

MINISTRY PAPER NO.

STRATEGY FOR RESTRUCTURING THE PUBLIC SECTOR

Introduction

1. The current national and global imperatives have impelled the Government of Jamaica to accelerate the modernisation and restructuring of the Public Sector to become leaner, more efficient, flexible, responsive, and accountable. The rationalisation of the public sector will demand a radical restructuring of established organizations and systems, including a review of their mandates and related objectives, introduction of incentives, development of an accountability framework, decentralisation of authority; and rationalisation of the organizational culture.
2. Between 1984 and 2003 there have been three significant reform projects financed primarily through loans from the World Bank namely, Administrative Reform Programme (ARP) I and II and the Public Sector Modernisation Project (PSMP I). The ARP focused on the traditional areas of administrative reform and the PSMP focussed on effective delivery of service and the separation of policy from operation. Towards the end of the PSMP I, a ten year vision and strategy for the Modernisation programme was prepared for the period 2002 to 2012.
3. Cabinet, by Decision 30/02 dated 9th September 2002, made a commitment to modernise the Public Sector. The related policy paper "Government at your Service: *Public Sector Modernization Vision and Strategy: 2002- 2012*" was tabled in Parliament on 12th September 2002. The strategy for modernisation outlined in the Public Sector Modernisation Vision and Strategy paper (MVSP) identified the rationalization of the public service as an ongoing initiative, necessary to keep a pace with the emergent and changing local and global developments. A mid-programme review of the MVSP and the implementation to 2006 indicated the continued relevance of the Strategy, and the need to further implement initiatives to increase accountability, improve service delivery, use public resources more effectively, and maintain the overall relevance of the programme. A Medium Term (five years) Action Plan (MTAP) has been produced, emerging from that review.
4. Instructively, the three Memoranda of Understanding (MOU) signed between the Government of Jamaica, the Jamaica Confederation of Trade Unions and certain Public Sector Staff Associations, respectively dated, 16th February 2004, MOU 1; 30th May 2006, MOU 2 and 18th April 2008, MOU 3, have articulated the "*development of the Public Sector to produce a modern, efficient sector that is of the optimum size, properly equipped and suitably rewarded*".

Previous Reform Efforts

5. Since Independence, the Government has undertaken a series of reviews and reforms of the public sector which have all aimed at improving the capacity of the state to deliver efficient and responsive administration. The more recent reforms of note occurred in each of the ensuing decades up to the 1990s. The last of these is still in progress through the delivery of Public Sector Modernisation Programme II. A summary of each major reform programme up to 2002 and the challenges faced are provided below:
- a. **Development of the Public Service (MPS) 1973:** This was based on the need to locate responsibility for management of the civil service within a Ministry concerned exclusively with such functions, and to institutionalise a continuing programme of self-reform of the civil service, underlining the introduction of modern management practices. The key problems with this reform were a lack of delegation of decision-making authority, wide disparities in emoluments within the public sector, and duplication caused by overlapping functions.
 - b. **Administrative Reform Programme I (ARP I) (1984) and Administrative Reform Programme II (ARP II) (1991):** These programmes aimed at achieving significant improvements in productivity (in terms of delivery of goods and services to the public and in accountability, through restructuring line agencies so as to maximise their effectiveness in serving the public. The core concepts emphasised programme management through a performance budgeting system, and decentralisation of a greater degree of authority to sectoral ministries. The failures of these programmes to achieve meaningful reform were due to a lack of clear vision and articulation of objectives, poor use of consultants, lack of ownership of the project by the civil service, lack of continued commitment by the Government and the World Bank to the longer term, and over-ambitious targets being set without due consultation with Ministry personnel.

In 1995, the World Bank¹ concluded that the earlier civil service reform programme had proven to be largely ineffective in achieving their objectives and attributed the following factors: a lack of vision and poor articulation of objectives, absence of team work between consultants and locals, and the lack of long term political commitment to the reform process.

- c. **Public Sector Modernisation Programme (PSMP) 1996-2002) :** Taking into account the lessons learned, the PSMP was designed with four main objectives: (i) Privatisation of some public sector entities; (ii) Down-sizing and strengthening the required work force; (iii) Abolishing redundant statutory bodies and government companies and, (iv) Creation of Executive Agencies. Achievements under the PSMP include the issuing of human

¹ World Bank Project Completion Report : Jamaica Administrative Reform Project (1995)

resource management authority by delegation to various Ministries and Departments², improvement in compensation to the civil service, the creation of Executive Agencies with improved customer service³, the development of Citizens' Charters in Agencies and Departments, and strengthening of government procurement processes.

6. The cumulative lessons learned from Jamaica's experience in managing and implementing reforms are summarized below:
 - i. An efficient and supportive public bureaucracy is essential to economic growth and macro-economic stability;
 - ii. Greater managerial autonomy is essential to realize the full benefits of modernisation;
 - iii. Aligning of incentives is critical to support long-term sustainability;
 - iv. Improved internal accounting systems are essential for informed decision-making;
 - v. Critical importance of recruiting qualified managerial and technical staff.
7. The foregoing was taken into account and informed the review and final recommendations of a GOJ Parliamentary Committee⁴ for the continued development of the PSMP. The recommendations presented were:
 - i. A coherent and widely articulated vision and strategy for reform;
 - ii. A permanent Reform Unit in the Office of the Cabinet;
 - iii. MoFP should delegate its powers of establishment of posts and other matters to Ministries and Agencies;
 - iv. The Public Service Commission (PSC) should complete its delegation of recruitment and similar matters to Ministries and Agencies;
 - v. A high-level human resource management vision and strategy should form part of recommendation (i);
 - vi. Civil service management should be delegated by MoFP and PSC to line Ministries and Agencies within 'minimum requirement' rules;
 - vii. Definition of civil servant should be clarified;
 - viii. Staff of Ministries and Agencies, including Statutory Corporations, should belong to a single, non-contributory pension scheme;
 - ix. HRM processes should be re-engineered and simplified;
 - x. The HRM Information System should be reviewed and redesigned or replaced; and,

² 14 entities received delegated authority in the financial year 2003-2004

³ Although some reports say that customer service has not improved in any significant way and user fees have been artificially linked without the commensurate value for money (Osei, P.D., 2006)

⁴ Cited by Osei, P.D. (2006) Public Sector Reform in Jamaica in Modernising the State: Public Sector Reform in the Commonwealth Caribbean

- xi. The transformation should be planned and managed as a major change programme involving all stakeholders.
8. Finally, the UNDP Stowe Report⁵ advised that, from world-wide experience, a Government embarking on a reform of the state machinery should:
- i. Want it to happen (commit itself and its reputation to reform);
 - ii. Make it happen (equip itself with the central capability to drive reform forward against both inertia and obstruction);
 - iii. Own it (allow no doubt as to whose programme this is and whose authority is committed to it); and,
 - iv. Keep it going (build into the government machine the capability for continuing development as the requirements of government and governments themselves may change).

Role of Government

9. In Jamaica, the size and organization of the state machinery have expanded considerably over the last four decades, in an effort to effectively discharge responsibilities and undertake the functions broadly accepted as the role of government. During this period, the tight lines drawn between the public and private sectors gradually relaxed and the traditional views of public sector administration were challenged as new modes of service delivery and public-private sector partnerships emerged. Concurrently, efforts to redefine the role of government have also been considered (e.g. the UNDP Report by Kenneth Stowe in 1991, Nettleford Report in 1992, and the Report on the Ministerial Roundtable on the Emerging Role of the State in 1993, to name a few).
10. Undoubtedly, the imperative for change in public management has increased, globally and locally, and has also been championed by this Administration in the light of the general assessment of sub-optimal public sector performance. But the reorganisation of government machinery derives from an important political redefinition of the fundamental role of government, its guiding philosophy, and distinct core business within the context of today's challenges, strategic priorities and long-term goals.
11. Whilst there are divergent views about the extent of state activity required, whether in a more limited way to provide defence, regulate monopolies and maintain public order, or to the other two extremes (i) that governments should only be involved where markets cannot operate efficiently or (ii) that there can be no legitimate limit on the scope of state activity, it is clear that states must consider the extent of their activity which will be reflected in the redistributive power and size of government.

⁵ Stowe, Kenneth (1991) Report of UNDP Management Development Programme Mission in Jamaica, 23 Jun-5 July 1991

12. The UK Government posits five main roles of a state for consideration (also at Appendix 1) namely:

- i. Direct Provider of Services;
- ii. Commissioner of Services (State specifies outcome and pays supplier to provide service);
- iii. Regulator (ensures that standards are complied with);
- iv. Provider of Information (ensures citizens can make informed choices);
- v. Legislator (sets down clear rules of behaviour).

13. The traditional roles of the state in respect of law and order, defence, national security, and foreign affairs are largely accepted and have not really been the subject of divergence. In most Western democracies the key role of the state has been in the context of a capitalist economy. The subtle differences of emphasis however, have been whether they adopted a more or less free market approach to the capitalist economy as, in a free market economy, the government seeks to take less of a role (e.g. US and UK), whereas in other Western societies, the state tries to play a more direct management role in the operation of capitalism (e.g. France and Germany). Conversely, the modern welfare state promotes interventions to provide a wide range of social services to the majority of the population, seeks to maintain full employment, and to nationalise or regulate a number of key industries, but in which the bulk of the economy remains in the hands of private enterprise (Johnson, 1987)⁶.

14. The spectacular collapse of the US financial system leading to the current global economic/financial crisis and the consequential nationalisation, in effect, of the US banking and insurance sectors have clearly demonstrated the imperfections of the free market approach. Even Alan Greenspan, former Chairman of the US Federal Reserve recently acknowledged that the crisis proved the failure of the market to self-regulate and that greed had overtaken the market. The US, as a 'superpower', led the charge that states should not be interventionist except of course for market failures. Yet, the emerging economies of Brazil, Russia, India and China (BRICs) have remained strong and continue to do relatively well despite the crisis, while exhibiting varying levels of interventionism in their own economies on their pathways to growth.

15. There is therefore, no hard and fast rule, or one-size-fits-all approach. The 'perfect' mould is now broken. What is clear is that the state should not accept an interventionist or non-interventionist position as an article of faith but, rather, the state must make pragmatic

⁶ Johnson, Norman, 1987, *the Welfare State in Transition*, Brighton, Wheatsheaf

choices guided by the national interest, its long-term vision and its philosophical approach, sharply focused on its strategy for growth and development and its strategic priorities.

16. From pre-Independence, the role of the Jamaican state has centred on the areas of social and economic development, modernization of the society and economy, law and order, as a developmental catalyst in creating a climate conducive to private enterprise, particularly, foreign investment and also an entrepreneur⁷. The Nettleford Report proposed 'new nuances with respect to the role of government in the economy' in particular, and recommended that the government should increasingly play the role of a broker and arranger, rather than that of a direct provider, and an enabler and facilitator for the promotion of growth, equality and opportunity, and wider participation.
17. The pending Standby Arrangement with the IMF and its influence on continued multi-lateral funding support is an important feature of our current economic environment that will undoubtedly influence the role of government in the economy. Certainly, Government policy for sustained macroeconomic growth and stability is also of relevance and, in particular, influencing the state's role in charting the course for economic growth and prosperity and the degree to which it may make strategic interventions and catalytic investments in key sectors to promote urban renewal and rural development. The state must determine to what extent it will seek to stimulate, nurture, support and guide key sectors such as tourism and energy through the use of all available policy and regulatory instruments and levers as necessary. Accordingly, consideration should also be given to the appropriate division of labour and clarity on the roles and functions of key state actors, principally line Ministries, 'arms-length' and departmental agencies, as well as state/public enterprises.
18. It is recommended that modernised Ministries undertake the main functions of policy leadership and development, regulatory and supervisory responsibilities and perform facilitating and monitoring, and review and appellate roles. Modernised Ministries would be required to place considerable focus on strategic policy-making with a strong emphasis on outcomes, setting standards, oversight and performance management. The state would determine the distribution of the regulatory role between modernised Ministries and regulatory agencies to determine the right balance. In large part, 'arms-length' and 'departmental' agencies would focus on delivery of services and policy execution. However it should be noted that there may be instances where this distinction is not as obvious and where a 'hard and fast' approach would not be applicable. The treatment of State/public enterprises and their role, relevance, appropriateness and fit need careful consideration in the context of the broader role of the state. State corporations that are involved in commercial activities, such as the Port Authority, are distinct from statutory entities that have largely social intervention and non-commercial operations e.g. Social Development

⁷ Edwin Jones and Gladstone E. Mills, *The Institutional Framework of Government* (1989)

Commission. The rules of engagement necessary for such state/public enterprises in the light of their commercial imperatives should be carefully considered, so as not to fetter the entity's operations and are likely to be different from those which would obtain across the wider public service. An outline of the proposed functions is provided at Appendix 2 for further discussion. Appendix 3 also presents for the Cabinet's discussion some suggested core functions of government on which a stable society must be built and to which our limited resources must be prioritized.

Current Initiatives to Create an Enabling Environment for Public Sector Performance

19. There are several initiatives that need to be implemented as a matter of urgency to create an enabling environment for enhanced public sector performance. These will be integrated and accelerated as an essential complement to the strategy proposed for implementation. Among them are the following:

- i. Establishment of the **Performance Management and Evaluation** function and the related systems within the Cabinet Office to monitor and report on performance of Ministries and Agencies.
- ii. Establishment of the **Strategic Human Resource Management (HRM)** function within the Cabinet Office in keeping with the findings of several reports.
- iii. Strengthening of the **Accountability Framework** and mechanisms for Government's senior executive management, proposals for which are to be submitted to the Cabinet shortly.
- iv. Implementation of **Accrual Accounting System** Government-wide, with the appropriate financial management information systems (FMIS). Accrual Accounting is a system used by businesses, which depreciates assets and accounts for obligations on the books when they are incurred and not when the money is actually spent.
- v. **GovNet** – to improve the transfer and sharing of information across government, provide for better communication and allow the Government to realize significant savings in several areas. Information sharing can revolutionize the speed and manner in which services are delivered in the public sector.
- vi. Expansion of **online services** which provides more convenient options to the public, and reduces staffing requirements overtime.
- vii. Establishment of the **Enterprise Resource Management System (ERMS)** which will provide *a fully integrated computerized business enterprise system which uses full cost and*

accrual accounting, asset and resource management . The system should integrate the following modules:

- Treasury, and Consolidated Fund Management
 - Revenue Accounting;
 - Expenditure Accounting;
 - Human Resource Development, Payroll and Pension;
 - Procurement;
 - Planning and Budgeting and Cash Management;
 - Project Management;
 - Debt Management; and
 - Asset and Inventory Management.
- viii. Affording Permanent Secretaries the flexibility to hire and retain critical staff functions and to possibly retire or redeploy identified positions in keeping with the realities of their budgets and organizational goals.
- ix. Acceleration of the work being done by OPM, Cabinet Office and MOFPS on developing an **Early Retirement Incentive** package for implementation on a targeted basis.
- x. Acceleration of the **MOU training programme** to support the retraining and redeployment will be required.

Framework for Implementation of the Proposed Strategy

20. The Strategy will provide the Government with the means of effectively managing its existing challenges, whilst enhancing the capacity of the Public Sector to deliver on development priorities and international commitments. This strategy is informed by the MVSP, the MTAP, recommendations made by Government commissioned bodies, such as the Nettleford Committee (1992) and the Orane Task Force (1998), as well as by the commitments made in the National Development Plan (Vision 2030). All of these have benefitted from significant consultation, and the consideration of experienced professionals.

Central to the approach being adopted in the execution of the restructuring of the Public Sector is the engagement of critical stakeholders. It is crucial that consultation is pursued at all levels of the restructuring exercise with strategic Departments/Divisions of Government, such as, The Public Sector Modernization Division of the Cabinet Office, the Office of the Services Commission, Public Enterprise, Budget and Public Expenditure and Public Policy Divisions of the Ministry of Finance and the Public Service, The Attorney General's Office, among others, to ensure rigorous analysis of various governance issues to inform the decision-making process.

21. The following are the main elements to be addressed in the framework for implementation of the proposed strategy:

- i. Defining the core functions of Government.
- ii. Defining a stable core of Ministries.
- iii. Establishment of a Sub-Committee of the Cabinet chaired by the Prime Minister, to approve, give direction and oversight to the restructuring of the Public Sector.
- iv. Establishment of a consultative group comprising representatives of Government, private sector, trade unions, academia and the Opposition to review the strategies being pursued and monitor their implementation.
- v. Establishment of a Technical Implementation team within the Office of the Cabinet with the requisite skills and competencies drawn from within the public and private sector. The team will interface with Ministries, Departments and Agencies to ensure the execution of the scope of work outlined below and make appropriate reports and recommendations to the Sub-committee of Cabinet.

Scope of Work

22. The scope of work for the Implementation team is proposed to be the following:

- i. Conduct Prior Options Reviews of all Ministries, Agencies and other Public Bodies to determine what functions should be retained, privatised, contracted out, abolished or be merged with other public sector entities;
- ii. Establish a new framework and culture for the devolution of authority and a closer alignment of authority, responsibility and accountability based on specific resource inputs and performance outputs;
- iii. Examine the legislative and regulatory frameworks to determine relevance, necessary amendments, and/or promulgation of new laws to effect the recommendations of the restructuring;
- iv. Explore and develop mechanisms to create economies of scale which would result in greater efficiency across government in relation to corporate functions such as:
 - Finance and Accounts
 - Internal Audit
 - Human Resources Management
 - Information Technology
 - External mail delivery
 - Administration
 - Legal services and

- Procurement

- v. Develop a master rationalisation plan with the related cost;
- vi. Review of the Performance Appraisal system;
- vii. Identify Agencies on budget that should be self-financing and facilitate and develop a management structure to support their operation;
- viii. Develop governance and accountability mechanisms to ensure timely implementation of the restructuring, and as such:
 - the specific and time-bound targets with regard to the rationalization of the ministries should be agreed between the Permanent Secretaries and the Cabinet Secretary, recorded in the agreed performance agreements and used in the evaluation of performance at the end of each financial year;
 - the specific and time-bound targets with regard to the rationalization of public bodies should be agreed between the responsible Minister, Board of directors and the CEO of each public body, recorded in the agreed performance agreements and used in the evaluation of performance at the end of each financial year;
- ix. Assess physical resource needs for effective functioning of each MDA, including operational equipment, transportation, communications facilities, storage facilities, buildings and accommodation;
- x. Review rationalisation plans prepared by MDAs and provide feedback and recommendations with justifications specific to the entity;
- xi. Develop and monitor the implementation of a Risk Management Plan;
- xii. Develop and monitor the implementation of a Change Management Plan;
- xiii. Prepare a Communication Plan to inform all stakeholders, about the rationalisation process;
- xiv. Design a monitoring and evaluation mechanism to review new and ongoing restructuring initiatives;
- xv. Submit monthly reports to the Cabinet Sub-Committee responsible for the restructuring.

Resource Considerations

23. Cognizant of the resource constraints, every effort will be made to minimise any additional expenditure, except in those instances where specific skills must be sought external to the public sector and are not supported financially by the private sector. Public Officers assigned to the Unit will continue to be paid by their respective entities.

A handwritten signature in black ink, appearing to read "Bruce Golding", with a stylized flourish at the end.

Bruce Golding
Prime Minister
November 2, 2009

Main Functions of Key State Actors

Modernised Ministries

- Policy Leadership and Policy Development
- Regulatory and Supervisory (standards and oversight)
- Facilitative and Monitoring (performance monitoring and evaluation)
- Review and Appellate

'Arms-Length' and 'Departmental' Agencies

- Service Delivery
- Policy Execution
- Regulatory (in specific cases)

State/Public Enterprises

*'With few exceptions, public enterprises which engage in commercial operations should price their products to secure an adequate return on investment, sufficient to service their external and domestic debt and also to provide a contribution to financing their investment programme.'*⁸

⁸ Letter of Intent dated 25 April 1984 attached to GOJ, Ministry Paper No. 50 Standby Arrangement with the International Monetary Fund, 10 July 1984

Criteria to Identify the Role of the State⁹

Role	Criteria
Provider	<p>The State might choose to provide a service where:</p> <ul style="list-style-type: none"> • direct lines of accountability to government need to be maintained, and the cost of any failure of accountability is too high for the state to take the risk, for example the Defence Force; • There are strong strategic reasons for keeping a process in-house, for example ensuring that the State has sufficient information about the process so that it can act as an 'intelligent customer' for similar services.
Commissioner	<p>The State might choose to commission a service where:</p> <ul style="list-style-type: none"> • the service can be delivered through the market and any market failure can be addressed through taxes, subsidies, regulation or other means; • a market can be established: contracts can be written (outcomes and quality are quantifiable and measurable); there is an appropriate number of suppliers and commissioners; risks can be transferred; contract costs (bargaining and opportunism) are low; • commissioners have sufficient information about suppliers and the market; • Service users are able to make informed choices and provide signals to commissioners. <p>NB: not all of these criteria necessarily need to be met</p>
Information Provider	The State might choose to provide information where citizens are unlikely to be able to make effective choices without state oversight or regulation of information
Regulator	The State might choose to regulate a service where the State is not providing a service but still has a duty, either to secure outcomes or on efficiency grounds, to ensure that the service is being provided effectively or in line with certain standards (for example standards within private care homes; regulation of electricity markets).
Legislator	The State might choose to legislate where legal intervention is needed to provide an incontrovertible (statutory) basis for any aspect of policy.

⁹ HM Government Policy Review, *Building on progress: The role of the state*, Cabinet Office, 2007

Suggested Core Functions – Role of Government¹⁰

- Providing a safe and secure environment;
- Effective and accessible justice system;
- Good quality education system;
- Access to basic health care;
- Social welfare support for the disadvantaged and vulnerable;
- Public infrastructure and related services;
- A healthy environment;
- Efficient public bureaucracy;
- An appropriate policy environment and regulatory mechanisms;
- Effective diplomacy.

¹⁰ Hon. Bruce Golding M.P., Prime Minister of Jamaica – Address to Parliament on the Supplementary Estimates (September 2009)