Executive-Legislative authority over public servants pay: lessons from Paraguay

Mariano Lafuente
Nick Manning

Introduction
This paper explores legislative involvement in pay setting in Latin America using data from an online survey completed by scholars and government officials from fourteen countries, and reviews the impact of the distinctive ability of Congress in Paraguay to determine public sector pay levels. Pay determination in Paraguay seems likely to have a dual impact on the ability of managers to motivate staff and implement programs effectively – on the fiscal side it creates the circumstances which require ad hoc under-execution of the budget, a form of unpredictability that reduces effectiveness, and on the human resources management side, it seems to generate a de facto pay policy in which pay does not motivate as it is unlikely to be generally regarded as fair. Conclusions drawn from this single case cannot be generalized and do not intend to be useful for any country with Congressional involvement in pay determination. However, looking at this extreme outlier can be instructive.

Political tension between the executive and legislative has been endemic to representative government from their earliest days to the present. Even where political power is strongly biased towards the executive, as in most Latin American democracies, power struggles between these two powers are commonplace. Recent public management literature analyzes extensively executive-legislative relations, often focusing on the respective roles of the executive and legislative in the budget cycle. In Latin America, constitutions and legal frameworks tend to delegate the initiative on budget formulation to the executive (the president). In practice, the executive often dominates not only budget formulation but the entire budgetary process, including budget execution (purportedly to provide fiscal discipline). Meanwhile, legislatures have largely been perceived as mere ‘rubber-stamps’ (Santiso, 2004).

There does appear to be some recent evidence to support the assertion that executive dominance over the budget process contributes to fiscal discipline. The hierarchical budgetary systems, which centralize budgetary powers and procedures in the executive, were sometimes born as a response to the fiscal crises of the 1980s. These executive-led systems “limit the role of the legislature in expanding the size of the budget and the deficit, and attribute a strong role to a single individual, typically the treasury minister, in the budget negotiations with the government, limiting the prerogatives of the spending ministries”

1 The authors would like to thank all senior government officials and scholars that responded the online survey on the Role of Congress on Public Servants Pay, providing information for 14 countries in Latin America and the Caribbean during the period April-July, 2009. Jeffrey Rinne and Theo Thomas contributed significantly to the development of the framework for this paper.
(Alesina et al, 1999: 255). A number of scholars argue that greater fiscal discipline is a direct consequence of these institutional rules. Still, these rules have imposed their own costs, as diminishing democratic inputs into the shape of budgets may have reduced the political and public legitimacy of the budget. Today, there is a perception that this relatively weaker role of legislatures is changing in some countries, and that a stronger oversight culture is slowly emerging. Looking more closely at budget rules in Latin America, we find that the exposure of the executive to have its budget amended by Congress varies considerably (see Graph 1).

One area where Congress sometimes becomes involved within budget formulation concerns its ability to determine the size of the public sector wage bill. In most countries, the faculty of defining public sector pay tends to be delegated to the president himself or to a specialized agency or commission reporting to the executive through the national constitution, laws and other written norms. Even when salary increases have to be approved by Congress, the legislative normally follows the increase suggested by the president or the executive body in charge of pay determination. However, this does not always occur. Using their attribution to approve the budget every year, Latin American legislatures can approve pay increases for public sector employees mainly driven by political reasons, exceeding the allocation in the executive’s budget proposal.

Authority over the size of the public sector wage bill is important from a fiscal perspective as well as from a human resources management perspective. From the fiscal side, unexpected wage bill increases by Congress force the executive to under-execute the investment budget, a form of unpredictability that reduces the effectiveness of social and other programs.

In addition, when increases by the legislative are targeted to specific regimes such as teachers or health workers and exclude others, these increases can create incentives in the excluded sectors to catch up with their colleagues, escalating the wage bill and leading to even a higher under-execution of the investment budget in the medium term. From a human resources management perspective, asymmetric pay increases may de-motivate employees if the pay increases are generally regarded as unfair. This is aggravated when the increases are targeted to individuals in particular for political reasons, as they tend to demoralize staff, potentially producing a negative impact on service delivery.

To explore these hypothesis, this paper compares the executive-legislative authority over public servants pay in a set of Latin American countries, and then reviews in greater detail the impact of the distinctive ability of Congress in Paraguay to determine public sector pay levels. The paper then recommends a possible alternative to introduce gradual pay reform in Paraguay.

The paper is structured into three chapters and an annex. The first section explores legislative involvement in pay setting in Latin America using data from an online survey completed by

---

scholars and government officials from fourteen countries. The survey captures the legal framework but also how salaries are determined in practice. The second section examines the relative benefits or negative consequences of congressional control over public servants’ pay, analyzing the fiscal and managerial impacts of this practice. The third section offers an approach for pay reform in Paraguay.

Finally, the paper flags three areas for new data collection that would advance a more nuanced understanding of the impact of arrangements for executive/legislative control over public employee pay policy. Annex I presents the survey administered to senior government officials and scholars.

Congressional involvement in pay setting in Latin America: Theory and Practice

A recent World Bank survey to senior government officials and scholars in Latin America on the Role of Congress on Public servants Pay tries to capture differences across countries through a composed index called Congress influence on determining public servants pay. The index targets the mechanisms for approving salary increases for public servants and is built through 2 sets of multiple-choice questions.

Determination of public servants pay in principle

The first set of questions deals with determination of public servants pay in principle. National constitutions and/or organic laws tend to establish which power or agency is responsible for determining public servants’ pay. Options in the survey range from the executive (President, specialized agency or commission) to the legislative, as well as a common intermediate solution that gives the executive the faculty to initiate salary increase proposals but that requires the legislature’s approval. When approval from the legislature is needed, the survey tries to capture the flexibility Congress has to modify the proposal presented by the executive.

Survey results show that legislation determining public servants pay differs across Latin America and the Caribbean. Within the sample, three variants can be identified. The first, represented by centralized governments like Colombia and Peru, gives the executive branch the exclusive faculty to determine salary increases. In Colombia, for example, even though the Congress – following article 150 of the national constitution – must approve the framework for the pay policy of public servants, the President has the faculty to determine increases in public sector salaries. Law 4/1992 mandates that salary increases must be approved each January by the national government (Executive).

---

4 Senior government officials and scholars from Argentina, Chile, Colombia, Dominican Republic, El Salvador, Grenada, Haiti, Honduras, Mexico, Paraguay, Peru, St. Lucia and Uruguay provided information for their countries.

5 Artículo 150. Corresponde al Congreso hacer las leyes. Por medio de ellas ejerce las siguientes funciones: […] 19. Dictar las normas generales, y señalar en ellas los objetivos y criterios a los cuales debe sujetarse el Gobierno para los siguientes efectos: […] e.Fijar el régimen salarial y prestacional de los empleados públicos, de los miembros del Congreso Nacional y la Fuerza Pública.

Ley 04 de 1992. Artículo 4°. Con base en los criterios y objetivos contenidos en el Artículo 2o, el Gobierno Nacional, dentro de los diez primeros días del mes de enero de cada año: modificará el sistema salarial correspondiente a los empleados enumerados en el artículo lo., literal a), b) y d), aumentando sus remuneraciones.
In Peru, another clear example of a strong executive control over public employee compensation, the President has the exclusive faculty to determine public servants pay. On top of that, the constitution prevents Congress from increasing or creating new public expenditures.\(^6\)

A second group, which includes Brazil and Chile among others, has national constitutions that entrust the executive with exclusive authority to initiate salary increases for public servants.\(^7\) Although in both cases the legislature needs to approve the salary increase proposed by the executive, the legislature may only approve or reject the executive’s proposal, having no margin for incurring in politically driven salary increases that exceed the fiscal projections by the executive. Uruguay would also be included in this group: although Congress can modify the executive’s proposal for salary increases it is limited to approve an increase of the same amount as suggested by the executive or lower.\(^8\)

In the third group, which would include Mexico, Paraguay, the Dominican Republic and Honduras, the legal framework establishes that although the executive initiates pay increases for public servants, Congress can approve an increase higher to the one suggested by the executive. El Salvador’s constitution, going a step further, gives the Legislative Assembly the faculty to create positions and assign public servants pay.\(^9\)

**Determination of public servants pay in practice**

In Latin America, there is an important gap between the formal powers and actual role of parliaments in public budgeting, and therefore the legal framework can only provide part of the story (Santiso, 2004). Thus, the second set of questions in the index focus on the influence of Congress for determining public servants pay in practice. Government officials were asked how the latest salary increase for public servants was authorized in each country, both in terms of the legal instrument used (law, decree) and in terms of which power was most influential in determining the size of the increase.

---

\(^6\) Artículo 79º. Los representantes ante el Congreso no tienen iniciativa para crear ni aumentar gastos públicos, salvo en lo que se refiere a su presupuesto.

\(^7\) In the case of Brazil, Article 61 states that: “§ 1º - São de iniciativa privativa do Presidente da República as leis que: II - disponham sobre: a) criação de cargos, funções ou empregos públicos na administração direta e autárquica ou aumento de sua remuneração: [...]”. In the case of Chile, article 62 states that “Corresponderá, asimismo, al Presidente de la República, la iniciativa exclusiva para: […] 4º.- Fijar, modificar, conceder o aumentar remuneraciones, jubilaciones, pensiones, montepíos, rentas y cualquier otra clase de emolumentos, préstamos o beneficios al personal en servicio o en retiro a los beneficiarios de montepíos, en su caso, de la administración pública y demás organismos y entidades anteriormente señalados, como asimismo fijar las remuneraciones mínimas de los trabajadores del sector privado.”

\(^8\) Law 16903 establishes that the Budget and Planning Office and the Civil Service Office determine the salary increase based on available resources. Salary increases must take place each January or every six months, when inflation is higher than 10 percent.

\(^9\) ARTICULO 131.- Corresponde a la Asamblea Legislativa: […] 9º Crear y suprimir plazas, y asignar sueldo a los funcionarios y empleados de acuerdo con el régimen de Servicio Civil”
According to survey results, the latest salary increase for public servants in Colombia, Peru, Argentina and Panama, Uruguay, the Dominican Republic and Honduras were decided by a decree of the executive branch (that is, with no involvement from Congress). In Chile, Brazil, Mexico, Nicaragua, El Salvador and Haiti, the legislature approved the salary increase as suggested by the executive. Thus, Congress had a role in defining the salary increase, although it followed the executive’s guidance 10.

Finally, in Paraguay, Congress approved a salary increase higher than the one presented by the Executive in the Public Sector Salaries Law (presented each year with the budget proposal).

In summary, as shown in Graph 2, the countries with the highest scores in the index (i.e., those countries where Congress plays a greater role in determining public servants pay), are El Salvador, Mexico, and Paraguay. While the first two exhibit a stronger role in theory than in practice, Paraguay is the outlier of the sample, combining influence by Congress both in theory and in practice. Another conclusion that could be drawn based on survey results is that legislatures from the Latin American countries included in the sample have more power in theory than in practice to determine public servants’ pay. While some legal frameworks assign an important weight to Congress in the determination of public servants’ pay (see the blue section of columns) the role in practice (in red) seems to be weaker in most cases, showing that the executive is largely in charge of determining public sector pay policy.

Should Congress determine public servants pay?
The discussion thus far has been empirical. We now raise a normative question. There is a widespread consensus in the public policy field that any public sector pay policy should include among its key objectives the ability to attract and retain suitable employees, to encourage them to develop their skills, and to encourage productivity and efficiency in the organization. If it is the case that Congress is likely to be influenced by short-term political considerations rather than strategic questions about effective implementation of programs or attracting and retaining talent, then prima facie having the legislative defining public servants pay is unlikely to be a good plan. However, an absolutely right answer stating that Congress should or should not determine public servants pay does not seem to exist.

An alternative approach to tackle the question could be to analyze recent experiences of any adverse impact of allowing Congress the authority to determine public servants pay, mainly in two key areas: fiscal discipline and performance incentives. Regarding fiscal discipline, does Congress seem to disregard larger fiscal considerations in its eagerness to reward supporters within the public service with unsustainable pay rises? If so, what have been the consequences? On performance incentives, does Congress seem to produce a pay policy

---

10 This data may not reflect future practice. In Nicaragua, for example, the government suggested a salary increase of 12.5 percent with the budget proposal last year. Opposition representatives in Congress requested a 20 percent salary increase. The legislative, where the executive had a majority, finally voted favorably the executive’s proposal. Thus, the Congress does have a role in determining salary increases. Future administrations that live with a Congress where the opposition holds the majority of the seats could potentially lead to an intromission from the Congress on setting salaries in the public sector.
that fails to attract and retain suitable employees or encourage them to develop their skills? Does it fail to encourage productivity and efficiency, or fail to pay similar amounts for similar jobs?

**The fiscal impact of Congress involvement in pay determination**

Data over the last ten years show that greater Congressional involvement in determining public servants’ salary increases is not correlated with primary deficits. Countries with a strong executive and relatively low influence of Congress in pay determination like Colombia and Nicaragua show average central government primary balances, lower than Paraguay’s, where Congress mandates salary increases every year over the executive’s suggestion (see Graph 3).

Therefore, we can conclude that pay increases for public servants set by Congress have not necessarily led Latin American governments into aggregate fiscal deficits for the period 1997-2008. The question is then how these governments managed to finance the increase in their wage bills mandated by Congress. In Paraguay, perhaps the only country where the Congress has been consistent with the practice of approving pay increases above the proposal of the executive, this seems to have come at a price.

First and foremost, the aggregate fiscal position is maintained by occasional under-execution of the budget by the executive. This is a relatively common phenomenon in Latin America – particularly in relation to investment expenditures which are cut or postponed. Given the prevalence of hierarchical budgetary arrangements that constrain the deficit, when there is Congressional authority to increase the overall wage bill then the executive has no choice but to accept the increase in salaries approved by Congress and finance it by under-executing more flexible resources (viz., the investment budget). Through this compensatory ad hoc fiscal response of budget under-execution, the government can manage to remain within the overall budget envelope but the country suffers a negative impact on the effectiveness of programs and the quality of public services.

Second, and less common, the executive may face a situation where a cash flow shortage – due to a sudden reduction in revenues for example – does not allow the government to pay for the sanctioned higher salaries. Paraguay experienced this situation in 2001-2002, when the payment of public sector salaries (which had been increased by about 40 percent by Congress) (see Graph 4), was delayed. Anecdotally, it seems that the nonpayment of salaries in Paraguay may have been a reaction from the executive to what it perceived as excessive pay rises awarded by Congress.

Both of these problems generate significant problems for implementing programs and maintaining service quality. Thus, Congressional involvement in pay setting can lead to
measures which reduce the ability of the executive to implement programs which, ironically, have previously been approved by Congress.

**Pay policy and performance incentives**

It is generally accepted that some of the main goals of public sector pay policy are that it should be widely regarded as fair or legitimate by paying similar amounts for similar jobs; it should attract and retain suitable employees and encourage them to develop their skills; and that it should encourage productivity and efficiency. Anecdotal evidence from Paraguay suggests that the involvement of Congress in determining public servants’ pay may work against these principles and severely distort pay scales.

Data collected by a recent World Bank study on public employment in Paraguay shows that the public sector does not pay similar amounts for similar jobs, creating a strong sense of unfairness (see Table 1). For example, in 2007, some administrative assistants (second to the bottom in the civil service classification) had a higher base salary that some directors (first in rank).

All these positions were financed by the general treasury fund and were not related to projects financed by international organizations. Similarly skewed compensation amounts were also found between similar positions in different ministries, as well as between different occupational groups.

In addition, Congress may have created distortions in classification in order to facilitate these modifications to the pay scales, delegitimizing the system and de-motivating staff. From 2005 to 2007, the number of subcategories of personnel increased by over 50 percent, from 285 to 435, of which 82 subcategories and their respective salary included only one person. These modifications are attributed to Congressional involvement in the “personnel annex” sent by the executive together with the budget each year. This personnel annex, which lists all positions and their salaries for each agency and unit within agencies, is not unique to Paraguay. (It is used in El Salvador and Honduras, too.) Further research is needed to assess any distortions in pay and classification in those countries due to Congressional authority over individual salaries.

Finally, in terms of public service performance, Paraguay ranked in last place or close to last place on four indexes that measure public service performance in Latin America (see Graph 5). It also underperformed in its quality of public administration relative to its GDP per capita (see Graph 6). While the position on these rankings may not have been caused by the influence of the legislative in pay policy – Peru, a country where compensation is defined exclusively by the executive, ranked second to last in most of these indexes – strong salary distortions do not present sound incentives for performance.

In conclusion, pending further data collection, the characteristics of the Paraguayan pay policy do not seem to meet the generally accepted principles mentioned above. Although no
statistics are available concerning the attraction and retention of suitable personnel, there is a widespread perception that the government is failing in this regard. Productivity and efficiency, measured by the imperfect perception-based indicators above, are argued to be lower than regional comparators and the country is outperformed by countries with lower GDP per capita levels. It seems likely that the perverse features of Paraguay’s pay policy have emerged, at least in part, as a consequence of the unconstrained ability of Congress to set pay levels, driven, it appears, by political rather than managerial considerations. The legislature’s vast authority over pay setting for public employees appears to be undermining efficiency in service delivery.\(^\text{11}\)

**A possible approach for pay reform**

As described above, Congressionally mandated authority over pay determination in Paraguay seems to contribute to two negative results. On the fiscal side, it creates the circumstances which require *ad hoc* under-execution of the budget, a form of unpredictability that reduces effectiveness. On the human resources management side, it seems to generate a *de facto* pay policy in which pay does not motivate as it is unlikely to be generally regarded as fair.

While the practice of Congressional involvement has been in place for years and is not expected to be reduced in the short term, one possible reform approach would be to introduce, gradually, a variant on a *Single Pay Spine* (SPS) model. The SPS model establishes centralized arrangements for setting pay and imposes relativities between different posts and occupational streams that are regularly assessed and reviewed. A crucial characteristic is that the fiscal impact of an aggregate pay increase can be readily assessed and, potentially, incorporated into a more formal process in which the fiscal space for salary increases is set by the Ministry of Finance at the start of the budget process. All wage negotiations centralized on discussing the financial values to be assigned to the single pay spine, thus avoiding the possibility of ‘leap-frogging’ when the government has to conduct separate pay negotiations with trade unions representing different labor regimes.

As described by the World Bank (2009), this model seems to address the main issues in Paraguay’s pay policy: first, it ensures equal pay for equal work; second, it helps to ensure that pay is affordable by centralizing and simplifying budget planning; and third, subject to affordability considerations, it promotes competitive pay for government jobs related to the wider labor market.

The gradual transition to a variant on a *Single Pay Spine* model would prevent Director-level salaries from being assigned to low-ranked posts through the modification of the personnel annex, and would centralize the pay negotiation process, avoiding separate requests not only

\(^{11}\) Despite considerable increases in public expenditures in the last decade, program delivery has been weak in key areas such as health and education in Paraguay. The country has one of the worst performances in Latin America in prevention of epidemic diseases and infant and maternal mortality. Budget increases in education have been allocated to cover recurrent expenditures, limiting investment spending and therefore reducing the sustainability of policies. In addition, citizen perception of the performance of public institutions continues to be more negative than other countries in the region.
by different regimes such as teachers, the civil service or health workers, but also by civil service employees mapped to different ministries – as it is currently the case.\textsuperscript{12}

However, any pay reform of this magnitude will require a political agreement between the executive and the legislative branches. Moving from the current model of determining public servants pay, with its negative fiscal and human resources management consequences, to a model more similar to the ones followed by most of the other countries in the region would imply a change in the balance of power which has been in place since the 1992 constitution.

**Implications for cross-national comparators**
As in many areas of public sector human resources management, there are significant gaps in our knowledge and we have relied on commonly-perceived wisdom and self-proclaimed best practices. The paper has analyzed, with incomplete information, one case where Congress is strongly involved in pay determination. This fact calls for a cautious approach when drawing conclusions and prevents us from making any kind of generalizations.

There are three areas of new data collection that would allow a more nuanced understanding of the impact of Congress-driven the public servants pay arrangements. First, data on budgetary under-execution is badly needed if we are to understand more about the constraints to effective service delivery and to assess the impact of particular budgetary arrangements such as the pay-setting powers of Congress. Although country-specific studies are available, research on this field with a regional perspective are limited.

Second, data on the internal equity of public sector pay – equal pay for jobs of equal weight between ministries and staff perceptions of being recognized fairly for their contribution – would assist in illuminating some of the potential opportunities for improving public sector productivity. Third, data on the ability of Congress to micro-manage pay levels and create new pay scales, in particular for those countries where a personnel annex is submitted to Congress together with the budget proposal, would assist in understanding if Congress is in fact less likely to adhere to managerical principles of internal equity and fairness than the executive.

Finally, it is worth reemphasizing that conclusions drawn from this single case cannot be generalized and do not intend to be useful for any country with Congressional involvement in pay determination. Better data is needed to draw more robust conclusions. However, looking at the case of Paraguay, an extreme outlier, can be instructive for other countries.

**References**


\textsuperscript{12} The Ministry of Agriculture and Livestock, for example, obtained a salary increase for its civil service employees in 2008 after negotiations of the Minister directly with Congress.


Gaetani, Francisco and Blanca Heredia, 2002. The Political Economy of Civil Service Reform in Brazil: The Cardoso Years (draft), Inter-American Development Bank


Stapenhurst, R. et al. 2008. Legislative Oversight and Budgeting – A World Perspective, the World Bank Institute, Washington, DC.


Biographies
Mariano Lafuente is a Public Sector Analyst with the Public Sector Group of the World Bank’s Latin America Regional Department (LCSPS). He has worked on civil service reform, public sector financial management and other public sector management projects at the national and sub-national level in Brazil, Mexico, Chile, Colombia, Peru, Paraguay and the Commonwealth Caribbean. He holds a bachelor’s degree on Political Science from Argentina’s Catholic University and a master’s degree in Public Policy with specialization in Public Sector Financial Management from University of Maryland.
mlafuente@worldbank.org Tel: + 1 202 473-4479

Nick Manning is the Sector Manager of the Public Sector Group of the World Bank’s Latin America Regional Department (LCSPS). Previously he was the Head of the Public Sector Management and Performance Division at the OECD, Adviser on public management to the Commonwealth and Adviser to the Minister of Public Administration in Lebanon.
nmanning@worldbank.org

Annex I. Survey Administered to Senior Government Officials

i. Role of Legislature in the Budget Process

<table>
<thead>
<tr>
<th>1.1. Authority of legislature (by statute or customary practice) to amend the budget proposal of the executive.</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Can the Legislature propose and approve its own budget?</td>
<td>5</td>
</tr>
<tr>
<td>b. If the legislature must work with the budget proposal provided by the executive, then…</td>
<td></td>
</tr>
<tr>
<td>i. Can the Legislature amend the executive’s budget proposal without significant restrictions?</td>
<td>4</td>
</tr>
<tr>
<td>ii. Can the Legislature amend the executive’s budget proposal but under the constraint that aggregate changes must be offsetting? (i.e., expenditure reductions included to compensate for any expenditure increases or additional revenues to cover additional expenditure)</td>
<td>3</td>
</tr>
<tr>
<td>iii. Is the legislature constrained so that it can only accept or reject the budget - no amendments permitted?</td>
<td>1</td>
</tr>
<tr>
<td>c. Other (please explain)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Points</th>
<th>Stronger</th>
<th>Weaker</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>1.2. Authority of legislature (by statute or customary practice) to override a veto to the budget. If veto to the budget law by the Executive is not allowed 5 points are assigned.</th>
<th>Points</th>
<th>Stronger</th>
<th>Weaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. If the legislature can override a veto to the budget by the executive…</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Can the legislature override a veto to the budget by the executive with a simple majority vote?</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Can the legislature override a veto to the budget by the executive with an absolute majority vote?</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Can the legislature override a veto to the budget by the executive with supermajority (e.g., 2/3 vote)?</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Legislature cannot override a veto to the budget by the executive</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### c. Other (please explain)

<table>
<thead>
<tr>
<th>1.3. Potential for budget delays attributable to actions (or inaction) by the Legislature.</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Can the legislature pass its own budget proposals and so has no reason to cause delays?</td>
<td>Low</td>
</tr>
<tr>
<td>b. If the legislature may have some reasons to cause delays...</td>
<td>High</td>
</tr>
<tr>
<td>i. Is the legislature considered dissolved if it fails to approve a budget?</td>
<td>0</td>
</tr>
<tr>
<td>ii. Is the executive’s budget automatically enacted if the legislature delays passing the budget beyond a specified number of days?</td>
<td>1</td>
</tr>
<tr>
<td>iii. Does last year’s budget apply (in its entirety) if the legislature delays passing the budget proposal?</td>
<td>2</td>
</tr>
<tr>
<td>iv. Does last year’s budget apply on a month-by-month or quarterly basis if the legislature delays passing the budget proposal?</td>
<td>3</td>
</tr>
<tr>
<td>v. Do delays in passing the budget force the executive to submit a new proposal?</td>
<td>4</td>
</tr>
<tr>
<td>vi. Can the legislature delay passing the budget indefinitely - even if this might force a shutdown in the executive?</td>
<td>5</td>
</tr>
<tr>
<td>h. Other (please explain)</td>
<td></td>
</tr>
</tbody>
</table>

### ii. Role of Legislature in determining Public Servants Pay

#### 2.1. How does the government determine public servants pay in principle? Please answer all questions

<table>
<thead>
<tr>
<th>a. If the Constitution and/or Organic Law establish that the Executive (President or specialized agency) or pay setting commission have the exclusive authority to determine public servants pay...</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Is pay setting is the prerogative of the president or head of government?</td>
<td>Executive</td>
</tr>
<tr>
<td>ii. Is pay setting decentralized to the department/agency level (Executive)?</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>b. If the constitution and/or Organic Law establish that either the Executive (President or specialized agency) or a pay-setting commission established by law or tradition have the exclusive authority to initiate proposals to set/modify public servants pay, but the proposal must be approved by Legislature...</th>
<th>Legislative</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Can the legislature only approve or reject the proposal presented by the Executive or the pay setting commission?</td>
<td>1</td>
</tr>
<tr>
<td>ii. If the legislature can modify the proposal of salary increases by the executive or pay setting commission in the approval process...</td>
<td></td>
</tr>
<tr>
<td>I. Can the legislature only approve the proposal by the executive or pay setting commission with an equal or lower salary increase (i.e. Executive or pay setting commission proposed a 10% increase and Legislature can approve a 0-10% increase, but never a 10.1% increase)</td>
<td>2</td>
</tr>
<tr>
<td>II. Can the legislature either increase or decrease the modifications proposed by the Executive or pay setting commission?</td>
<td>4</td>
</tr>
</tbody>
</table>

| c. Does the Constitution or Organic law determine that the Legislature has the exclusive authority to determine public servants pay? | 5 |

| g. Other (please explain) | |
Graph 1. Index on the Exposure of the executive to have the budget amended by the legislative (1-15)\textsuperscript{13}

![Graph 1](image1)

Source: World Bank online survey to senior government officials

Graph 2. Index of Congress influence on determining public servants pay (1-10)\textsuperscript{14}

![Graph 2](image2)

Source: World Bank online survey to senior government officials

Graph 3. Average Central Government Primary Balance (1997-2008) and Index of Congress influence on determining public servants pay

---

\textsuperscript{13} See scoring methodology on Annex I

\textsuperscript{14} See scoring methodology on Annex I
Graph 4. Increase in Paraguay’s Wage Bill along the Different Budget Formulation and Approval Phases (2000-2003)

Source: Molinas and Pérez-Liñán (2005)
### Table 1. Paraguay’s Central Administration – Monthly salaries in selected positions
Average, Maximum and Minimum (2007)

<table>
<thead>
<tr>
<th>Denominación</th>
<th>Promedio</th>
<th>Max</th>
<th>Min</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director General</td>
<td>3.74</td>
<td>4.98</td>
<td>3.26</td>
</tr>
<tr>
<td>Director</td>
<td>3.23</td>
<td>4.98</td>
<td>2.20</td>
</tr>
<tr>
<td>Profesional I</td>
<td>2.82</td>
<td>4.40</td>
<td>1.49</td>
</tr>
<tr>
<td>Coordinador</td>
<td>2.77</td>
<td>4.07</td>
<td>1.72</td>
</tr>
<tr>
<td>Jefe de Departamento</td>
<td>2.55</td>
<td>4.76</td>
<td>1.46</td>
</tr>
<tr>
<td>Profesional II</td>
<td>1.91</td>
<td>3.02</td>
<td>1.19</td>
</tr>
<tr>
<td>Jefe División/Sección</td>
<td>1.47</td>
<td>3.02</td>
<td>1.13</td>
</tr>
<tr>
<td>Asistente/Asist. Adm/TA</td>
<td>1.12</td>
<td>4.53</td>
<td>0.94</td>
</tr>
<tr>
<td>Auxiliar Técnico Adm.</td>
<td>1.03</td>
<td>2.95</td>
<td>0.94</td>
</tr>
</tbody>
</table>

Source: 2007 Budget Personnel Annex, Ministry of Finance

### Graph 6. Quality of Public Administration and GDP per capita (ppp) for selected Latin American and the Caribbean countries

Source: Quality of Public Administration (Lora: 2007)
Graph 5. Characteristics of the Civil Service in Selected Latin American Countries (2005) (scale 1 – 100)

(a) Flexibility

(b) Functional Capacity

(c) Strategic Consistency

(d) Structural Consistency


References:

*Flexibility in the Civil Service*: Measures the degree to which policies and practices facilitate adaptation to changes and innovation. The indicator has been normalized from 0 to 100 with higher scores indicating favorable conditions for adaptation.

*Functional Capacity*: Evaluates the capacity of the civil service system to positively influence the behavior of public employees. It is comprised of three subindexes: competence, efficacy of incentives and flexibility. The indicator has been normalized from 0 to 100 with higher scores indicating greater capacity of the civil service system to influence employee behavior.
Strategic Consistency: Measures consistency between human resource practices and the strategic priorities of the government. The indicator has been normalized from 0 to 100 with higher scores indicating greater link between practices and governmental policy priorities.

Structural Consistency: Evaluates the solidity and systematic integration of the civil service system, such that management practices, procedures and processes are aligned so as to permit the fulfillment of governmental strategic objectives. It is comprised of three subindexes: strategic, management and process consistency. The indicator has been normalized from 0 to 100 with higher scores indicating consistency of practices and procedures with strategic priorities.