore R. Valentine

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# List of Abbreviations

<b>AUD</b>	Australian Dollar
<b>CAD</b>	Canadian Dollar
<b>CJ</b>	Chief Justice
<b>COLA</b>	Cost-of-living-adjustment
<b>CPI</b>	Corruption Perceptions Index
<b>FWSC</b>	Fair Wages and Salaries Commission (Ghana)
<b>GDP</b>	Gross Domestic Product
<b>GFS</b>	Guidelines for Fixing Salaries in the Rwandan Public Sector
<b>GS</b>	General Schedule
<b>HPOs</b>	High public officeholders
<b>ICRPOB</b>	Independent Commission for the Remuneration of Public Office Bearers (South Africa)
<b>IPSA</b>	Independent Parliamentary Standards Authority (UK)
<b>JCBC</b>	Judiciary Compensation and Benefits Commission (Canada)
<b>MPs</b>	Members of Parliament
<b>NGN</b>	Nigerian Niara
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>pa</b>	per annum
<b>PM</b>	Prime Minister
<b>PPP</b>	Purchasing power parity
<b>PRIS</b>	Pay Reform Implementation Strategy
<b>PSPP</b>	Public service/sector pay policy
<b>RBSS</b>	Review Body on Senior Salaries (UK)
<b>RHPOs</b>	Rewards for high public officeholders
<b>RMAFC</b>	Revenue Mobilisation Allocation and Fiscal Commission (Nigeria)
<b>RT</b>	Remuneration Tribunal (Australia)
<b>RWF</b>	Rwandan Francs
<b>SSA</b>	Sub-Saharan Africa
<b>SRC</b>	Salaries and Remuneration Commission (Kenya)
<b>SSPP</b>	Single Spine Pay Policy
<b>S4</b>	Single Spine Salary Structure
<b>TZS</b>	Tanzanian Shillings
<b>USD</b>	United States Dollar
<b>ZAR</b>	South African Rand





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Finally, it should be recognized that the views expressed in this paper are those of the author and do not necessarily reflect the views of the World Bank, Kenya Salary and Remuneration Commission (or its Secretariat), or REPOA.

# Abstract

Increasingly, setting the institutional arrangements for remunerating high public officeholders (HPOs) is seen as a central design issue for improving governance. In sub-Saharan Africa (SSA), recent efforts to review and revise national constitutions and/or introduce new government structures have brought this issue to the fore. Changes in these “grand institutions” provide rare opportunities to devise new remuneration processes that promote greater accountability, transparency and equity between HPOs and the citizens they serve.

This paper presents a comparative analysis of rewards for high public officeholders (RHPOs) in seven SSA countries with a focus on East Africa. The remuneration analysis covers the period between 2009 and 2012. The remuneration data are drawn from various country-specific studies undertaken by the author, official publications of national governments and international financial institutions, and official documents provided by national remuneration determination/advisory bodies.

The study found that: i) RHPOs vary significantly between countries in both absolute and relative terms; ii) RHPOs as multiples of GDP per capita in SSA countries, particularly in East Africa, are generally much higher than other regions of the world; iii) some top officeholders are remunerated at levels that are hundreds of times GDP per capita; iv) the high levels of remuneration reflected the capacity of HPOs to separate/insulate the processes for setting their remuneration from the performance of the economy and to act in their narrow self-interest to maximize their incomes.

The way states reward their top public officeholders – prime ministers, presidents, top bureaucrats, legislators and judges – reveals a great deal about political values and assumptions about governing. (Hood, Peters, & Lee, 2003, p. i)

It is impartiality in the exercise of power (the “ought to treat equally” principle) that is the central component of Quality of Governance. (Rothstein & Teorell, 2008, p. 171).



# Introduction

Good governance and the rule of law are essential for sustained economic growth, sustainable development and the well-being of the citizenry in any country.<sup>1</sup> Increasingly, the setting of rewards for high public officeholders (RHPOs) is seen as a central design issue for strengthening governance.<sup>2</sup>

The link between governance and RHPOs can be seen as four-fold:

- i. The pattern of rewards for HPOs affects the governance capacity of a political system in as much as the incentive structure impacts upon the ability to attract and retain highly-skilled personnel in the public sector.
- ii. The choice of RHPOs and the institutional framework from which rewards are derived impacts upon how citizens and their high public officeholders interact.
- iii. The perception that HPOs are being rewarded too well and/or in inappropriate ways can impact upon the legitimacy of the political system.
- iv. The evolution of an appropriate rewards system (in terms of structure and levels) may allow HPOs to focus more on the national interest rather than on narrow self-interest, thereby allowing officeholders to act (more) impartially.<sup>3</sup>

Since the start of the new millennium the subject of RHPOs has featured prominently in the public domain and in studies on the economics of politics (Dekker, 2013). These studies have focused on Europe and North America (Brans & Peters, 2012), and Asia and the Pacific region (Peters & Hood, 2003).

Efforts to review and revise constitutions and/or introduce new government structures in East Africa have brought the issues related to RHPOs to the fore. These constitutional changes present opportunities to devise new remuneration processes that promote greater accountability, transparency and equity between HPOs and the citizens they serve. In part, the re-thinking of RHPOs has to address the cost of the governance structure.

This paper presents a comparative analysis of RHPOs in four member countries of the Organization of Economic Cooperation and Development (OECD) and seven countries in sub-Saharan Africa with a focus on East Africa. The paper is structured as follows. Section 2 presents a review of the literature regarding RHPOs. Section 3 presents a comparative analysis of remuneration levels and structures for HPOs in the four English-speaking OECD countries. Section 4 presents a comparative analysis of remuneration levels, structures and patterns for HPOs in the seven SSA countries. Section 5 presents a discussion of the evolution of RHPOs and likely consequences with a focus on corruption and governance in the region. Section 6 presents conclusions and policy implications drawn from the analysis.

<sup>1</sup> For a discussion on governance and economic growth and development, see United Nations Development Programme (2006).

<sup>2</sup> For discussions on the relations between rewards for high public officeholders and governance, see Peters & Hood (1995) and Hood (1994).

<sup>3</sup> See Haque (1998); Brans & Peters (2012); Haque & Aziz (1999); and Van Rijckeghem & Weder (1997).

## Review of the Literature

### 2.1 A short history of research into RHPOs

Remuneration levels and structures for HPOs and their potential impact on the quality of governance are long-standing concerns in political science/political philosophy. Presenting a succinct overview of these concerns within modern political philosophy, Hood and Peters (1994, p. 2) wrote:

Spinoza sought to link RHPOs to performance. Hegel in the 1820s stressed the importance of adequate pay to lift the public service above narrow sectional concerns. Bentham placed pay and reward at the center of his utilitarian philosophy of government, paying particular attention to honorific service and methods of keeping public salaries as low as possible. Tocqueville feared that extension of the franchise would lower formal RHPOs to the point where only wealthy people could afford to be HPOs, thus effectively transforming democracy back into an aristocracy.

Elaborating on these concerns, Dairokuno (2001, p. 102) pointed out that these modern political philosophers espouse a common view that the level and structure of RHPOs makes a difference in politics and public administration:

For Spinoza, it was a fear that HPOs would increase rewards regardless of their performance. For Hegel, it was the low level of RHPOs that mattered, for it might lead to corruption. Bentham expressed a traditional concern over the cost of public administration. Tocqueville spotted a paradox that increasing level of democracy would not necessarily guarantee the democratic public service. All in all, these classical arguments imply that performance, integrity, efficiency and representativeness of HPOs are major factors consisting of good public service, and that these are likely to be influenced by the level and structure of RHPOs.

The World Bank (re)ignited and extended discussions about RHPOs and their impact on the quality of governance and the pace of national economic development with the publication of *The East Asian Miracle* (World Bank, 1993), which attributed much of the success of the first group of Asian tigers to the high RHPOs, good governance and the resulting low propensity for corruption in those countries.<sup>4</sup> From the economic perspective, good governance, which includes an improved legal and regulatory framework to reduce transactions costs and promote market efficiency, was seen as a public good that enhances the productivity of factors in the private sector. Increasing the provision of this public good would lead to higher national output and income. Higher RHPOs were seen as a necessary investment in creating and sustaining this public good.

Making the case for the need to enhance RHPOs in sub-Saharan Africa, Haque and Aziz (1998) postulate that within the fiscal constraint there is a limit to the amount of good governance that a low-income country can afford. Good governance, i.e., the level of effectiveness and efficiency of the public sector, then becomes an issue of optimizing outcomes. They argue that 'egalitarian' policies pursued in many SSA countries constrain the capacity to enhance RHPOs, thus contributing to low levels of governance and economic development. A corollary to this argument is that significant

<sup>4</sup> According to Abbink (2002) the three arguments linking pay and corruption are as follows:

- The higher the relative salaries in the public sector, the more an official loses if he is caught at corrupt activities. Officials getting caught are usually expelled from the public service and forced to work in the private sector.
- Low salaries in the public service attract only incompetent or even dishonest applicants, which result in an inefficient and non-transparent corrupt administration.
- When government positions are paid worse than comparable jobs, the moral costs of corruption are reduced. Poorly paid public officials might find it less reprehensible to accept bribes than officials receiving a comparatively fair salary.

enhancement of RHPOs is required to improve the quality of state leadership, policy formulation and public sector management, as well as to reduce the temptation for corruption in SSA countries. Higher RHPOs beget lower corruption as well as more conducive policy and regulatory environments that facilitate rapid private-sector-led economic growth and development.

In the 1990s, a number of comparative studies emerged that illuminated the determinants of the levels, structures and patterns of RHPOs primarily in western Europe and North America (Hood, 1992; Hood & Peters, 1994; Peters & Hood, 1995).

Since the start of the 21st century there has been a flurry of studies analysing the levels, structures and patterns of RHPOs across countries and regions, including:

- A study of seven countries in Asia and the Pacific region that operate under different political-economic systems (Hood et al., 2003);
- A study of 30 Commonwealth countries primarily focusing on legislators' remuneration (London School of Economics, 2008);
- An edited volume examining 14 countries in Europe and North America, including several countries in eastern Europe that were not part of studies conducted in the 1990s (Brans et al., 2012);
- A study that covered 17 democratic countries in North America, Europe and East Asia with a focus on the political discourse and studies regarding RHPOs. The research identified and evaluated the central arguments around RHPOs in those countries for the purpose of developing "more legitimate conclusions concerning which policy to adopt" (Dekker, 2013).

These studies have a common thread; the politics of rewards is defined as "who gets what rewards, when and how – and with what consequences".

## **2.2 Comparing RHPOs across different countries**

There are two measures for comparing the remuneration levels for HPOs across different countries.

These are:

- Levels of remuneration for various public officeholders expressed at purchasing power parity (PPP) exchange rates; and
- Remuneration measured in multiples of GDP per capita.

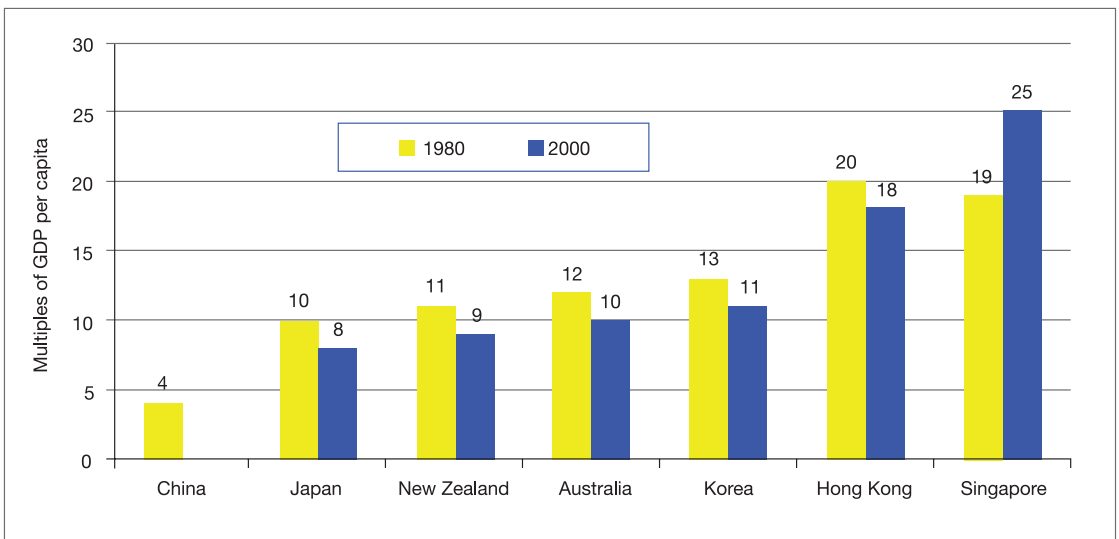
Some of the major findings of recent studies are as follows.

- The levels, structures and patterns of RHPOs vary significantly across countries.
- The variance cannot be explained by one factor (such as economics) alone. The three major non-economic determinants influencing levels, structures and composition of RHPOs are:
  - o Institutional arrangements;
  - o Ideas; and
  - o Interest.
- While variance exists in RHPOs across countries, generalities emerge within regions. For example:

- o Nordic countries tend to pay their public officeholders less; and
- o Countries in Asia and the Pacific region tend to pay their public officeholders more.
- There is no linear relationship between RHPOs and the economic performance of countries and/or levels of corruption as recent studies by major international financial institutions have proposed.
- There is a general tendency for RHPOs measured in multiples of GDP per capita to decline over time in countries in the OECD, Asia and Pacific region, especially in countries with democratic governments.

With regard to the erosion of RHPOs over time, Figure 1 presents data on the base pay for top political executives in multiples of GDP per capita for the years 1980 and 2000 for selected countries in Asia and the Pacific region. As the data show, RHPOs relative to GDP per capita were eroded in all of the countries surveyed except Singapore.

**Figure 1: Base pay of top political executives in selected countries (multiples of GDP per capita), 1980 and 2000**



**Source:** Hood et al. (2003, p. 29)

### 2.3 Non-economic determinants for setting RHPOs

As stated above, the three non-economic determinants of the levels, structures and composition of RHPOs are institutional arrangements, ideas and interest.

Institutional arrangements for setting, reviewing and adjusting remuneration may differ from country to country. Historically, the legislatures in many countries passed bills to determine the remuneration levels of its members. In some countries, the remuneration levels of other HPOs are then directly linked to the remuneration of legislators, while in other countries, how and how much legislators are remunerated has a demonstration effect, i.e., there is an indirect linkage between legislators' remuneration and the remuneration of other HPOs.

Increasingly, the view that the beneficiaries of a remuneration decision should not be involved in the remuneration decision-making process has gained currency. A number of countries have established independent remuneration authorities/bodies to adjust and periodically review RHPOs. The mandates of these institutions differ from country to country. In some countries, a single body is responsible for the review and/or determination of remuneration for all HPOs. In other countries, different remuneration bodies are responsible for review and/or determination of remuneration for different branches of government. Whereas, in some countries, the remuneration bodies advise the government on remuneration levels and structure, in other countries, the decisions of the remuneration bodies are binding.

In countries where legislators maintain the authority to review and adjust their own remuneration, institutional arrangements that directly link legislators' remuneration to that of the broader public service may set limits on their capacity to do so.

The cultural and political contexts in which remuneration is determined are not static. They may change incrementally over time or may be influenced by dramatic events, such as major political scandals. Moreover, citizens' perception of the appropriateness of remuneration levels, structures and patterns may change over time.

There are three general approaches to setting RHPOs.

- The alimention approach

Remuneration levels are set high befitting the status of HPOs and ensuring that they are adequately compensated to live comfortably. By doing so, HPOs are encouraged to focus on the national interest rather than narrow self-interest. Germany is seen to adopt this approach in remunerating its HPOs, who are generally better paid than other Europe countries with comparable GDP per capita.

- The representativeness approach

Remuneration levels are set to ensure representativeness between the RHPOs and those they rule in terms of the income they enjoy. RHPOs are 'close to the public' so that public officeholders understand and reflect the interest of the average citizen. Under such an approach, RHPOs measured in multiples of GDP per capita are set relatively low.

- The market-led approach

Determination of RHPOs is guided by labour market forces within the country and/or the country's economic performance, i.e., RHPOs are comparable to the remuneration of chief executive officers, high-level leaders and decision-makers in the private sector, and top management and policy makers, taking into consideration compensating differentials.

With regard to interest, two countervailing forces exist in the determination of RHPOs: the public officeholders and the citizens or taxpayers. Without restraints, HPOs would typically prefer higher levels of remuneration, while citizens/taxpayers would prefer that they perform their duties with the same diligence for lower pay. The determination of the actual levels and patterns of remuneration is seen as the result of a "reward game." The outcome of the game is determined by the interaction of HPOs and citizens, depending upon the degree of openness that politicians convey and the degree of trust and admiration/stature that politicians have among citizens. Figure 2 presents the possible outcomes of this remuneration game.



**Figure 2: A representation of the “reward game” for determining remuneration levels and structure**

		<i>Top public officeholders</i>	
		<b>‘Open’</b> <b>(Rewards iceberg largely above water)</b>	<b>‘Devious’</b> <b>(Rewards iceberg largely below water)</b>
<b>Citizens</b>	<b>‘Trusting’</b>	(1) Rewards: visible Legitimacy: high	(2) Rewards: invisible Legitimacy: high
	<b>‘Mistrusting’</b>	(3) Rewards: visible Legitimacy: low	(4) Rewards: invisible Legitimacy: low

**Source:** Hood et al., 2003

If HPOs’ approach to remuneration is open and citizens trust them, their pay will be relatively high and visible. If HPOs are devious they will abuse the trust of citizens and pay themselves higher remuneration than citizens would wish to pay. However, the additional pay will be received in a non-transparent manner to deceive citizens.

If citizens are distrustful or have low opinions of their HPOs, they would prefer to remunerate them at a low level. If HPOs are open, the remuneration level will be low. If HPOs are devious, they will seek to reward themselves using non-transparent and perhaps extra-legal means. However, rewards are unstable because given the opportunity the citizenry would like to see them out of office.

The pattern of remuneration of RHPOs differs from country to country. In some countries rewards are paid in a very transparent manner using a total remuneration approach. In other countries, basic salary makes up only a small portion of remuneration. The largest portion of remuneration may be paid through monetary allowances via the payroll and through other allowances (paid outside the payroll), benefits and perks that are less visible.<sup>5</sup> Consequently, two HPOs in different countries may receive the same level of total rewards. But in one country the rewards may be highly or totally visible, while only a small portion of rewards may be visible in the other country.

The outcome of the reward game is one explanation for the patterns of remuneration across countries. However, other factors may also influence RHPOs. Other major determinants of remuneration patterns are:

- **Culture**  
The culture of some countries calls for HPOs to be housed in accommodation befitting their status and to be entitled to other benefits/perks at the expense of the state. In other countries, citizens frown on public officeholders receiving benefits/perks in excess of those required for undertaking their primary duties.
- **Economics**  
Where allowances, benefits and/or perks are taxed at lower rates than basic salary, HPOs are

<sup>5</sup> With regard to the transparency of the rewards package for HPOs, Peters and Hood (1995) invoke the analogy of viewing a mountain top (where much of what is visible is above the surface) and an iceberg tip (where much of the mass is below water and not immediately visible).

likely to prefer less of their remuneration in the form of basic salary and more in the form of non-salary payments. Further to this, where pension schemes are non-funded and non-contributory and where pension payments are a burden on the national budget, governments are likely to prefer remuneration that is skewed towards non-salary payments. Remuneration in the form of monetary allowances and benefits are generally excluded from pension calculations.

- Politics

Beyond the issue of engaging in a “rewards game” to maximise their remuneration, HPOs, particularly those in elected offices who face periodic elections, may want to show their solidarity with the ‘common man’ in times of economic austerity or to prove their credentials as fiscal conservatives to improve their chances of re-election.



# International practice in setting RHPOs: A comparative analysis of remuneration in four OECD countries

Public debate concerning the proper remuneration of high public officials symbolizes the relationship between the leaders of the public sector and the people they serve. By discussing the issue, society reaffirms its democratic values, particularly the idea that even the highest public offices are beholden to the public. (Dekker, 2013, p. 2)

This section presents a comparative analysis of RHPOs in four English-speaking OECD countries: The United States of America (USA), United Kingdom (UK), Canada and Australia. The analysis is focused on:

- Remuneration determination practices;
- Levels and structures of remuneration; and
- Comparisons of RHPOs within each country and across the different countries
  - Internal differences are determined by indexing the remuneration of various HPOs relative to that of a magistrate in each country; and
  - External differences are measured by calculating the total remuneration of HPOs in the four countries in multiples of GDP per capita and in USD at PPP exchange rates.

## 3.1 An overview of remuneration determination practices in the four countries

Remuneration determination practices may vary significantly from country to country depending upon the countries’ institutional arrangements. These arrangements may vary between the various branches of government, as well as between HPO groups, depending upon whether the officeholder is an elected official or political appointee, a judge, or a permanent and pensionable top administrator.

Table 1 presents an overview of remuneration determination practices in the four countries. As is evident from the table, the selected countries have different institutional arrangements for setting RHPOs. The remainder of this section elaborates on the processes for determining remuneration in these countries.

**Table 1: Overview of remuneration determination practices in USA, UK, Canada and Australia**

	Executive Branch	Legislative Branch	Judicial Branch	Top Administrators
USA	President’s remuneration set by Congress; remuneration of cabinet secretaries and other political appointees linked to congressional remuneration through formula set by Office of Personnel Management	Congress sets its own remuneration, but with links to other HPOs and the broader public service as a constraint	Directly linked to congressional remuneration	Set by Office of Personnel Management based upon formula linked to congressional remuneration
UK	Total remuneration equals parliamentary remuneration plus government remuneration (which is some percentage of parliamentary remuneration)	Set by the Independent Parliamentary Standards Authority	Set by the prime minister (PM) on advice of the Review Body on Senior Salaries (RBSS)	Set by the PM on the advice of the RBSS

	Executive Branch	Legislative Branch	Judicial Branch	Top Administrators
Canada	Total remuneration equals parliamentary remuneration plus government remuneration (which is some percentage of parliamentary remuneration), adjusted annually	Benchmarked to 2003 and adjusted annually linked to Industrial Aggregate Index	Set by parliament on the advice of the Judicial Compensation and Benefits Commission	Set by the Treasury Board on advice of the Advisory Committee on Senior Level Retention and Compensation
Australia	Set by the Remuneration Tribunal, adjusted annually	Set by the Remuneration Tribunal, adjusted annually	Set by the Remuneration Tribunal, adjusted annually	Set by the Remuneration Tribunal, adjusted annually

### 3.2 Remuneration determination processes by country

The remuneration processes in the four countries are not static. They have been reformed/revised over time with changes to the institutions responsible for determining remuneration and to the links between the various branches of government.

#### 3.2.1 The U.S. Federal Government

Within the U.S. federal government, the remuneration determination process is as follows. The president’s remuneration is set by Congress. It is set before a president actually starts his/her term in office. Once set, no adjustment in remuneration can be made during the president’s term in office.<sup>6</sup>

Congress, which has the responsibility to make decisions on appropriations, revenue and debt measures, sets its own levels of remuneration. However, congressional capacity to set its remuneration is not without limits. The extent to which Congress can raise its remuneration is limited by the fact that any change impacts upon the whole structure of federal remuneration. In a complex system of calculations, administered by the U.S. Office of Personnel Management, congressional remuneration rates also affect the salaries for federal judges and other senior government executives.

The major legislation regulating the adjustment of pay is the Ethics Reform Act 1989. This Act provides for an annual salary adjustment for leaders and members of the Senate and House of Representatives, the vice-president, cabinet members and other political appointees who require senate confirmation, and federal justices and judges. While the Ethics Reform Act sets the rate of the judicial pay adjustment, any salary increase for justices and judges must be “specifically authorized by Act of Congress” before implementation.<sup>7</sup>

Pay determination and adjustments for other senior federal personnel and professionals are regulated under the Federal Employees Pay Comparability Act of 1990.

<sup>6</sup> Over a 220-year period, the remuneration of the US president was revised only six times: in 1789 to \$25,000; in 1873 to \$50,000; in 1909 to \$75,000; in 1949 to \$100,000; in 1969 to \$200,000; and in 1999 to \$400,000. See Congressional Research Service, Report #RS20115

<sup>7</sup> Congressional Research Service (2012, p. 1)

### **3.2.2 The Government of the United Kingdom**

Between 1971 and 2011, the remuneration for members of the Parliament of the United Kingdom was set by an agreed formula that was based on pay bands for the senior civil service. During that period, the Review Body on Senior Salaries (RBSS) reviewed and advised on parliamentary pay, pensions and allowances alongside its remit to cover senior positions in the civil service, military, judiciary and National Health Service. The RBSS reviews were only advisory. After considering the advice of the RBSS, MPs voted on their own remuneration and pensions. Similarly, upon consideration of the RBSS review, the prime minister set the remuneration for the judiciary and top administrators in the public service.

This changed after a major scandal was unearthed on MPs' abuse of the allowance system. Under the Parliamentary Standards Act (2009) and the Constitutional Reform and Governance Act (2010), the Independent Parliamentary Standards Authority (IPSA) was established as an independent authority to review and set remuneration for MPs. IPSA is responsible for setting pay and pension levels at the start of the term of the new parliament, about every five years.

The RBSS is still responsible for reviewing and advising on the remuneration of the judiciary, senior public servants, senior officers of the armed forces, other groups subject to government guidelines, and other such public appointments as may from time to time be specified. The RBSS makes recommendations to the PM, the Lord Chancellor and the Secretary of State for Defence.

### **3.2.3 The Government of Canada**

The current framework for determining remuneration in the federal Government of Canada was set with the adoption of the Compensation Policy in 2003 (Treasury Board of Canada Secretariat, 2009).

The Advisory Committee on Senior Level Retention and Compensation regularly reviews and advises on the remuneration of top administrative positions in the Canadian government. The mandate of the committee is to provide independent advice and recommendations to the President of the Treasury Board with respect to executives, deputy ministers (the equivalent of director generals or permanent secretaries) and other Governor-in-Council appointees of the federal public service and public sector.

Under the Canadian constitution, the Parliament has the responsibility to fix and provide the salaries, allowances and pensions for all federally appointed judges. The Judge Act prescribes that judicial:

- Remunerations, pensions and benefits are reviewed every four years by an independent Judicial Compensation and Benefits Commission (JCBC), which is appointed by the Governor in Council.
- Salaries are adjusted annually on the basis of a cost-of-living adjustment (COLA) mechanism. The JCBC is required to submit a report with its recommendations to the Minister of Justice, who is required by law to:
  - Table the report before the Parliament; and
  - Respond to the report within six months after receiving it.<sup>8</sup>

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<sup>8</sup> Office of the Commissioner of Federal Judiciary Affairs Canada. Federal Judicial Appointments - Considerations Which Apply to an Application for Appointment, <http://www.fja.gc.ca/appointments-nominations/considerations-eng.html#Remuneration>.

Remuneration in the Canadian government is based on the principle of total remuneration. Total remuneration consists of both salary and non-salary elements. Salary elements include base salary and performance awards.

Remuneration levels of the three branches of government are adjusted against their respective benchmarks on 1 April each year based on increases in an Industrial Aggregate Index.

**3.2.4 The Commonwealth of Australia**

In Australia, the sole authority for reviewing and setting RHPOs is the Remuneration Tribunal (RT), which is an independent statutory authority established under the Remuneration Tribunal Act 1973.

The RT’s mandate is to determine, report on or provide advice about remuneration, including allowances and entitlements of: federal parliamentarians, including ministers and parliamentary officeholders; the judiciary; secretaries of departments (the equivalent of ministers); state offices<sup>9</sup> (of which there are 110); specified statutory offices (of which there are currently 20) including chiefs of the defence force and top administrators in statutory offices; members of federal commissions;<sup>10</sup> and principal executive offices, including heads of state corporations and public agencies.

The remuneration of HPOs is adjusted annually on the basis of a COLA mechanism that is related to a weighted average of pay adjustments received by comparable professionals, managers and chief executive officers in the private sector.

**3.3 A comparison of remuneration for HPOs in the four countries**

**3.3.1 Remuneration indices for selected officeholders by country**

To enable the comparison of remuneration for HPOs across the four countries, a remuneration index was developed. For the purposes of analysis, the remuneration of a magistrate was set as the base of the index (i.e., the index value for a magistrate’s pay = 100). Index values for the remuneration for other HPOs were then calculated against this base. Figure 3 presents the indices of remuneration of public officeholders for each of the four countries for 2012.

Among the four countries, the total remuneration of the head of government in the U.S. is the highest relative to the pay of a magistrate. With an index value of 250, this implies that the president’s pay is 2.5 times that of a magistrate.<sup>11</sup> In Australia and the UK, the remuneration of the prime minister is roughly double that of a magistrate (Index value for prime minister in Australia = 210; UK = 190).

<sup>9</sup> The RT Act defines ‘state office’. It includes all offices established by a Commonwealth law (also known as statutory offices) and appointments made under a Commonwealth law as well as (but not limited to) appointments made by the Governor-General or a Minister of State which are formally referred-in to the Tribunal’s jurisdiction by the minister responsible for the Act. The attributes of a ‘state office’ establish whether appointment to it is made on a full-time or other basis.

<sup>10</sup> Appointments to a wide range of state offices are made on a part-time basis. These offices are very diverse and include the chairs and members of boards, councils, committees and administrative tribunals, whose work may be regular or intermittent.

<sup>11</sup> Only positions that are common among the four countries are presented in Figure 3. For example, the vice-president is the second highest ranked (and paid) public officeholder in the U.S. but this position is not included in the analysis as the other three countries do not have a comparable position. In Commonwealth countries, the position of deputy prime minister does not appear in the constitution and hence does not have the same stature as the U.S. vice-president.

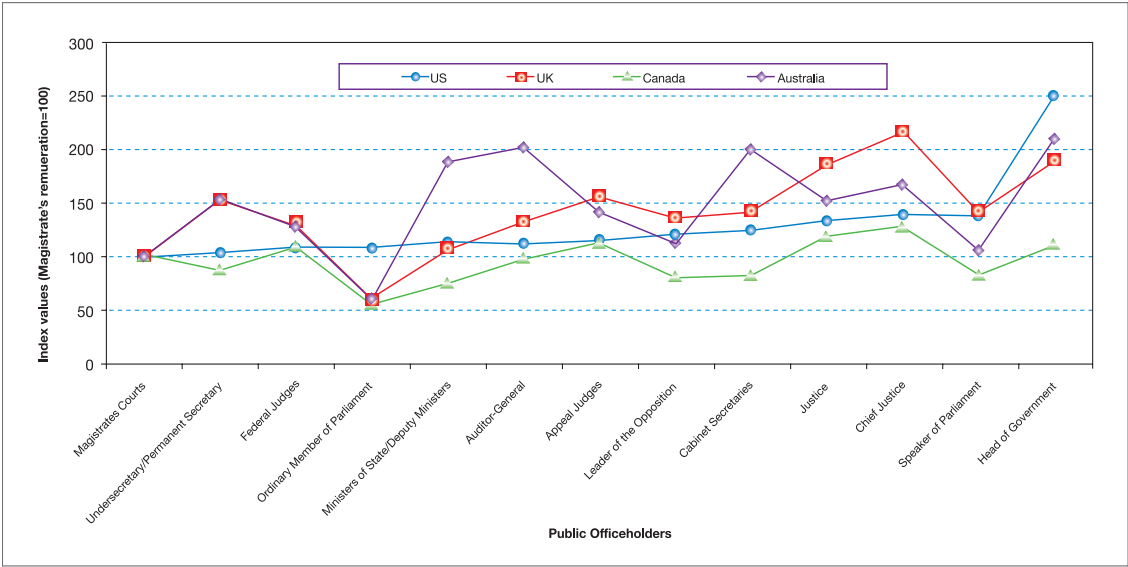
Canada’s remuneration structure appears to be the most equitable. None of the top public officeholders are remunerated more than 30% above the pay of a federal magistrate. With an index of 110, the Canadian PM’s total remuneration is 10% higher than a federal magistrate and equal to that of a federal judge.

In the USA, the head of government, the president, is the highest paid public officeholder. In the other three countries, the heads of government (prime ministers) are not the highest paid public officeholders. In the United Kingdom at least eight other public officeholders earn more than the prime minister. In Australia, the auditor-general is paid comparably to the prime minister. Indeed, the solicitor-general in Australia and other public officeholders, who are not included in the current analysis, are paid more than Australia’s PM.

In the US, the heads of the legislature (speakers of the House) and judiciary (chief justice of the Supreme Court) are remunerated the same. In the other three countries, the chief justice is better remunerated than the speaker of the House. In the UK and Canada, the chief justice is paid more than the PM.

In Australia, Canada and the UK, ordinary members of parliament are lower paid than other public officeholders including magistrates. The USA is the only country where ordinary MPs are better remunerated than federal judges and under-secretaries/permanent secretaries equivalents.

**Figure 3: Indices of remuneration for high public officeholders, USA, UK, Canada and Australia, 2012 (Magistrate’s remuneration = 100)**



**Sources:** Author’s calculations based on data from: Congressional Research Service (2012); Judicial Compensation and Benefits Commission (2012); Treasury Board of Canada Secretariat (2012) <http://canadaonline.about.com/od/houseofcommons/a/salaries-canadian-members-parliament.htm?p=1>, Updated: 04/17/12; The Independent Parliamentary Standards Authority (2012); Review Body on Senior Salaries (2012); Remuneration Tribunal (2012a); Remuneration Tribunal (2012b); and Remuneration Tribunal (2012c).

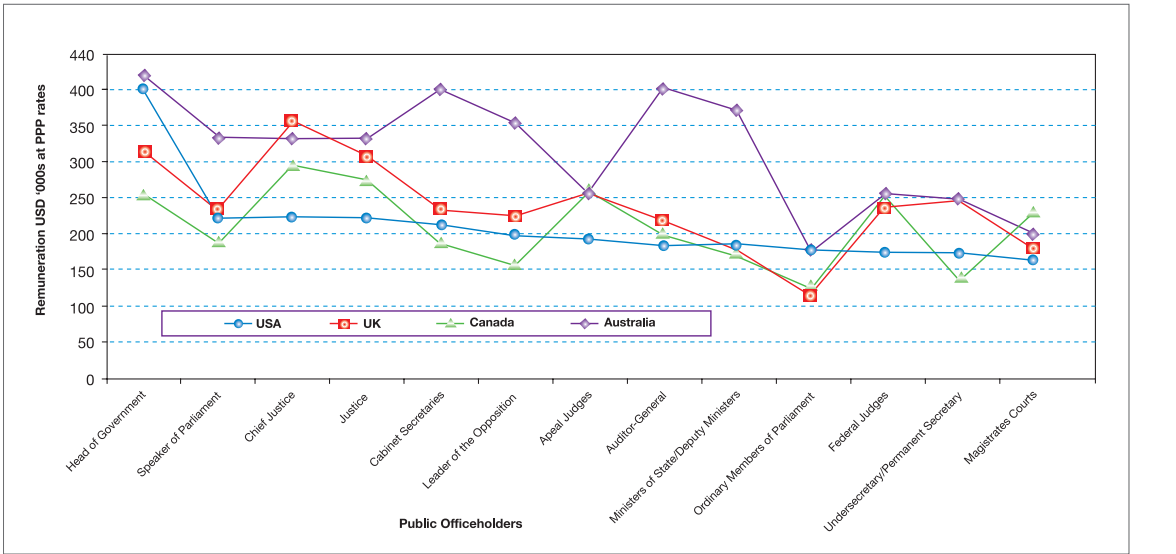
3.3.2 Remuneration for selected officeholders in USD (PPP rates)

Figure 4 presents data on public officeholders’ remuneration for the four countries, in USD expressed at purchasing power parity rates.

These data show that:

- With the exception of the judiciary, Australia pays significantly higher levels of remuneration in every comparable category of public officeholder.
- Officeholders in the U.S. judiciary fare poorly in comparison with remuneration levels paid in the other countries.
- Canada pays its judges relatively well in comparison to other public officeholders.
- Ordinary parliamentarians are relatively low paid in the UK and Canada.
- Ordinary parliamentarians are remunerated at about the same rate in Australia and the USA. However, they are the lowest paid public officeholders in Australia, while in the USA they are better paid than federal judges and some other public officeholders.

Figure 4: Rewards for HPOs in the USA, UK, Canada and Australia, expressed in USD (PPP rates), 2012



**Sources:** Author’s calculations based on data from: Congressional Research Service (2012); Judicial Compensation and Benefits Commission (2012); Treasury Board of Canada Secretariat (2012); <http://canadaonline.about.com/od/houseofcommons/a/salaries-canadian-members-parliament.htm?p=1>, updated: 04/17/12; The Independent Parliamentary Standards Authority (2012); Review Body on Senior Salaries (2012); Remuneration Tribunal (2012a); Remuneration Tribunal (2012b) and Remuneration Tribunal (2012c). PPP derived from World Economic Outlook (WEO) data, IMF <http://www.econstats.com/weo/V013.htm>

3.3.3 Remuneration for selected officeholders in multiples of GDP per capita

Figure 5 presents data on public officeholders’ remuneration measured in multiples of GDP per capita for the four countries.

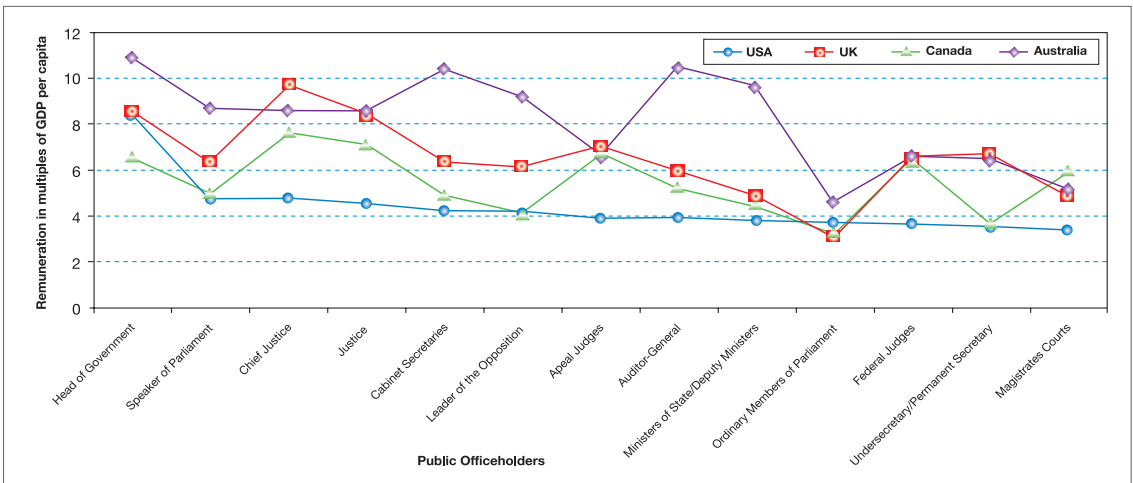


These data show that:

- Australia is the only country among this group where some public officeholders' remuneration exceeds 10 times GDP per capita, for the head of government (10.88), cabinet secretaries (10.37) and the auditor-general (10.44);
- The USA and UK remunerate their heads of government at more or less the same multiples of GDP per capita, 8.51 and 8.54 respectively;
- On average, Canada and the UK remunerate their judiciaries better than other HPOs; at 6.83 times GDP per capita for the judiciary compared with 4.64 for other HPOs in Canada, and at 7.30 times GDP per capita for the judiciary compared with 6.01 for other HPOs in the UK;
- On average, Australia and the USA remunerate their judiciaries less well than other HPOs; 7.14 times GDP per capita for the judiciary compared with 8.77 for others in Australia, and 4.07 times GDP per capita for the judiciary compared with 4.57 for others in the USA;
- On average, the remuneration of members of parliament has the lowest multiple to GDP per capita, ranging from a low in Canada at 3.15 to a high in Australia at 4.57;
- On average, Australia remunerates its public officeholders higher in PPP terms and higher in relative terms than the other countries (8.14 times GDP per capita); and
- On average, the USA has the lowest public officeholders' remuneration at 4.38 times GDP per capita

A case made for the relatively low pay in the USA is that government service requires a strong public service motivation rather than economic motivation.<sup>12</sup> However, increasing concerns have been expressed in recent years that the pay of public officeholders is lagging behind that of the private sector, with the federal government losing competitiveness, especially for judges.

**Figure 5: Remuneration of public officeholders, USA, UK, Canada and Australia (expressed in**

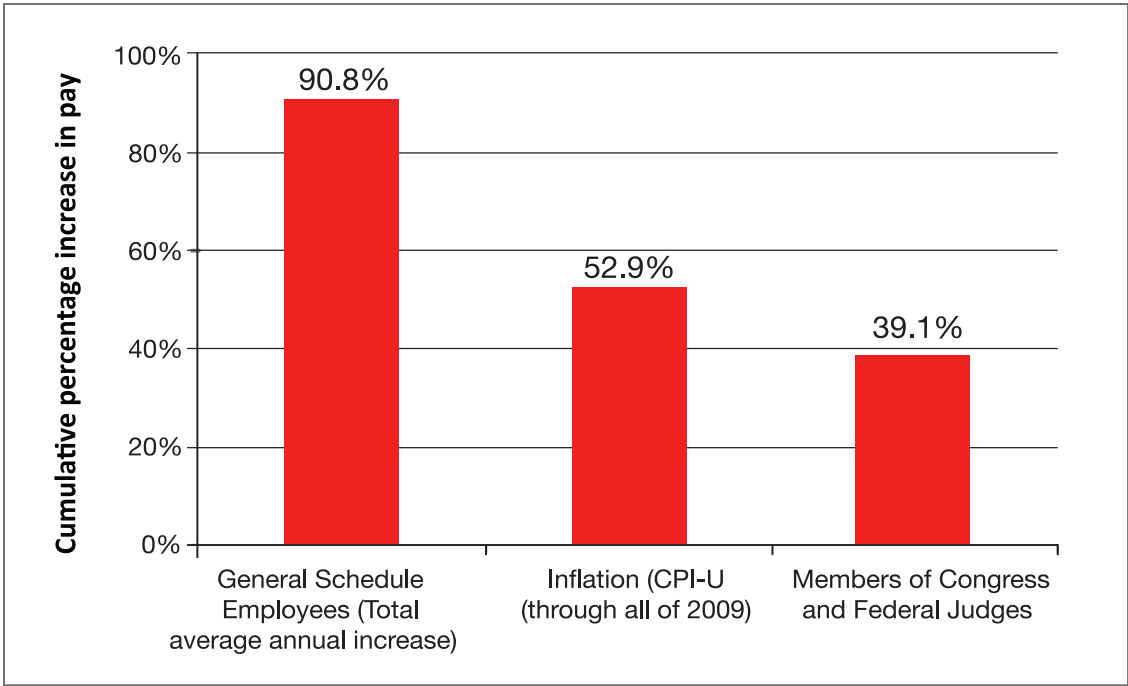


**Sources:** Author's calculations based on data from: Congressional Research Service (2012); Judicial Compensation and Benefits Commission (2012); Treasury Board of Canada Secretariat (2012), <http://canadaonline.about.com/od/houseofcommons/a/salaries-canadian-members-parliament.htm?p=1>, Updated: 04/17/12; The Independent Parliamentary Standards Authority (2012); Review Body on Senior Salaries (2012); Remuneration Tribunal (2012a); Remuneration Tribunal (2012b) and Remuneration Tribunal (2012c). Data for GDP per capita derived from World Economic Outlook (WEO) data, IMF at <http://www.econstats.com/weo/V013.htm>

<sup>12</sup> For a discussion on public service motivation, see Perry et al., 2010.

The strong link between congressional pay and that of federal judges has been a matter of concern in recent years. According to a recent study, the real pay for federal judges has declined dramatically.<sup>13</sup> Since 1992, the pay of most federal workers has increased by 91%, while inflation has increased by 36%. However, judicial pay fell behind, increasing by only 39% over this period (Figure 6).

**Figure 6: Real pay adjustments for selected categories of US federal personnel over period from 1992 to 2010**



**Source:** *Federal Judicial Pay Increase Fact Sheet.*

In the name of austerity, on seven occasions between 1994 and 2010, Congress voted to forgo COLAs while federal employees’ remuneration received such adjustments. As federal judges’ pay is directly linked to that of Congress, judges had to forgo such adjustments by default. As a consequence, judges’ pay has fallen behind that of other federal employees.<sup>14</sup> The erosion of competitiveness resulted in a number of good, experienced judges leaving the bench and problems of filling vacancies.

In January 2003, the National Commission on the Public Service (the “Volcker Commission”) found that the lag in judicial salaries had gone on too long, and the potential for the diminished quality in American jurisprudence had become too large. The Commission recommended that Congress should grant an immediate and significant increase in judicial, executive and legislative salaries to ensure a reasonable relationship to other professional opportunities.<sup>15</sup>

<sup>13</sup> Federal Judicial Pay Increase Fact Sheet

<sup>14</sup> Peters and Hood (1995, p. 184) wrote that “in the USA up to 1990, civil servants’ pay followed that of Congress and civil servants tended to be punished for the difficulties politicians experienced in raising their own pay especially during the 1980s.” The judiciary’s remuneration has yet to be decoupled from that of Congress. As a consequence judges continue to be “punished”.

<sup>15</sup> Quotes of Volcker Commission are extracted from the Federal Judicial Pay Increase Fact Sheet.

## RHPOs in sub-Saharan Africa with a focus on East Africa

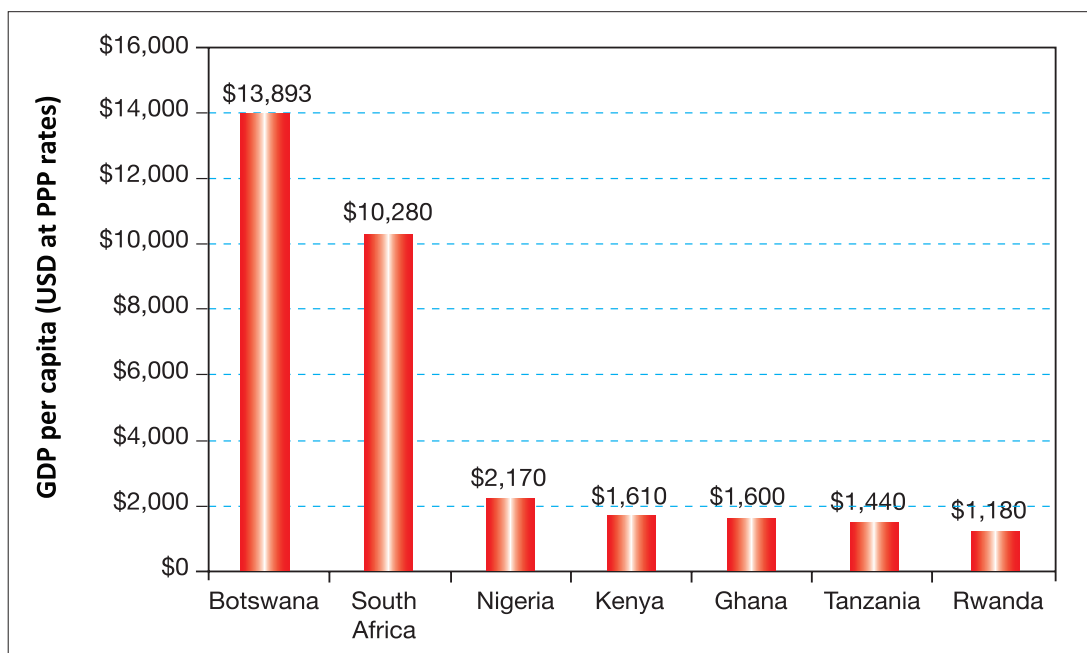
While no major detailed studies have been undertaken on RHPOs in sub-Saharan Africa, two large studies provide comparative data on average public service pay and GDP per capita measures (Schiavo-Campo, 2001; Clements et al., 2010). In addition, a study on remuneration in Commonwealth legislatures provides an indication of the trend in remuneration in SSA countries that are members of the Commonwealth (London School of Economics, 2007/08). The results of these studies indicate that remuneration (measured in multiples of GDP per capita) is much higher within the SSA region than in other regions of the globe. This is partly attributable to the lower GDP per capita in these countries as well as the larger skill/education differentials between HPOs and the rest of the labour force. Conversely, the countries with relatively low pay multiples (primarily OECD countries) have much higher GDP per capita and smaller education and experience differentials between HPOs and the rest of the workforce (Schiavo-Campo, 2001).

This section presents a comparative analysis of the remuneration levels, structure and patterns in seven English-speaking countries in SSA with a focus on East Africa. The countries included in the analysis are:

- In east Africa:
  - o Kenya
  - o Rwanda
  - o Tanzania
- In west Africa:
  - o Ghana
  - o Nigeria
- In southern Africa:
  - o Botswana
  - o South Africa

Figure 7 presents data on GDP per capita for the seven countries (in USD expressed at PPP rates). Botswana has the highest GDP per capita at USD 13,893, almost 12 times the GDP per capita of Rwanda, which has the lowest GDP per capita of the seven countries at USD 1,180.

**Figure 7: GDP per capita for selected SSA countries, 2010 (expressed in USD at PPP rates)**



**Source:** World Bank Development Indicators, 2012.

4.1 An overview of remuneration determination practices in sub-Saharan Africa

Remuneration determination practices vary significantly from country to country depending upon the countries’ institutional arrangements, which are in part based on the unique history, culture and political system in each country. These arrangements may also vary between different HPO groups. Table 2 presents an overview of the remuneration determination practices for the seven countries.

Table 2: Remuneration determination practices in seven SSA countries

	Executive Branch	Legislative Branch	Judicial Branch	Top Administrators
East Africa				
Kenya	President’s remuneration set by Parliament; cabinet remuneration set by the president	Parliament sets its own remuneration based upon the advice of the Parliamentary Service Commission, in an appropriation bill that requires the president’s approval/signature	Proposed by the Judicial Service Commission with significant influence from the incumbents themselves	Proposed by the Public Service Commission with significant influence from the incumbents themselves
Rwanda	Single spine salary structure (S <sup>4</sup> ). Adjustments programmed with pay policy. Remuneration Board to be established. Other remuneration and benefits set by Parliament.	Single spine salary structure (S <sup>4</sup> ). Adjustments programmed with pay policy. Remuneration Board to be established.	Single spine salary structure (S <sup>4</sup> ). Adjustments programmed with pay policy. Remuneration Board to be established.	Single spine salary structure (S <sup>4</sup> ). Adjustments programmed with pay policy. Remuneration Board to be established.
Tanzania	President, vice-president and prime minister set administratively by formula in relationship to speaker’s remuneration.	Set by pay policy and salary trajectory in implementation plan. Remuneration Board has now been established.	Set by pay policy and salary trajectory in implementation plan. Remuneration Board has now been established.	Set by pay policy and salary trajectory in implementation plan. Remuneration Board has now been established.
Southern Africa				
Botswana	Reviewed periodically by a remuneration commission appointed to undertake such review	Reviewed periodically by a remuneration commission appointed to undertake such a review; adjustments proposed annually by National Employment, Manpower, and Incomes Council (NEMIC)	Reviewed periodically by a remuneration commission appointed to undertake such review; adjustments proposed annually by NEMIC	Reviewed periodically by a remuneration commission appointed to undertake such a review; adjustments proposed annually by NEMIC

	Executive Branch	Legislative Branch	Judicial Branch	Top Administrators
South Africa	Set by Parliament based upon advice of the Independent Commission for the Remuneration of Public Office Bearers (ICRPOB)	Set by president based upon advice of the ICRPOB	Set by president based upon advice of the ICRPOB, with the approval of Parliament	Set by the ICRPOB
<b>West Africa</b>				
Ghana	Set by Parliament based upon advice of an independent committee	Set by president based upon advice of an independent committee	Set by president based upon advice of an independent committee	Set by Fair Wages and Salaries Commission
Nigeria	The Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) reviews and determines remuneration packages for public officeholders in the executive, legislature and judiciary at the federal, state and local government levels.	The RMAFC reviews and determines remuneration packages for the public officeholders in the executive, legislature and judiciary at the federal, state and local government levels.	The RMAFC reviews and determines remuneration packages for the public officeholders in the executive, legislature and judiciary at the federal, state and local government levels.	The RMAFC reviews and determines remuneration packages for the public officeholders in the executive, legislature and judiciary at the federal, state and local government levels.

## 4.2 Remuneration determination processes in sub-Saharan Africa

This sub-section elaborates on the remuneration determination processes in each country.

### 4.2.1 Kenya

In Kenya, the levels, structure and patterns of remuneration for HPOs are the product of institutional arrangements over time. Various commissions have been responsible for reviewing, advising on, and, in some cases, setting remuneration for different branches of the government and for different sectors within the government. The remuneration determination process over the past decade was as follows. The Parliamentary Service Commission was responsible for reviewing and advising on legislators' remuneration. The Judiciary Service Commission was responsible for reviewing and advising on remuneration in the judiciary. The Public Service Commission was responsible for reviewing and advising on the remuneration of top administrators. In many cases, the beneficiaries of decisions on remuneration served as members of the commissions that were making the rulings.

Parliament gained the authority to set its own salaries in 1999. The immediate consequence was a number of salary adjustments. The major driver on RHPOs in Kenya over the period 2003-2012 was the Parliament, which, in 2003, began to exert its independence over the executive and the citizenry. This was a case of parliament being turned "loose".<sup>16</sup> Section 5 of this paper examines the implications of this increase in parliamentary influence on remuneration trends in Kenya.

<sup>16</sup> One analyst describes it as: "The most radical example of 'parliament let loose', it has seen a drastic increase in the salaries of legislators in recent years driven by an absence of effective controls and incentives of legislators to maintain a long-term reputation for good governance." (London School of Economics, 2007/08, p. 6)

In an effort to rationalize the country's remuneration determination practices, the Kenyan government established the Permanent Public Service Remuneration Review Board (PPSRRB) in 2004. However, the PPSRRB lacked legal authority over the other remuneration commissions, some of which were on stronger legal footing than the PPSRRB itself. Further to this, the PPSRRB could not claim to be independent as most of its members were drawn from the same commissions that the Board was created to rein in. In the end the PPSRRB assumed the status of an umbrella body for these remuneration commissions rather than that of overlord.

Under the PPSRRB's watch, the remuneration of HPOs rose sharply, raising Kenya to the status of outlier for RHPOs, both in absolute terms and in multiples of GDP per capita.

Recognising the weaknesses in the existing institutional arrangements, the government set out to establish the Salaries and Remuneration Commission (SRC), the mandate for which was derived from the 2010 constitution. The mandate of the SRC is to determine remuneration (basic salaries, allowances and benefits) for all public officeholders and to advise on remuneration for the broader public sector.

#### **4.2.2 Tanzania**

Since its implementation in 2000, the Public Service Pay Policy (PSPP) has guided remuneration determination in the Tanzanian public service.<sup>17</sup> The original pay was revised in 2010 and extended to cover the whole of the public sector.<sup>18</sup>

The Pay Reform Implementation Strategy (PRIS) was designed and developed to operationalize the 2000 PSPP (Valentine, 1999). The major aspects of the PRIS were: i) the adoption of medium-term pay targets that would systematically enhance pay for all public servants; and ii) the evaluation and grading of jobs to improve the links between pay and performance and to pay more equitably.

Both of these policy initiatives impacted RHPOs. A planned approach was adopted to enhance real pay levels in the public service and maintain appropriate salary differentials. Implementing the PRIS required that the Tanzanian government adjust salaries on an annual basis over the medium term (1999/2000 through 2007/08) in line with annual pay trajectory.

Remuneration determination under the PSPP covered all personnel in the public service from the leadership scales for political leaders (ministers, MPs, regional commissioners, mayors and district commissioners) and the leadership scale for the judiciary (judges in the Supreme Court, the Appeals Court and the High Court). However, the highest positions were excluded from the coverage of the PSPP and PRIS: the president, vice-president and prime minister. The PSPP and PRIS did not directly determine the remuneration for these officeholders. These top positions were linked through a formula to remuneration levels/adjustments for the rest of the public service.

However, ambiguity remains in the institutional arrangements for setting the remuneration of the country's top leaders. During background research for this paper, the author interviewed several senior public servants who are knowledgeable about the remuneration determination process. All of the interviewees confirmed that remuneration levels for the highest positions were set by administrative arrangements using a formula, but they were not at liberty to disclose the formula used or the remuneration levels for these officeholders.

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<sup>17</sup> United Republic of Tanzania, 1998.

<sup>18</sup> United Republic of Tanzania, 2010.

Of note, the Tanzanian constitution stipulates a very different approach to the setting of remuneration for the highest officeholders in Tanzania. The current administrative approach for setting remuneration for the highest officeholders, at least the president, is contrary to Article 43.1 of the constitution which states that:

“The President shall be paid such salary and other remuneration, and on retirement he shall receive such pension, gratuity or allowances **as may be determined by the National Assembly**, and the salary, other benefits, pension and gratuity shall be charged on the Consolidated Fund of the United Republic and shall be paid in accordance with the provisions of this Article.” [Emphasis added]

Adherence to the constitution would entail a more transparent approach to the determination of the remuneration level and structure for the president than the current practice. If the Parliament set the president’s pay, there would be greater likelihood that the remuneration level and structure (and other benefits and entitlements) of the president would be in the public domain and not kept secret.

#### 4.2.3 Rwanda

In 2004, the cabinet approved the *Guidelines for Fixing Salaries in the Rwandan Public Sector*, hereinafter referred to as the GFS.<sup>19</sup> Implementation of the GFS began in 2006 with a number of related measures to improve the salary and job-grade structures. The GFS became the primary document for the determination of pay in the civil and public sector. There are, however, other documents that establish the pay for various categories of public servants such as top government officials, commissioners and judges. The GFS was one of a number of major government reforms, that included the re-organization of public institutions, rationalization and retrenchment of public sector personnel, and decentralization of government by devolving implementation and some supervisory functions to local government levels.

A job classification structure was established in 2005, which ranked all positions in the public sector across the executive, the legislature and the judiciary. A cabinet decision initially supported the creation of the job classification structure, which was subsequently signed as a presidential decree.

Each institution/organization in the public sector has an index value, reflecting its importance within the government structure, which can only be adjusted by the cabinet (Table 3). All jobs in the public sector were then assigned an index number based upon its valuation determined through a job evaluation process. The basic salary for each job holder is calculated by multiplying the index values applicable to the institution by the index number assigned to the position.

All positions in the public sector are ranked from the highest to lowest. The presidency has the highest rating among all institutions/organizations and the position of president of the republic is the highest officeholder.

Following the approach set out in the Rwanda indexation system, it was easy to calculate the remuneration of all public officeholders, including the topmost positions.

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<sup>19</sup> Republic of Rwanda, 2004.

Furthermore, the review and determination of many monetary allowances, benefits and/or entitlements for HPOs were a matter of public record as they are determined by the Parliament and reported in the mass media. For example, in August 2012, the Parliament of Rwanda (Chamber of Deputies) passed a bill determining allowances and benefits for top politicians with amendments.

**Table 3: Public sector job classification structure in Rwanda, institutions and index values, as originally adopted in 2006**

Index Values	Applicable Institutions/Groups
825	The State Presidency
800	Chamber of Deputies - Auditor General Office (auditor general and deputy auditor general)
665	(The legislature speakers/presidents), president of the Chamber of Deputies and president of the Senate, chief justice of the Supreme Court
500	Constitutional commissions, public agencies engaged in production or commercial enterprise and do not take salary from the national budget
441	Cabinet members, vice-president of Senate and vice-president of Chamber of Deputies, Supreme Court justices, chair of the Human Rights Commission, provincial governors, rectors of higher learning institutions, mayor of the City of Kigali
400	National commissions and public agencies providing specialized services in priority areas
370	The legislature (ordinary members), deputies and senators
330	High Court judges, inspector of courts and tribunals
300	High institutions within the central government, bodies under the President’s Office
270	Academicians and researchers at universities, institutes of higher learning and public research agencies
250	Magistrates, ministries, district administration, administrative staff at universities, institutes of higher learning, public research agencies, public agencies and commissions that are fully funded from the national budget

**Source:** Republic of Rwanda, 2011a.

The passage of this bill effectively moved Rwanda away from the total remuneration approach to rewarding HPOs. Senior political leaders are put in four categories on the basis of the weight of their offices (Table 4):

- First category: the Head of State;
- Second category: presidents of the Chamber of Deputies and the Senate and prime minister;
- Third category: ministers, the vice-presidents of the Senate, deputy speakers, state ministers, governors of provinces and the mayor of the City of Kigali;
- Fourth category: senators and deputies.



**Table 4: Salary and benefits for public officeholders in Rwanda**

Category	Public officeholders	Salary and benefits	End-of-service entitlements
1 <sup>st</sup>	Head of State	A monthly salary equivalent to 40% higher than the salary allocated to next highest paid State High Political Leader; a fully-furnished residence; transport facilitation; entertainment allowance at work; communication and residence allowance; and security	Not specified
2 <sup>nd</sup>	President of Senate; president of Chamber of Deputies; and prime minister	A monthly salary; fully-equipped residence, transport facilitation, entertainment allowance, communication allowance, residence allowance, water and electricity bills; security.	A monthly allowance; continues to get previous benefits for a full year
3 <sup>rd</sup>	Ministers, the vice-presidents of the Senate, the deputy speakers, state ministers, governors of provinces and the mayor of the City of Kigali;	A monthly salary; accommodation allowance; guest entertainment allowance at work; communication allowance; security; a once-off grant for home equipment; contribution for the purchase of own vehicle; and lump sum for own vehicle's maintenance.	A monthly allowance and other benefits for six months
4 <sup>th</sup>	Senators and deputies	A monthly salary; accommodation allowance; communication allowance; contribution to the beneficiary for the purchase of an MP's own vehicle and  lump sum for the vehicle.	

**Source:** *The New Times Rwanda: "Parliament passes top politicians benefits bill", [http://www.newtimes.co.rw/news/views/article\\_print.php?i=15077&a=56815&icon=Print](http://www.newtimes.co.rw/news/views/article_print.php?i=15077&a=56815&icon=Print), Rwanda: "Parliament Passes Top Politicians Benefits Bill", <http://allafrica.com/stories/201208070291.html>*

**4.2.4 Botswana**

Botswana is one of a few countries in the region that has a longstanding and consistent institutional arrangement for the determination of remuneration for HPOs. Botswana's first major mining projects began production in the earlier 1970s. It was clear to the government that investments in copper-nickel and diamond mining would accelerate economic growth and increase the demand for scarce skills and capable management. A major concern of the government was that the benefits of economic growth would accrue primarily to a small number of educated and skilled personnel, both citizens and expatriates, resulting in increased inter-sectoral and intra-sectoral income inequalities, and engendering severe social and political strains. In an attempt to mitigate such strains, the government introduced an incomes policy in 1972, subsequently revised in 1976 (Valentine, 1993).

The public sector pay policy emphasized pay repression and compression of pay differentials as a means of facilitating economic growth and promoting national harmony and social justice, which were viewed as essential to the stability and cohesiveness for a poor emerging nation. The policy was predicated on the concept that, in any given period, the amount of disposable resources within an economy is finite. If productivity did not increase, the earnings or welfare of one group within

society can only increase at the expense of some other group. Botswana made a political decision to keep remuneration of HPOs low.

The National Employment, Manpower and Incomes Council (NEMIC), a tripartite consultative body, was the main institution created for the purpose of implementing and evaluating (on a continual basis) the performance of the public sector pay policy, as an element of the overall incomes policy. NEMIC's role is advisory but its chairman reports directly to the executive cabinet via the minister responsible (Kiragu & Mukandala, 2005).

Given the institutional structure of NEMIC and the nation's history of consultation and decision making by consensus, Botswana has the capacity to adopt a more flexible policy, one that will not prove to be an impediment to its continued economic success.

Remuneration of the members of the executive and legislature were kept in line with top administrators, in part by the strong tradition in Botswana of top public servants and CEOs of public agencies going into politics and/or being appointed to ministerial positions after retirement from the public service. There are a number of examples of senior public servants, especially from the Ministry of Finance, going on to become governor of the central bank, ministers, and even the president.

#### **4.2.5 South Africa**

The Independent Commission for the Remuneration of Public Office Bearers (ICRPOB) was reconstituted following the adoption of the 1996 Constitution of South Africa<sup>20</sup>, and enacted under the following legislation: The Independent Commission for the Remuneration of Public Office Bearers Act, 1997 (the Commission Act) and the Remuneration of Public Office Bearers Act, 1998 (the Remuneration Act). The ICRPOB is mandated to review and make recommendations annually on matters related to remuneration (salaries, benefits and allowances) as well as the resources required by the following categories of defined public office bearers: the executive, legislature, provincial government, local government, traditional leaders, judges and magistrates.<sup>21</sup>

The ICRPOB's role is advisory, as it does not have the power to impose legally binding pay awards. However, it is obliged to publish its recommendations in the government gazette, which then become publicly known. The government must consider its recommendations and publish the actual pay awards shortly after the recommendations are received, and justify any departure from the ICRPOB's recommendations. While the ICRPOB cannot determine pay directly, it has been difficult for the government to deviate markedly from the ICRPOB's recommendations.

A major feature of the legislative framework is that none of the ultimate beneficiaries of remuneration decisions set their own salaries, benefits or allowances. The president does not determine his own remuneration, but the Parliament does so after taking into consideration the recommendations of the ICRPOB. In turn, the president after taking into consideration the recommendations sets the remuneration of MPs and of other members of the executive. The president also determines the remuneration of the judiciary after the approval of Parliament.

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<sup>20</sup> The 1996 Constitution did not identify the ICRPOB directly as the remuneration commission. The Constitution 219(2) reads: "National legislation must establish an independent commission to make recommendations concerning the salaries, allowances and benefits referred to in sub-section (1)." Sub-section (1) is where the positions to be covered under the remuneration determination framework are identified.

<sup>21</sup> The Independent Commission for the Remuneration of Public Office Bearers, <http://www.remcommission.gov.za/aboutremcom.php>

#### **4.2.6 Ghana**

The Government of Ghana adopted a Single Spine Pay Policy (SSPP) in 2009. Among the major features of the SSPP was the establishment of the Fair Wages and Salaries Commission (FWSC) under Act 737 of 2007 as the pay policy regulatory, oversight and implementation institution (Government of Ghana, 2009). The job evaluation and re-grading exercise was conducted in all public service institutions under Article 190 of the 1992 Constitution of Ghana.

The mandate of the FWSC is to:

- Ensure a fair, transparent and systematic implementation of public service pay policy (PSPP);
- Develop and advise government on PSPP issues and ensure that decisions relating to such matters are implemented; and
- Undertake negotiations where compensation is financed from public funds.

The mandate of the FWSC does not include the determination of remuneration for the category of HPOs specified under Article 71 of the constitution. Under that article, remuneration (salaries, allowances and facilities) for the following constitutional offices are to be determined by the president on the recommendations of a committee of not more than five persons appointed by the president, acting in accordance with the advice of the Council of State:

- The speaker, deputy speakers and MPs;
- The chief justice and the other justices of the Superior Court of Judicature;
- The auditor-general, the chairman and deputy chairmen of the Electoral Commission, the commissioner for Human Rights and Administrative Justice and his deputies, and the administrator of the District Assemblies Common Fund;
- The chairman, vice-chairman and the other members of the:
  - o National Council for Higher Education;
  - o Public Services Commission;
  - o National Media Commission;
  - o Lands Commission; and
  - o National Commission for Civic Education.

Under the same article, remuneration (salaries, allowances and facilities) of the following constitutional offices are determined by the Parliament on the recommendations of the committee:

- The president,
- The vice-president,
- The chairman and the other members of the Council of State;
- Ministers of state and deputy ministers.

The basic salaries for top administrator positions that are not specified under Article 71 of the constitution are determined within the S<sup>4</sup>. However, the allowances and other entitlements for

these public officeholders are significant. As a consequence, Cavalcanti (2009) concluded that the Ghanaian structure does not fully conform to the standard definition of a single pay spine.<sup>22</sup>

#### **4.2.7 Nigeria**

After years of military rule, Nigeria returned to civil rule (democratic government) in 1999. The Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) was established to address decision-makers' concerns regarding the potential for oil revenues to be diverted from national development and diversification efforts to finance excessive government recurrent expenditures. The RMAFC was one of 14 federal executive bodies established under the 1999 constitution.

Provisions of the constitution empower the RMAFC to review and determine basic salaries, monetary allowances and benefits for public officeholders in the executive, legislature and judiciary at the federal, state and local government levels.

In addition to a chairman, the RMAFC's membership is comprised of "one member from each State of the Federation and the Federal Capital Territory, Abuja, who in the opinion of the President are persons of unquestionable integrity with requisite qualifications and experience." (1999 Constitution of the Federal Republic of Nigeria, Federal Executive Bodies, section 31).

The RMAFC's mandate under the constitution (section 32) includes to:

- a. Monitor the accruals to and disbursement of revenue from the Federation Account;
- b. Review, from time to time, the revenue allocation formulae and principles in operation to ensure conformity with changing realities.
- c. Provided that any revenue formula which has been accepted by an Act of the National Assembly shall remain in force for a period of not less than five years from the date of commencement of the Act;
- d. Advise the Federal and State Governments on fiscal efficiency and methods by which their revenue can be increased;
- e. Determine the remuneration appropriate for political officeholders, including the President, Vice-President, Governors, Deputy Governors, Ministers, Commissioners, Special Advisers, Legislators and the holders of the offices mentioned in sections 84 and 124 of this Constitution; and
- f. Discharge such other functions as are conferred on the Commission by this Constitution or any Act of the National Assembly.

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<sup>22</sup> In this regard, Cavalcanti (2009, p. 5) wrote:

"The Ghanaian single spine pay structure was developed with the objective of reducing pay disparities within the public sector, so it attempts to place all jobs onto a common structure. However, since a common structure would make public sector pay too rigid, the single spine focuses only on the so-called 'base' pay. Other remunerations not included in the 'base' pay include market premia pay to workers over and above the common 'base' pay, as well as commissions and other allowances specific to each staff classification and not incorporated into the base component. These other sources of public sector remunerations not included in the 'base' pay are likely to be very large for certain categories, raising concerns of (i) whether the fiscal costs of the single spine pay proposal are only the tip of a much larger wage bill 'iceberg,' and (ii) whether the fiscal costs of attempting to reduce pay disparities within the public sector through the adoption of a single pay spine will be too large, resulting in a fiscally unsustainable arrangement."

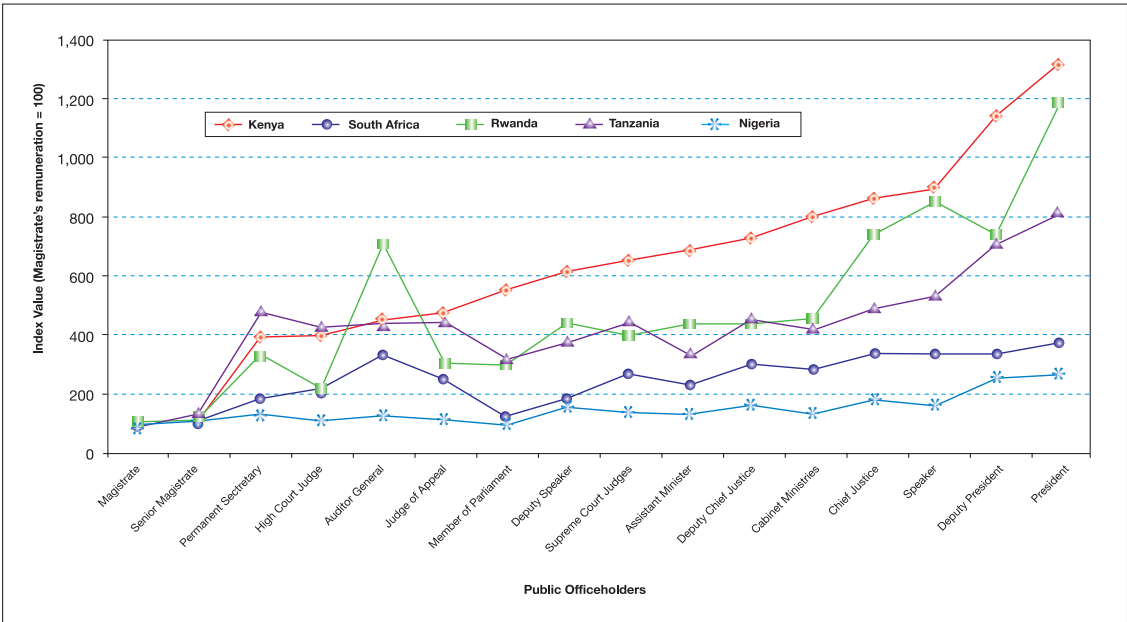
With regard to remuneration determination, the Monetization Policy of 2001 guides the deliberations of the RMARC. Yet, the remuneration structure is still very much laden with monetary allowances and benefits. Basic salaries comprise a relatively small portion of the remuneration packages of all HPOs.

### 4.3 A comparison of remuneration for HPOs across selected SSA countries

#### 4.3.1 Remuneration indices for selected officeholders by country

As was done for the OECD countries examined in Section 3, a remuneration index was developed to enable the comparison of pay for HPOs across the SSA countries. For the purposes of analysis, the remuneration of a magistrate was set as the base of the index (i.e., the index value for a magistrate's pay = 100). Index values for the remuneration for other HPOs were then calculated against this base. Figure 8 presents the data on remuneration indices for five of the seven countries. These data show significant variation in the structures of RHPOs by country.<sup>23</sup>

**Figure 8: Indices of remuneration for HPOs in selected SSA countries (magistrate's remuneration = 100), various years.**



**Source:** Author's calculations based on data from: Republic of Rwanda (2011a); President's Office, Public Service Management, United Republic of Tanzania (2012); Independent Commission for the Remuneration of Public Office Bearers (2012); Valentine (2013); and Revenue Mobilisation, Allocation and Fiscal Commission, (2009b).

<sup>23</sup> Of note, these data are likely to underestimate the remuneration differentials between public officeholders particularly in relationship to the topmost offices. Much more of the rewards' iceberg for the highest public officials is likely to be below the water surface in comparison to less senior officeholders. As discussed above, the transparency of the remuneration systems varies significantly from country to country.

The results show that the differential between the remuneration of the president (the highest paid officeholder) in Kenya and the pay of a magistrate (13.1 times) is the largest among the countries surveyed.<sup>24</sup> As the inequities in the Kenyan remuneration system are widely known given the recent public debate over RHPOs and the publishing of new remuneration structures in the national media, the pay differential in Kenya may not be unexpected. However, the fact that Rwanda's remuneration structure is so inequitable may be a surprise to many observers. The Rwandan president is remunerated at a rate 12 times that of a magistrate. Based on estimates, the Tanzania president is also remunerated at a rate 8.2 times that of a magistrate.<sup>25</sup> As such, the three east African countries (for which detailed data were available) have the highest differentials within their internal remuneration structures.

With respect to members of parliament, the analysis found that an MP is paid 5.5 times, 3.0 times and 3.2 times more than a magistrate in Kenya, Rwanda and Tanzania respectively. These multiples in East Africa are much higher than for Nigeria or South Africa.

One factor that stands out in the Rwanda's remuneration structure is the relative ranking of the auditor-general. The auditor-general is the fifth-highest ranking officeholder in Rwanda, receiving a level of remuneration slightly lower than the prime minister and chief justice of the Supreme Court. This aspect of remuneration in Rwanda is similar to South Africa, where the auditor-general is remunerated at the same level as the chief justice.

In South Africa, the president is remunerated at 3.7 times the rate of a magistrate, while MPs are remunerated at 1.26 times the rate of a magistrate. While South Africa and Nigeria both appear to have low differentials in remuneration across public officeholders, this is more apparent than real. The South African structure is much more transparent than that of Nigeria. South Africa HPOs are remunerated on the basis of a total remuneration approach. However, the remuneration package in Nigeria is laden with many (non-regular) allowances and benefits-in-kind in addition to (regular) monetary allowances.

Among the allowance entitlements of a Nigerian senator are the following: accommodation (150% of basic salary), furniture (150% every four years), motor vehicle loan (250%), motor vehicle fuelling/maintenance (50%), medical (to be provided (TBP)), special assistant (TBP), personal assistant (25%), duty tour allowance (NGN 23,000), Estacode (USD 600), domestic staff (50%), entertainment (25%), utilities (25%), security (TBP), recess allowance (10%), robe allowance (TBP), house maintenance (5%), newspaper/periodicals (10%), legislative aides (TBP), responsibility allowance (ranging from 5% - 10%), constituency allowance (125%) and severance gratuity (300%).<sup>26</sup> The remuneration iceberg for Nigeria's HPOs is primarily below water. Those for South Africa and Rwanda are likely to be primarily above water.<sup>27</sup>

<sup>24</sup> For a discussion of the inequities in the Kenyan remuneration structure, see Valentine & Wheeler (2003) and Kenya Institute for Public Policy Research and Analysis (2012).

<sup>25</sup> It should be noted that the president's remuneration in Tanzania is an estimate. Unlike the other countries, the author was unable to get an official remuneration level of the Tanzanian president. He was informed that this information is not made public. The remuneration level for the president was estimated using the information that the author had privilege to during the period that he served in various capacities assisting the Tanzania government on pay reform matters.

<sup>26</sup> For details of the salaries and allowance entitlements of Nigeria's HPOs, see Revenue Mobilisation, Allocation and Fiscal Commission (2009). All percentage figures refer to percentage of basic salary.

<sup>27</sup> However, the Rwandan remuneration structure has its opacity as well. A number of RHPOs are awarded special allowances (responsibility allowances). In some cases, individual positions benefited from having their index numbers increased relative to other positions within their institutions. In some cases, incumbents in positions were awarded personal index numbers. The bases for these adjustment decisions and the amount of increased remuneration are not available to the public. They are at the discretion of cabinet (Valentine & Cooper-Enchia, 2011).

#### **4.3.2 Remuneration for selected officeholders in USD (PPP rates)**

Figure 9 presents remuneration levels for HPOs in each of the SSA countries examined. These data are for various years between the 2009 and 2012, depending upon data availability in the respective country.

To enable comparison, these data are expressed in terms of USD in PPP exchange rates. The data show that South Africa and Kenya are ranked first and second in levels of remuneration for almost all positions. In most cases, Kenya follows closely behind South Africa. However, for the three highest offices, Kenya remunerates better than does South Africa. For example, the Kenyan president is paid \$515,021 per annum, which is significantly higher than the remuneration for the South African president at \$473,386 per annum. The Kenyan vice/deputy president is remunerated at \$446,910 per annum, which is only 6% less than the pay for South Africa's president, and is better remunerated than South Africa's vice/deputy president at \$426,058 per annum.<sup>28</sup>

The Rwandan president's remuneration ranks third at about \$199,000 per annum. The Tanzanian president's remuneration follows at \$172,014 per annum. The Nigerian president's remuneration is \$161,902 per annum. However, his total remuneration is laden with additional allowances (both regular and non-regular) and benefits, including a hardship allowance of 30% of basic salary and a constituency allowance of 300% of basic salary.<sup>29</sup>

Rwanda ranks third (albeit a distant third) with respect to remuneration for its president, speaker of the National Assembly and chief justice. Yet Rwanda has the lowest GDP per capita among the seven countries examined. Rwanda has a track record of prudent macroeconomic policies and macroeconomic stability. And its wage-bill-to-GDP ratio is one of the lowest in SSA, reinforcing the perception of macroeconomic prudence. However, while pay restraint is being practiced across the public service, the top public officeholders are well remunerated.<sup>30</sup>

Perhaps more surprisingly than the ranking of Rwanda is the fact that Botswana, the country with the highest GDP per capita of the countries examined, pays the lowest remuneration to its elected public officeholders in almost every category. Botswana is noted for attracting skilled human resources from other countries in the region not because it remunerates its top public officeholders well, but because it remunerates professional personnel well.

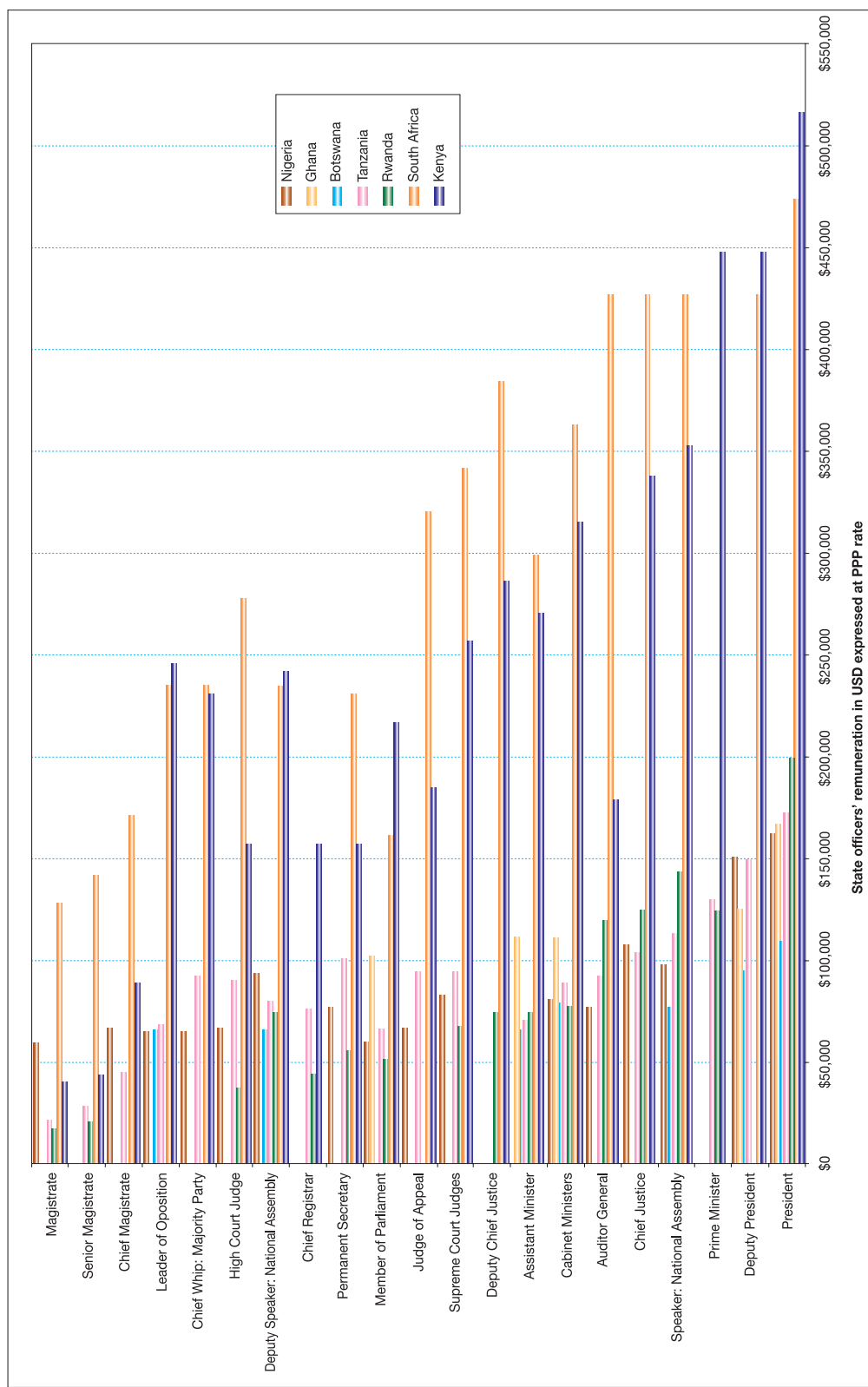
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<sup>28</sup> It should be noted that the remuneration levels of the presidents of Kenya and South Africa expressed at PPP exchange rates are high even in comparison to the four OECD countries analysed in Section 3 of this paper.

<sup>29</sup> For details of the salaries and allowance entitlements of Nigeria's HPOs, see Revenue Mobilisation, Allocation and Fiscal Commission (2009).

<sup>30</sup> One recent study finds that Rwanda has some of the highest remuneration levels in the region for some public officeholder positions. See Allen et al. (2011).

**Figure 9: Annual remuneration for high public officeholders in selected SSA countries (in USD at PPP rates), various years (2009 -2012)**



**Source:** Author's calculations based on data from: Republic of Rwanda (2011a); President's Office, Public Service Management, United Republic of Tanzania (2012); Independent Commission for the Remuneration of Public Office Bearers (2012); Valentine (2013); and Revenue Mobilisation, Allocation and Fiscal Commission. (2009b). PPP derived from World Economic Outlook (WEO) data, IMF at <http://www.econstats.com/weo/V013.htm>



### **4.3.3 Remuneration for selected officeholders in multiples of GDP per capita**

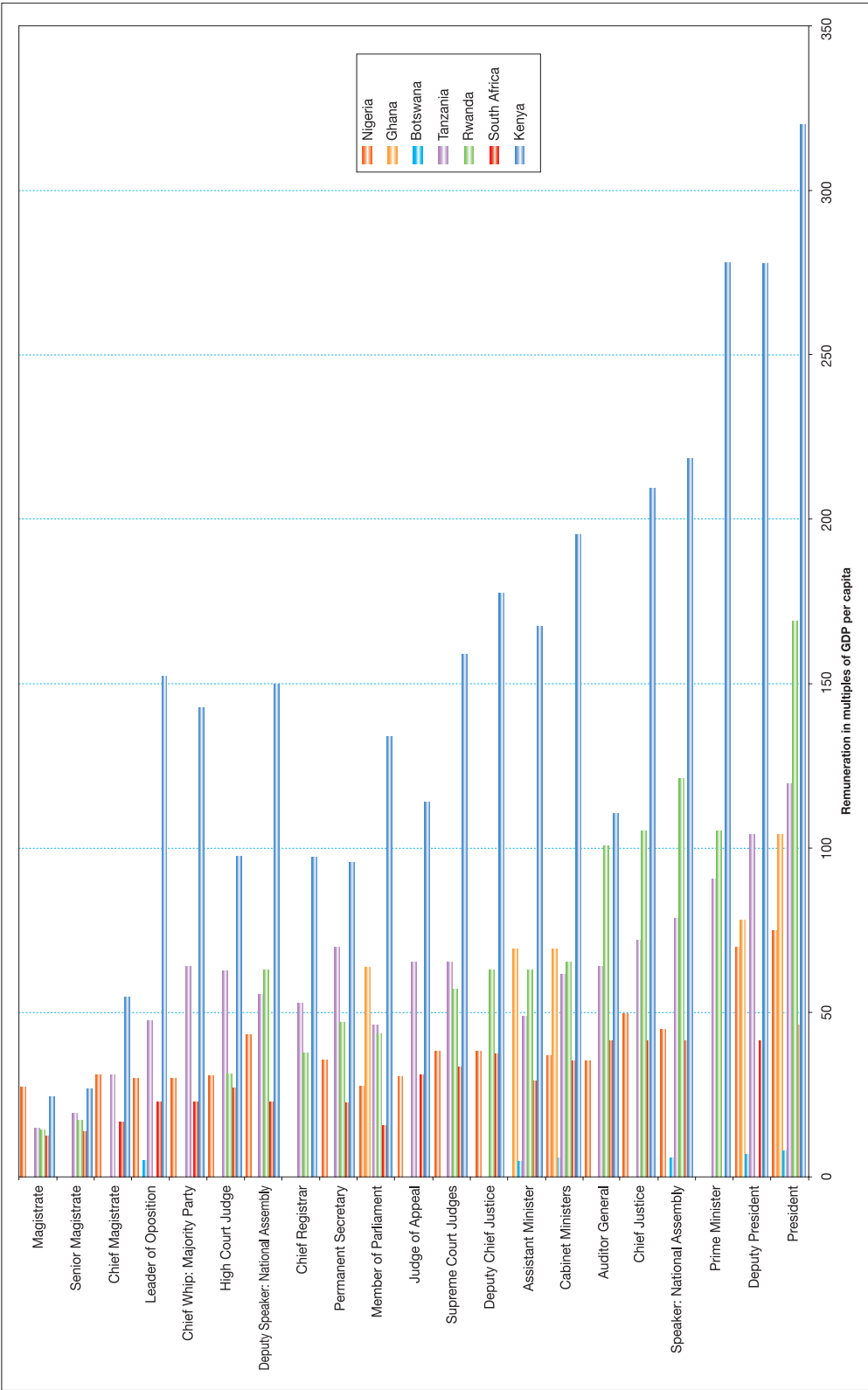
Figure 10 presents data on rewards for HPOs in multiples of GDP per capita for each of the SSA countries examined. These data show that Kenya is an outlier, remunerating its HPOs hundreds of times greater than GDP per capita. The Kenyan president is remunerated about 320 times GDP per capita. In South Africa, with its inequalities inherited from a race-based privilege minority system, the president is remunerated at about 46 times GDP per capita. Rwanda is the only other country where the president's pay at 169 times GDP per capita is remunerated over 150 times the income of a Rwandan citizen. While Kenya's high RHPOs are well known, Rwanda's elevated RHPOs have for the most part escaped scrutiny.

In South Africa, Ghana and Tanzania, HPOs are remunerated in magnitudes of 10 times GDP per capita. In Botswana, no officeholder, including the president (at 7.85 times GDP per capita), is remunerated at 10 times GDP per capita. Botswana is noted for attracting skilled human resources from other countries in the region because it remunerates its professional personnel well in nominal terms and in comparison to its HPOs. Under its income policy and pay policy in the public sector, the Botswanan government has followed a practice of general pay restraint over a significant period of time.<sup>31</sup>

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<sup>31</sup> For a discussion of general pay restraint under the government pay policy in Botswana, see Valentine (1993).

Figure 10: Rewards for high public officeholders in selected SSA countries (multiples of GDP per capita at PPP exchange rates)



**Source:** Author's calculations. Republic of Rwanda (2011a) President's Office, Public Service Management, United Republic of Tanzania (2012), Independent Commission for the Remuneration of Public Office Bearers (2012), Valentine (2013), Revenue Mobilisation, Allocation and Fiscal Commission. (2009b). GDP per capita at PPP exchange rates derived from World Economic Outlook (WEO) data, IMF at <http://www.econstats.com/weo/V013.htm>

# The evolution of RHPOs and implications for governance in sub-Saharan Africa

Given the central role that high public officials play in the management of the public sector, this [the incentive structure] has consequences for the character and performance of the public sector, as a whole. Hence, a society cannot get the public sector it desires without considering the problem of proper remuneration for high public officials (Dekker 2013, p. 2).

Rewards for HPOs in sub-Saharan Africa are generally much higher than other regions of the globe, both in relation to the size of their economies and in absolute terms with respect to the most senior public offices.

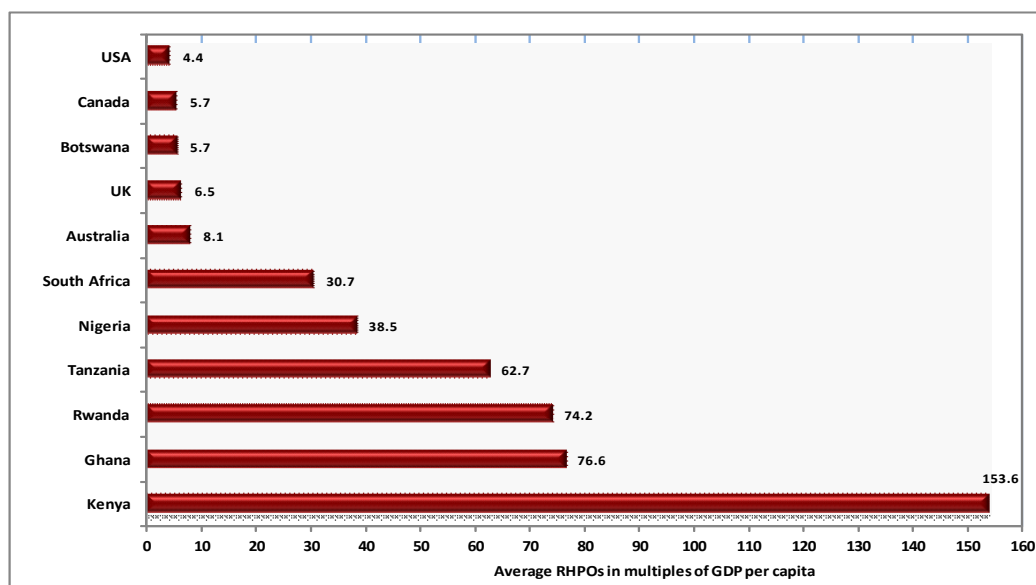
Figure 11 presents average RHPOs in multiples of GDP per capita for the 11 countries examined in this paper. With the exception of Botswana, the SSA averages are far beyond the levels of remuneration in the OECD countries.

As stated in section 2 of this paper, Singapore has the highest level of RHPOs among OECD countries and those in Asia and the Pacific region, with its topmost public officeholder being remunerated at 25 times GDP per capita (see Figure 1). Again, with the exception of Botswana, average RHPOs in the SSA countries examined are much higher than that of Singapore.

The average rewards for HPOs in Kenya are over 154 times GDP per capita. With the exception of the Rwandan president, the remuneration for no single public officeholder in any another country in the survey reached this multiple. Rwanda ranks third in terms of average RHPOs at 74.2 times GDP per capita. Tanzania follows with an average of 62.7 times GDP per capita. Therefore, East Africa features prominently among the better remunerators of HPOs relative to the sizes of their economies.

The previous section of this paper addressed the ‘who, when and how’ of rewards for HPOs in SSA. The present section addresses the issues ‘how did we get here and with what consequences’.

**Figure 11: Average RHPOs in multiples of GDP per capita for the OECD and SSA countries surveyed, various years.**



**Source:** Author's calculations. Data from Figures 5 and 10 above

5.1 The evolution of high remuneration levels/multiples in sub-Saharan Africa

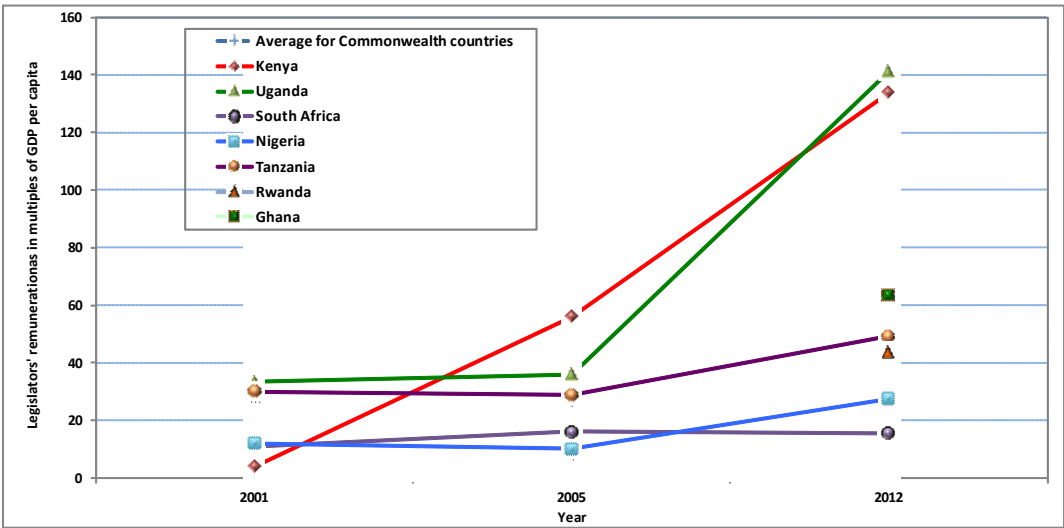
At the turn of the 21<sup>st</sup> century across many SSA countries, the legislature began to emerge as an institution to be reckoned with, as an independent branch of government. Legislatures began “to assert their independence as players in the policymaking process, as watchdogs of the executive, and as organizations that respond to demands by civil society” (Barkan et al., 2004, p. 211).

As constitutions were revised to accommodate multiparty political systems and/or new constitutions were drawn up following the restoration of civil rule, legislatures began to have a profound impact on national governance. Three categories of constitutional provisions were particularly linked to expanded legislative authority. These were (Barkan et al., 2004, p. 228):

- The powers of the legislature to shape the national budget.
- The powers of the legislature to determine its own budget including determining the remuneration for MPs.
- The form of the electoral system for members.

These new constitutional provisions had a profound impact on rewards for officeholders. While the “exceptionalism” of Kenya is now well recognised, it should be appreciated that Kenya was not always an outlier in terms of remuneration in absolute or relative terms. This is evident from a study of dynamics of legislative rewards across Commonwealth countries.<sup>32, 33</sup> A survey of 30 Commonwealth countries found that the average legislator’s remuneration in 2001 for all Commonwealth countries combined was 5.2 times GDP per capita. At that time, Kenyan MPs were paid about 4.0 times GDP per capita, less than the overall Commonwealth average (Figure 12).

Figure 12: Legislators’ remuneration in selected SSA countries and the average remuneration in Commonwealth countries (multiples of GDP per capita), 2001, 2005 and 2012



Sources: London School of Economics (2007/08) and author’s calculations. Note: Comparative data were only available for Rwanda and Ghana for 2012 and the Commonwealth average for 2001 and 2005.

<sup>32</sup> For a discussion of Kenya’s exceptionalism, see London School of Economics (2007/8).  
<sup>33</sup> For the purpose of the present report, the trend in MPs’ remuneration is taken to be an indicator of the trend for all HPOs.

Between 2001 and 2005, on average, legislators' remuneration as a multiple of GDP per capita rose in the Commonwealth countries from 5.2 to 8.1. Among the Commonwealth countries surveyed, Kenya is cited as "remaining the most extreme example" of increasing remuneration among legislators in both absolute and relative terms.<sup>34</sup> By 2005, Kenya had gone from a country where legislators' remuneration was 4 times GDP per capita, less than the Commonwealth average, to 55.5 times.<sup>35</sup> Kenya's remuneration for HPOs had reached outlier status in relative terms but not yet in absolute term (London School of Economics, 2007/8).

After 2005 this changed dramatically. MPs' remuneration began to soar. By 2012, Kenyan MPs' remuneration had risen to 134 times GDP per capita. Of course, this rapid increase was not attributable to MPs alone. Remuneration levels for the top public officeholders had also increased markedly. By 2012, rewards for HPOs in Kenya had reached outlier status in both absolute and relative terms.

Kenya is seen as the most radical example of "parliament let loose" where the drastic increase in MPs' remuneration was "driven by an absence of effective controls and incentives of legislators to maintain a long-term reputation for good governance" (London School of Economics 2007/8, p. 6).

However, Kenya was not alone among SSA countries where legislators' remuneration has increased significantly in recent years. In Uganda, between 2005 and 2012, MPs' remuneration soared even higher than in Kenya. Uganda actually overtook Kenya to rank highest in the world in terms of legislators' remuneration at 152 times GDP per capita compared with Kenya at 134 times. This is a case of "leap-frogging". In 2001, the Kenyan legislature followed Uganda's example in pushing for higher remuneration. Later, Ugandan legislators having learned from the Kenyan experience exerted their influence in pushing for even higher pay.

Whereas RHPOs as multiples of GDP per capita have tended to decrease across much of the globe, in SSA countries they have displayed an upward trend and in East Africa they have increased markedly. Rational-choice theory would suggest that in countries where democratic institutions are weak and where electoral rules discourage party competition, HPOs were able to collude in their collective self-interest to raise their remuneration levels and to insulate themselves against economic uncertainties that could erode their real remuneration. Citizens forming a large diffuse group, who individually had less at stake over the rewards outcome than the smaller group of actual or potential HPOs, were the losers in the reward game.

If, as the quote at the beginning of this section suggests, "a society cannot get the public sector it desires without considering the problem of proper remuneration for high public officials", what type of public sector does a country get when the HPOs are able to remunerate themselves excessively, where high remuneration reflects weak governance rather than rational public choice. This question is examined in Section 5.2.

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<sup>34</sup> See London School of Economics (2007/08, p. 25).

<sup>35</sup> According to Barkan et al. (2004, p. 231), the increase of Kenyan legislators' remuneration began in 1999 with the de-linking of the legislature from the executive branch:

"Kenya's largesse can be traced to the passage of a constitutional amendment in 1999 that formally de-linked Parliament from the executive; a key impetus for the amendment was the desire by MPs to set their own salaries at a level sufficient to finance their activities. The constitutional amendment was followed by subsequent legislation that permitted a five-fold raise in salaries in 2001 and another raise following the election of the Ninth Parliament at the end of 2002. Kenyan MPs now earn USD 6,063 a month, the highest in Africa, and high by international standards."

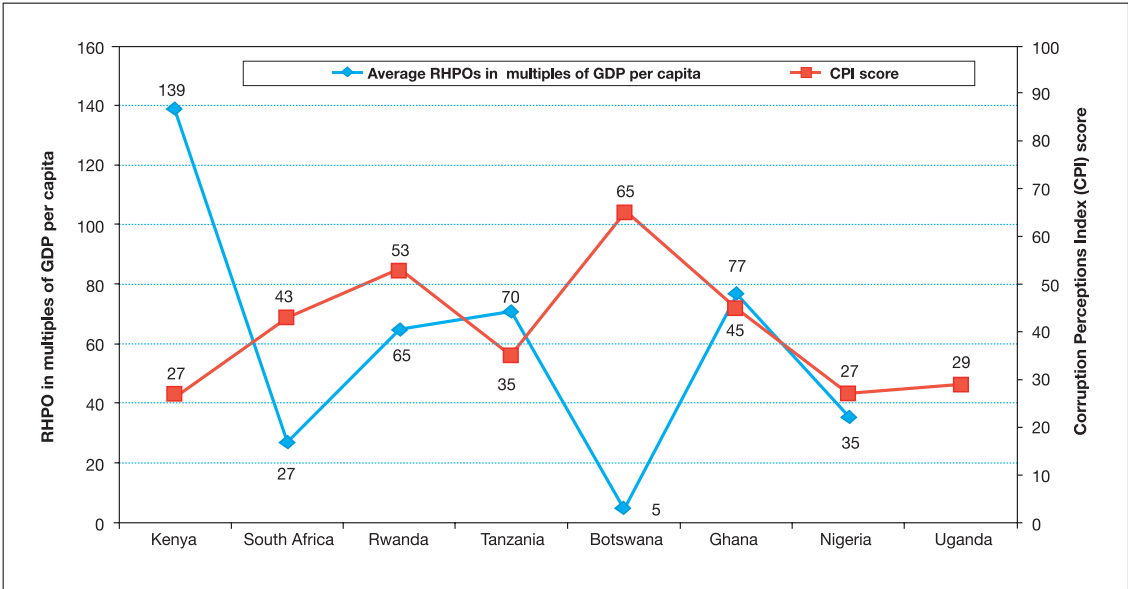
5.2 The consequences of high RHPOs in SSA

If the high remuneration levels for HPOs in sub-Saharan Africa were the result of rational public choice, as investments in good governance as a public good, it would be expected that corruption in the region would be relatively low.

During a period characterised by a “culture of public service motivation”, HPOs can be expected to “set the example for public sector pay restraint at a time of economic uncertainty” (United Kingdom, 2008). However, during a period characterised by a “culture of greed” (Hood et al., 2003) or “looking after number one” (Hood, 1992), HPOs act to ensure that their remunerations are insulated against economic uncertainty or even continue to rise in the face of the economic uncertainty that their poor decision-making may have exacerbated. Pay for performance, therefore, may not feature in the remuneration determination process.

Figure 13 presents data on average RHPOs by country (as multiples of GDP per capita) alongside their national scores on the *Corruption Perceptions Index* (CPI).<sup>36</sup> These data do not demonstrate any linear relationship between RHPOs and CPI scores.<sup>37</sup> For example, Kenya and Nigeria both have the same low CPI score (27). Yet their average RHPOs as multiples of GDP per capita differ significantly.

Figure 13: Average remuneration of HPOs and CPI scores, selected SSA countries, various years.



Sources: Transparency International (2012) and author’s calculations.

<sup>36</sup> The Corruption Perceptions Index produced by Transparency International is an annual assessment of government corruption in countries worldwide. The CPI measures the perceived levels of public sector corruption based on expert opinion. Countries are scored from 0 (highly corrupt) to 100 (very clean) with scores below 50 indicating a serious corruption problem.

<sup>37</sup> The lack of a strong relationship between the level of remuneration and corruption for the SSA countries is not uncharacteristic. The study of RHPOs in Asia and the Pacific region countries found that “the seven cases in this study suggest there is no clear relationship between high rewards and corruption” (Hood et al., 2003, p. 14).

Botswana has the highest GDP per capita among the SSA countries examined in this survey, has the lowest average RHPOs as a multiple of GDP per capita, and remunerates its elected HPOs at lower rates. Yet its score on the Corruption Perceptions Index is much higher than the other countries. Hence, the willingness of the government in Botswana to remunerate its elected and political officeholders much lower than other SSA countries does not appear to have negatively impacted upon the quality of its governance.

Kenya remunerates its HPOs far higher than the other countries surveyed, both in absolute and relative terms. Yet its CPI score is very low (27). A complete data set for RHPOs in Uganda was not available at the time of the drafting of this paper. However, remuneration data for 2012 show that the Ugandan government paid its legislators the highest rates in terms of multiples of GDP per capita. But again, the country's CPI score is very low. With the exception of Rwanda, the countries of East Africa all rank low in CPI scores.

It should be noted that high rewards for HPOs and high corruption are not exclusive to SSA. Studies on Japan<sup>38</sup> and Korea<sup>39</sup> show that their HPOs are better remunerated than other countries with similar size economies, but public officeholders in these two countries have a high propensity for engaging in corruption. With a CPI score of 56, Korea ranks below Botswana and not much higher than Rwanda.

Until recently, some elements of corruption were deemed acceptable and perceived as cultural in Japan and Korea. In part, these elements of corruption were derived from the industrialization service delivery strategies followed by the two governments, in which there were very close links between the private sector and the public sector. Practices once widely accepted in Japan when economic growth rates were high are increasingly frowned upon by citizens since economic growth has slowed.

This may be seen as evidence that citizens in some countries/cultures make the rational choice to reward HPOs better directly (through higher remuneration) and indirectly (through tolerance for corruption) when economies perform well. But when economic performance is poor, citizens are less tolerant of the same practices. The reason for this may be two-fold. In periods of economic stress citizens may:

- Want the pains resulting from economic uncertainty and stagnation to be shared more equally; and
- Perceive themselves as incurring the cost of corruption through bearing the burden of higher taxation and/or inefficient government bureaucracy and service delivery.

However, the situation in SSA is starkly different from the Asian experience. Even when economic performances were poor, RHPOs rose markedly. Rather than being rewarded for acting in the national interest and delivering high levels of economic performance, HPOs remunerated themselves well in spite of their low performance. High levels of remuneration were manifestations of HPOs' capacity to pursue their self-interest and to extract economic rent regardless of the economic circumstances, even where their poor decision-making or indecision may have contributed to the economic uncertainty.

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<sup>38</sup> For discussions on remuneration and corruption in Japan, see Dairokuno (2001), Nakamura & Dairokuno (2003), and Nakamura & Kikuchi (2011).

<sup>39</sup> For discussions on remuneration and corruption in Korea, see Kim (2003).

High remuneration levels in themselves may reflect a “culture of greed” and lack of impartiality on the part of HPOs as they seek to pursue an income-maximization strategy.<sup>40</sup> In these contexts, higher rewards are more a reflection of the capacity of HPOs to maximize their incomes, which may strengthen rather than weaken tendencies towards corruption. Whereas parliaments were expected to rein in the power of the executive branch and ensure greater accountability, the citizenry found themselves in need of an institutional arrangement that would rein in the power of parliaments turned loose. Where top HPOs are able to form an effective ‘cartel’ to collude on raising their remuneration, there may also be a strong incentive for them to collude in matters regarding extra-legal rewards related to their public capacity.

Although the penalties for corruption can be severe, the chances of being caught may be relatively low, especially where collusion among HPOs in the different branches of government is present. Taking bribes or other rent-seeking behaviour may be effectively incorporated into HPOs’ income maximization strategies.<sup>41</sup>

Altering the rewards game in a manner that weakens the capacity of HPOs to form an effective ‘cartel’ to improve their remunerations in spite of strong citizen objections will require changing the institutional arrangements for remuneration determination. Altering such arrangements is likely to prove costly in terms of political capital in the absence of an auspicious occasion such as ‘regime change’ or a change in the national constitution.

New institutional arrangements may be required to de-politicize the remuneration determination process and achieve greater impartiality. As demonstrated recently in Kenya, the implementation of a new constitution can effectively alter the institutional arrangements for remuneration determination, by stripping the beneficiaries of the capacity to reward themselves as they wish.

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<sup>40</sup> As pointed out by Hood et al. (2003, p. 16), where HPOs have formed “an effective ‘cartel’ of politico-bureaucratic producers against citizen ‘consumers’ of government, the higher their rewards are likely to be.”

<sup>41</sup> This situation is not unique to SSA. The authors of the Federalist Papers (1788: p. 1), which were written over two centuries ago at the time of the framing the U.S. constitution, observed:

The interest of the man must be connected with the constitutional rights of the place. It may be a reflection on human nature, that such devices should be necessary to control the abuses of government. But what is government itself, but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself.





## Conclusions and policy implications

The major findings of this paper are as follows:

- Compared to the size of their economies, SSA countries tend to remunerate HPOs at much higher levels than countries in other parts of the world.
- In some of the SSA countries examined, particularly Kenya, the remuneration levels of the topmost officeholders are high compared with countries with much higher levels of GDP per capita.
- Whereas RHPOs relative to GDP per capita have tended to decline in OECD countries and in Asia and the Pacific region, remuneration levels in several SSA countries have risen very sharply.
- Whereas Kenya remunerates many public officeholders at levels that are hundreds of times GDP per capita, most of the SSA countries examined remunerated HPOs at multiples of ten times GDP per capita.
- While Rwanda is the country with the lowest GDP per capita among the SSA countries compared, it ranks high in terms of RHPOs for its topmost public officeholders, with remunerations over 100 times GDP per capita.
- Botswana is the only country among the SSA countries surveyed in which HPOs' remuneration measured in GDP per capita are in single digits and within the same range as OECD countries. And while the country's remuneration levels are the lowest, its score on the Corruption Perceptions Index is the highest, even outscoring countries such as Japan and Korea.
- The high remuneration levels revealed by the study tend to reflect the capacity of HPOs to act in their narrow self-interest to maximize their income. The research found that high RHPOs and corruption can easily go hand-in-hand.

HPOs' capacity to effectively insulate their remuneration from economic uncertainties and economic performance may reflect a major 'democratic deficit' in these countries (Peters & Hood, 1995). The public sector is relatively autonomous from the rest of society, allowing top public officeholders to reward themselves handsomely compared with a system where rewards are more closely linked to society and especially to the labour market.

There is a need for greater transparency in remuneration determination processes and in remuneration outcomes, i.e., the composition of remuneration packages.<sup>42</sup> As HPOs are remunerated from public funds, their remuneration packages should be public information. The need exists for institutional arrangements to set the remuneration of MPs (and other HPOs) that both obviates the need for MPs to vote on their own remuneration and gains the confidence of MPs, government and the public (UK, 2008).

As recent changes in Kenya have demonstrated, a change in institutional arrangements can dramatically change the rewards game, stripping the capacity of the beneficiaries to decide the level and structure of their own rewards. New institutional arrangements combined with other changes in the political-economic system that curtail the opportunities for RHPOs to neglect the national interest in pursuit of their own narrow self-interest would enhance the impartiality of the remuneration system. Such changes could lead to improved governance.

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<sup>42</sup> In some SSA countries, such as Tanzania the remuneration of the topmost HPOs are secret, with public disclosure being a criminal offence.

However, it should be noted that the creation of an independent remuneration body is not a panacea that will ensure that the de-politicization of the remuneration determination process will automatically occur and the national interest will prevail. Not all remuneration bodies are created equal, even in countries where their powers are enshrined in the national constitution. For example, in the case of Australia, the mandate of the Remuneration Tribunal is to **review and set** the remuneration of HPOs. Its decisions are binding. In the case of the South Africa, ICRPOB's mandate is to **review and advise** the president and Parliament who then make the decisions. In the case of the Kenya, the Salaries and Remuneration Commission (SRC) is mandated to **review and set** remuneration for HPOs and **review and advise** on remuneration matters for the rest of the public sector.

The Nigeria RMAFC is an example where the existence of an independent remuneration commission does not significantly enhance the transparency of the remuneration determination process and remuneration outcomes. Although the posting of RMAFC decisions online can be seen as enhancing transparency, the proliferation of allowances, perks and benefits still leaves the remuneration structure very opaque. It is difficult to get an accurate assessment of how well or poorly HPOs are being remunerated.

Still, as Painter (2003) points out in his analysis of remuneration practices in Australia, even where the law gives the independent remuneration body the mandate to review and set remuneration levels and structure, there are ways in which the final beneficiaries of remuneration decisions influence the outcomes. Laws can be changed and commissions are unlikely to deviate significantly from government policy. Moreover, commissioners are generally appointed by the head of government or the state, though they may have fixed terms and not serve at the discretion of the officeholder who appoints them.

Strikingly, the first actions of the Parliament in Kenya after being sworn in under the new constitution were to threaten the SRC with retribution for reducing MPs' remuneration before the elections. Some MPs demanded that the SRC raise legislators' remuneration – which even after the decreases is still at least 50 times GDP per capita – to a level that “befits the status of an MP.” Until their remuneration levels and benefits were restored to their previous level, MPs “threatened to do everything possible to overturn the decision by the Serem-led salaries team [Mrs. Serem being the SRC chairperson] which sets the salaries of public servants, including crippling operations of government”.<sup>43</sup>

As Kenny (2012, p. 2) observes: “Countries rarely change their constitutions or adopt whole new legal systems (their ‘grand institutions,’ if you will). But they do adopt (and enforce) new laws and regulations that make a big difference.” However, in sub-Saharan Africa in recent years, constitutional revisions have provided opportunities to devise new remuneration processes that promote greater equity between the HPOs and the citizens they serve. Indeed, while citizens' fury over the MPs' allowance scandal created enough momentum in the UK to prompt rapid changes in remuneration arrangements for MPs, throughout much of SSA changes in the “grand institutions” have been required to usher in changes in institutional arrangements for remuneration of HPOs. For example:

- The establishment of the ICRPOB was the result of constitutional change in South Africa in 1996;
- The establishment of the RMAFC was the result of constitutional change in Nigeria in 1999;

<sup>43</sup> The Daily Nation. (2013, April 13). MPs sign secret petition for Sh1m tax-free salary and big allowances. <http://www.nation.co.ke/News/politics/-/1064/1747084/-/view/printVersion/-/htkqx5/-/index.html> [accessed 13/04/2013]

- The revision of the Kenyan constitution in 1999 gave the Parliament the power to set its own remuneration, while the establishment of the SCR under the 2010 Kenyan constitution took away that power.
- The revision of the constitution in Ghana in 2001 gave the Parliament the power to set its own remuneration.

Given that institutional change is often costly in terms of political capital, the best time to change institutional arrangements for setting RHPOs is likely to be when a new constitution is being developed and/or new government structures are being created. Tanzania and Ghana are now in the process of reviewing their constitutions for the purpose of drafting new constitutions. Therefore, both countries have a golden opportunity to strengthen the institutional arrangements for setting the remuneration of their public officeholders.

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