



## *Taking Responsibility*

### TOWARDS PUBLIC SECTOR REFORM IN JAMAICA: *WHAT LOCAL & INTERNATIONAL EXPERIENCES TELL US ABOUT SUCCESSFUL PUBLIC SECTOR REFORM*

REPORT

July 2011

R-11-001

Caribbean Policy Research Institute  
[www.capricaribbean.org](http://www.capricaribbean.org)



# Towards Public Sector Reform in Jamaica:

---

*WHAT LOCAL & INTERNATIONAL EXPERIENCES TELL US ABOUT SUCCESSFUL PUBLIC SECTOR REFORM*

This document was produced with the kind support of our funders:



Canadian International  
Development Agency

Agence canadienne de  
développement international

July 2011

Caribbean Policy Research Institute  
Block H, Sir Alister McIntyre Building  
University of the West Indies, Mona  
Kingston 7, Jamaica

[www.capricaribbean.org](http://www.capricaribbean.org)



## INTRODUCTION

In February 4 2010, the Government of Jamaica (GoJ) entered into a 27-month Stand-By Arrangement with the International Monetary Fund (IMF). This decision was influenced by the GoJ's attempt to seek funds to assist it in coping with economic challenges brought on by the global financial crisis (GFC). Importantly however, many of these challenges were the result of longstanding structural weaknesses, which with the GFC had seen the GoJ being unable to unilaterally introduce recovery programmes and other measures to respond to the crisis. Among these were the crippling debt (Appendix 1); falling earnings and exports in bauxite and alumina; rising unemployment and a public sector deficit of 13 percent of GDP (2009/10 FY). A total of US\$1.27 billion was promised under this fund with US\$640 million being made available immediately under the fund. Jamaica has since passed its first review under the IMF Stand-By Agreement.

The country has managed to obtain some stability in its financial market thanks to the restructuring of much of its public debt under the Jamaica Debt Exchange (JDX). Gains have also been made in tax administration and collectively these offer some hope for the country's ability to restore growth and sustainability. However, none of these measures are sufficient in and of themselves.

Key to sustaining these reforms and to the government's ability to achieve fiscal sovereignty is its ability to address, *successfully*, the matter of Public Sector Reform (PSR). A major component of the IMF's austerity measures has, therefore, been a call for the country to cut the overall cost of the public sector. Thus, while highlighting gains made by Jamaica after its first review in March 2010, the Deputy Managing Director and acting Chair of the IMF, Naoyuki Shinohara noted: "It will now be necessary to focus on moving the public sector reform program forward".<sup>1</sup> Focusing on the size and cost of the public sector as a route to public debt management is a valid approach. In terms of wages, (excluding pensions) the public sector accounts for roughly J\$126 billion of government's expenditure (a 40.6 per cent increase over the 2007/08 figure of \$86 billion), or close to 12 percent of GDP for 2009-2010 (GoJ, January 27, 2010). Public sector wage bill therefore, accounted for close to 12 percent of GDP in 2009-2010. The deficit in public sector entities was 2 <sup>3</sup>/<sub>4</sub> percent in the 2009/10 FY (IMF, 2010)<sup>2</sup>. Concern about the size of the public sector is also important since a large public sector literally represents a tax on society as, taxes are raised to maintain the size of the public sector, while resources that could be spent elsewhere is used in its maintenance. Thus, according to Carrizosa, the size of the public sector has implications for economic performance (2007: 1) but this will even more be the case where productivity and effectiveness (as demonstrated by level of competitiveness, for example) are low, all concerns for Jamaica (see Appendix 2). Public service effectiveness and efficiency are critical ingredients in a nation's ability to manage its economy and society and for overall growth. Attention to the size of the public sector is therefore, a critical component of any effort at debt management in

---

<sup>1</sup>IMF (June 23, 2010). "IMF Executive Board Concludes First Review Under Stand By Standby Arrangement with Jamaica and Approves US\$93.9 Disbursement", *Press Release No. 10/255*, June 23. <http://www.imf.org/external/np/sec/pr/2010/pr/0255.htm>

<sup>2</sup> To be reduced with the sale of Air Jamaica and the divestment of the country's sugar industry.



Jamaica with the Letter of Intent promising to reduce the wage bill to 9.5% of GDP within four years (MOF, 2010: 7).<sup>3</sup> Debt and deficits also constrains the level and quality of public services offered to citizens. With this the public service is under pressure to reform. Importantly, the pressure for reform has been provided by the specific political and economic situation that the country now finds itself in, with the requirement from the IMF providing further impetus. However, the citizens of Jamaica have consistently and in various ways indicated their dissatisfaction with the level of service from its public servants (e.g. via radio call-in programs). Attempts to address different aspects of reform have over the years have also brought unbalanced improvements suggesting the need for a review of former approaches, arguably requiring a more comprehensive and coordinated attempt at reform.

A number of countries have undertaken PSR and these have been driven by similar ambitions – to reduce debt and improve fiscal management while increasing efficiency and modernisation of the public sector. Thus, the position that Jamaica now finds itself in is to some extent not unique, a fact that has increased in significance in the aftermath of the global financial crisis. Where Jamaica is unique however, is the extent of its debt-to-GDP ratio, which currently puts it at number four in the world. This fact should mean an even greater urgency within the Jamaican government, private sector and citizenry to tackle this deficiency in the nation’s governance, while fuelling the search for ways of addressing this issue. One source for ideas or solutions is lesson-drawing from the experiences of other countries who have faced similar problems and who have tackled these issues successfully. Another source can be found in Jamaica’s past experiences towards a similar end.

However, it is proposed that any effort at addressing the cost of the public sector en route to debt reduction cannot be considered or undertaken without requisite attention to issues of productivity, capacity and security in order to ensure that reforms do not leave the country with a demoralised, unproductive and incapacitated public sector. The reality is that measures aimed at cutting the size of the public sector are merely short-term and cannot be sustained overtime. The emphasis should therefore be on productivity.

To this end, this paper undertakes a comparative review of PSR in a number of countries with the aim of assessing these experiences in light of Jamaica’s efforts to undertake similar reforms. Canada, Ireland, Sweden, and New Zealand will form the main case studies with experiences of other countries drawn upon in various sections of the paper. These were selected given general recognition that these demonstrate successful instances of public sector reform and debt management (see e.g. Schick, 1996 and 1998; Bourgon, 2009; Levy and Lovegrove, 2009). Attention will be paid to the lessons which these experiences portend for Jamaica, particularly in deciding what to reform and how with specific attention to the steps that may be taken towards this end. Importantly too, it is held that much can be learned from reviewing experiences of policy failure. As such, the paper also reviews a number of past attempts at PSR in Jamaica in an attempt to understand the policy environment and the specific problems that have hampered PSR in the past and how some of these have been addressed in the more successful cases.

---

<sup>3</sup> Twenty bodies were identified for divestment, while fifty inactive enterprises have been earmarked for closure.



## THE CHALLENGE OF PUBLIC SECTOR REFORM

The public sector functions as a critical component of the state, giving policy advice to ministers, developing and implementing administrative practices and procedures and managing government programs and services. The environment in which public servants operate is not static and changes over time. Reform is important given the need for the public sector to be able to learn from and adjust itself this changing environment. PSR is therefore, a vital aspect of a nation's ability to maintain an efficient, effective and responsive governance system. Speaking to the imperative for public sector reform Barber notes this as being important for governments to deliver "equity, diversity, and constantly rising quality" (2007: 2).

PSR has been a constant feature of the public administration and governance landscape. Nonetheless, PSR has since the 1980s (in the developed world) and 1990s (for developing countries) become even more popular. These reforms have taken place under different waves and have been informed by different theories and perspectives on the role of government in modern society. The latest set of reforms globally have been informed by perspectives such as public choice, new public management, contracting out, networked governance and hollowing out of the state. These initiatives have taken root in the developed world eventually trickling down to the developing world via measures such as policy transfer.

These efforts have realised various degrees of success, though for the most part only a few countries can be identified as clear winners from PSR.<sup>4</sup> While the requirements for a 'successful' PSR are varied and may differ from context to context, a number of lessons can be gleaned from international experience. Collectively, these experiences underline the difficulty in carrying out PSR successfully, particularly when done in a piecemeal fashion. Those that have been most successful have undertaken PSR over a short period of time and have highlighted the role of PSR in helping countries to (re)gain fiscal sovereignty. They also underline the fact that successful PSR is comprehensive not only in its focus but also in the level of support (particularly political support and leadership) required for its success.

Importantly too, the cases investigated also demonstrate that social policies are important to the success of PSR, a point which again underscores the value on focusing on: what to preserve? This question is an important guide in determining the route to PSR in Jamaica as well as a useful question in assessing the cases. Such a question also helps in highlighting the need for reform to be informed by local needs and contexts particularly since the point of a comparative exercise such as this is not to blindly copy the experiences of others but to learn what to do and what not to do. The "*what to preserve*" issue can be a tricky one but can be determined by focusing on the causes and objectives of reform.

The challenge, however, is choosing what to reform and identifying the key issues and themes to guide reform. More and more it is being accepted that the success and sustainability of reforms is as much about the social or welfare balance as it is about the economic policies. Indeed, it is increasingly difficult to make a smooth distinction between economic and social realms. This recognition has emerged even within

---

<sup>4</sup>As suggested by subsequent economic growth, increased public service performance and savings.



international development agencies such as the IMF which has traditionally focused more narrowly on economic policies, markets and paid less attention to social policies and the place of these in financial adjustment (Gupta et al, 2000: 24). The challenge remains as to how to reduce unproductive government expenditure and reform the public sector while ensuring the cost and benefit of reform is spread across the population.

Furthermore, successful PSR cannot only be about reducing size and wage freezes. Successful PSR requires attention to the resources (skills, training, reputational, legal and financial resources) as well as an appropriate mindset within the public service and among reformers. That is, “genuine reform can be defined as change that either produces a measurable improvement in services or a noticeable change in the relationship between institutions of the state and the citizens: hence a reform that changes the way in which civil servants are paid that has no impact on services or on the way those civil servants relate to the citizens would not be counted as a genuine reform” (EC, 2009: 12).

Performance Management (Barber 2007: 8) is also critical to reforming the public sector. This requires, reliable, accessible information on performance to allow for more informed choice for citizens, to allow the public service to assess successes and where improvements are necessary to permit government to better determine its overall performance, and to use its resources and to judge when and how best to intervene (including to reward performance). PSR also requires strategic direction to inform developments over the long term.

The reforms of the 1980s and 90s under the IMF-led Structural Adjustment Programmes were believed to have added to social and economic inequalities given the emphasis on markets and private sector and indiscriminate cuts in the public sector and public spending (see e.g. Ferguson 1992; Polanyi-Levitt 1991).

The next section will review previous experiences of PSR in Jamaica, to be followed by a comparative review of a number of the more successful experiences.

## PUBLIC SECTOR REFORM IN JAMAICA: A REVIEW OF THE MOST RECENT EXPERIENCES

Jamaica has made various attempts to reform its public sector since independence. The attempts range from small scale efforts to major attempts to overhaul public administration in Jamaica. Collectively, these illustrate some awareness of weakness and a desire to improve governance on the island. Thus, the language of PSR is not new to Jamaica. As Jamaica stands at the cusp of another attempt at PSR it is instructive to give some attention to these previous efforts. Such a review is important in understanding the context and evolution of past experiences and in turn, how these can inform future efforts. As will be demonstrated in the review of countries such as Canada, local experiences are as important to successful PSR as international, forming part of Jamaica’s institutional memory.

Two of the major initiatives and antecedents to the ongoing debate are the Administrative Reform Programme (ARP) and the Public Sector Modernisation Programme.



## ADMINISTRATIVE REFORM PROGRAMME I: 1984-1995<sup>5</sup>

ARP emerged out of a previous attempt to reign in the operational costs of the public sector and to modernise government via restructuring of the tax and trade regimes. Implementation of this initiative had been affected by a number of problems in the public administration system. Among these was an insufficient number of qualified technical staff, and poor budgeting and cash management controls. These underscored the need for an overhaul of Jamaican public service.

ARP 1 which ran from 1984-1995 was the result. Emphasis was placed on human resource (HR) management, restructuring of line agencies and financial management. Among the HR reforms undertaken during this phase was decentralization in personnel issues (e.g. management), improvements in compensation and pension administration, computerization of staff data, updating of regulations governing the public service with training being improved throughout. Responsibility for recruitment and promotions were delegated to line ministries and departments with the latter also being in charge of maintaining discipline based on the Public Service Commission and Ministry of Public Service standards. Improvements in financial management included efforts to reform the Ministry of Finance and Planning, computerization of financial systems and the introduction of performance budgeting.

A key aspect of fiscal reform was the Jamaica Tax Structure Evaluation Project (JTSEP), which, though initiated in 1983, continued under ARP up to 1985. Reforms here were motivated by a view that the existing tax structure was too complex, the existing tax level was too high while capacity needed to be advanced in tax administration. Weak political will also meant laws were not enforced and infringements not punished (Osei, 2006: 65-66). Emphasis was however, placed on improving tax administration as a means of increasing revenue for national development. Efforts were also made to transform the Cabinet Office, essentially from a note and minute taking body to one that could offer more support in policy management (e.g. planning and implementation) and take a more comprehensive view of issues as they affect government. These were initiated in 1993 when the new Cabinet Office was established in July of that year.

An important component of reforms during this period was the adoption of the IMF's SAPs, which emphasized the need to reform the role of the state, namely the retrenchment of the state in certain areas of the economy. This included welfare services and areas that could be operated by the private sector. The result was a reduction in the size of the public sector, with privatization playing a major role in this movement (e.g. Telecoms). Spending in areas of social and welfare services were also reduced. Through these measures, the size of the public sector was reduced from 130,400 in 1974 to 103,800 in 1985. A further reduction of 8,000 was realised by 1992. The view was that growth required more support for the private sector. The capacity and support of the voluntary sector was adversely affected even as they were expected to pick up the activities left by a receding state. Jamaica's experience with Structural Adjustment in the 80s, underscore the need for future reforms to focus more on how to reform the economy and governance structures, improve fiscal management while ensuring that reforms are more balanced in their effect and do not disadvantage the poorest.

---

<sup>5</sup>Much of the review of PSR in this section is informed by Osi 2006).



The World Bank (WB) report on the project noted the outcomes of programme as unsatisfactory. Institutional development, one of the ambitions of the project was negligible, while the likelihood of the project being sustainable was rated as unlikely (1995). Osei also observes that the reforms focused on long-term over short-term goals due to the absence of a clearly articulated vision and objective of reform. Additionally, consultants were largely based overseas with little coordination or effort to involve government counterparts, or attempt to assess the skills and capacity of existing civil service and if these were sufficient to manage the reforms being recommended. Importantly too, the departure of this group meant implementation and momentum were lost from the projects. These were compounded by lack of sustained support from the WB (funder) and the GoJ. Project documents also noted the acquiring and introduction of an extensive management information system, even though a budget had not been allotted for this expenditure, demonstrating poor planning on the part of its designers. As it concerned efforts to reform the tax system, allowances that had been removed in 1986 (e.g. housing, laundry and meals) were returned by 1988, defeating the purpose of reform (Alm and Wallace, 2004: 17).

## PUBLIC SECTOR MODERNISATION 1996-2002

These shortcomings were to see another attempt at PSR in 1996 under the title of the Public Sector Modernisation Programme (PSMP). The programme was also motivated by the desire to redefine and modernise the state to respond more effectively to globalisation, to obtain fiscal austerity and to meet expectations for efficiency and improved service from the public (Davis, 2001b). The Public Sector Modernisation Programme represents one of the most recent and longstanding efforts to reform the public sector.

PSMP comprised a number of initiatives. The first focused on improving governance by modernizing government and saw efforts to review public service regulations and Staff Orders, improvement in the accountability framework for Permanent Secretaries, reform of secondary education, pensions, audit and tax systems, social policy process and the introduction of a financial management information system. These reforms were informed by a diagnostic involving a review of the functions and performance of public institutions.

The second aspect of reform saw an attempt to increase accountability by making internal and external controls more robust. Key to this was the emphasis on performance management with codes of conduct being introduced for public officers, including ministers of state<sup>6</sup>, underlining the political element of reform. Institutions for accountability were also introduced (e.g., the Corruption Prevention Act) all aimed at increasing accountability in the public sector. One of the key activities under this initiative was the emphasis on improving customer service and delivery in the public sector (Sutton, 2006: xiii-xiv). The Public Sector Public Sector Customer Service Competition (PSCSC) introduced in 2001 to award public entities for excellent service represented a major plank in the initiative to increase performance accountability and customer service (see JIS, 2010). Winners were chosen based on the number of votes given by the public to each entity. Further improvements in customer service were

---

<sup>6</sup> This code, which was modelled using the system in the UK as a template, underlined values of selflessness, integrity, objectivity, accountability, openness, honesty and promotion of good leadership (GoJ, 2002; Osei, 2006: 63-64).





encouraged with the introduction of Citizen's Charter. These were drawn up by each agency and sought to move towards the view of the public as customers

The reforms under ARP were sustained particularly through the third initiative which focused on human resource management. A Human Resource Management Information System (HRMIS) was installed leading to the computerization of personnel data. This allowed for more comprehensive analysis decision-making and forecasting of human resource needs. Jobs and posts in some agencies had also been revised with applicants being required to reapply for jobs. Other tools such as voluntary redundancies and retrenchment (e.g. existing posts being cancelled) was also utilised to increase the quality and fit between staff and their tasks. Emphasis was placed on advancing the policy and regulatory capacity of the public sector as seen in the introduction of bodies such as the Office of Utilities Regulation in 1997. Another aim was to bring public sector wages to within 80% of those in the private sector. However, this plan was halted when the reality and growth of the national debt (see Figure 1) forced the negotiation of a freeze on wages and a Memorandum of Understanding (MOU) between the government and trade unions. This MOU was modelled off the Social Partnership type agreements in Ireland.

Fourthly, efforts to impose fiscal and financial management, which began in 1994, were sustained under the PSMP. This project represented an extension of the Jamaica Tax Structure Evaluation Project (JTSEP) that ran from 1983 to 1985. This second effort came under the title of the Tax Administration Reform Project which, as its name suggests, aimed to strengthen the tax administration system. It also aimed to increase the tax base, reduce evasion, increase collection and increase voluntary compliance. Given the value of the Customs department to government revenues, capacity was also increased in this area, including an increase in online presence.

Some of the results of reforms included the creation of Executive Agencies, seen as one of the crowning achievements of PSMP. Decentralisation also saw human resource authority passing to Ministries and Departments from the Public Service Commission. Improvements were also made in the ease of paying taxes with an increase in the number of collection centres, improved customer service, increased control over the tax system and the introduction of a Taxpayer Registration Number. A 60% increase in the tax base was identified thanks to an increase in the number of registered tax payers.

New Public Management approaches such as privatization, contracting out and regulatory reform were also expanded under PSMP. Services that were formerly provided in house were contracted out (e.g. security, catering services in health care and airport management) via management contracts. Privatisation, which was used in the '80s, was also extended; the rationale being that the government would be allowed to vacate areas of the economy that it was incapable of managing while freeing up capacity and resources to focus on core functions and potentially to increase remuneration for a reduced public sector. Thus, the government was to give up its remaining shares in the telecommunications monopoly (Cable and Wireless) and privatise the electricity company (JPSCo). Other services (e.g., sewerage) and facilities (e.g., national parks) were also privatized. Other measures included mergers (public bodies such as the Caribbean Housing Finance Corporation and National Housing Corporation becoming the National Housing Development Corporation), and closures (the Forestry Industries Development Company) (Davis, 2001a and c).



The use greater use of contracts was accompanied by recognition of a need to improve procurement procedures in government to advance transparency and accountability. This was an important move, given that procurement has tended to be an area that has been marred by political conflict (see Osei, 2006: 74). Attempts were also made to improve experience and procedures relating to procurement within ministries and departments. Among the reforms was the establishment of a procurement implementation unit based in the Inspectorate Division at the Ministry of Finance (MOF). This body was charged with modernising and improving standards for procurement in the public sector. Another institution, the Internal Audit Directorate was also established in the MOF. This unit was based in the Financial Management Division and was given the task of strengthening financial controls within the public sector. A National Contracts Commission was created to bolster the Contractor General's capacity. The Contractor General (CG) also chaired this new body. Institutional capacity was also increased in the Auditor-General's office. An Environmental Action Programme was also introduced to 'green government', in an effort to reduce waste and cost (Davis, 2001c: 3).

By 2001 the GoJ had concluded that "the change had taken route"<sup>7</sup> denoting the increased attention to customer service,<sup>8</sup> gains of the EAs, including increased earnings,<sup>9</sup> decentralization of decision making and services, greater efficiency, value and transparency in government. However, recognized challenges to the SMP's success included, the availability of financial resources to continue reforms and the difficulty of implementing politically unpopular decisions such as privatization, mergers and redundancies (Davis, 2001c: 6).

The above demonstrates a sustained effort among successive governments to improve the quality of governance and public administration in Jamaica. The quality and extent of commitment and support towards these reforms have however been an issue through the second round of reform appears to have had much more political support and impact.

Reforms under ARP have been said to have led to greater communication, better monitoring and evaluation of Cabinet decisions (Davis, 2001: 4). Nevertheless, it also appears to have succumbed to the problems of insufficient planning and forecasting, incomplete budgeting, lack of vision, insufficient follow-up and continuity. Local personnel were also insufficiently involved in the project and thus, according to Osei local ownership was weak (2006: 60-61).

Gains secured under the PSMP are noteworthy and have helped to improve the character of public service and governance in Jamaica. Public private partnerships have increased with greater emphasis being placed on the use of contracts as a form of interaction between the state and private companies. The government has been able to reduce the strain on its resources, certainly from the newly privatized bodies, while liberalisation and privatization in some areas (e.g. telecommunications) have brought

---

<sup>7</sup> GoJ (2001: 2).

<sup>8</sup>Customer service ratings for the newly created EAs had moved from 83 per cent in 1999/2000 to 90.3% in 2000/2001. By 2004, this had moved to 95.7% (GoJ, 2004).

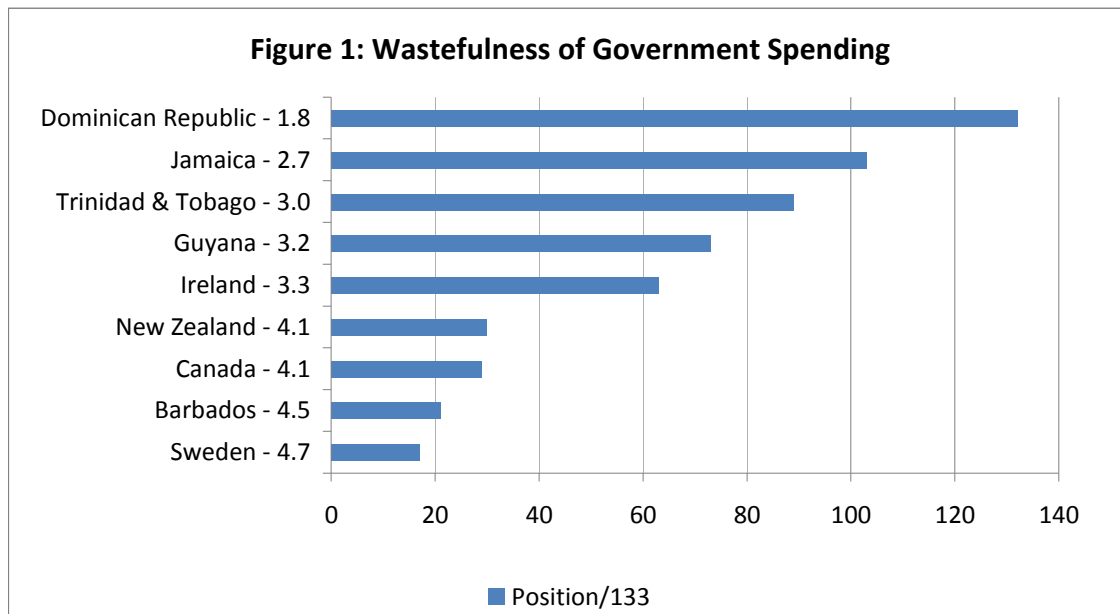
<sup>9</sup>For instance, J\$92.9 million had been collected in user fees 1989-1999. With the creation of the first four EAs from 1999, collections had increased to J\$503 million by 2001/2002 (GoJ, 2004).



greater efficiency and choice for consumers. Some departments have also gained more clarity in terms of their operation and mandate (Caricad, 2003: 13).

However, gains have been uneven and have been more visible in the Executive Agencies. The result has been an overlaying of new practices and rules over old practices and culture. Thus, while productivity appears to have been increased in the EAs (based on the increased customer service, for example) this has not necessarily been the case throughout the whole sector. Thus, it is indeed instructive that the EAs have been labelled the *pièce de résistance* (Davis 2001a: 4) of the PSMP and even here, it has been suggested that higher salaries may not be justified given that employees are not better qualified than those in the traditional civil service (Caricad, 2003).

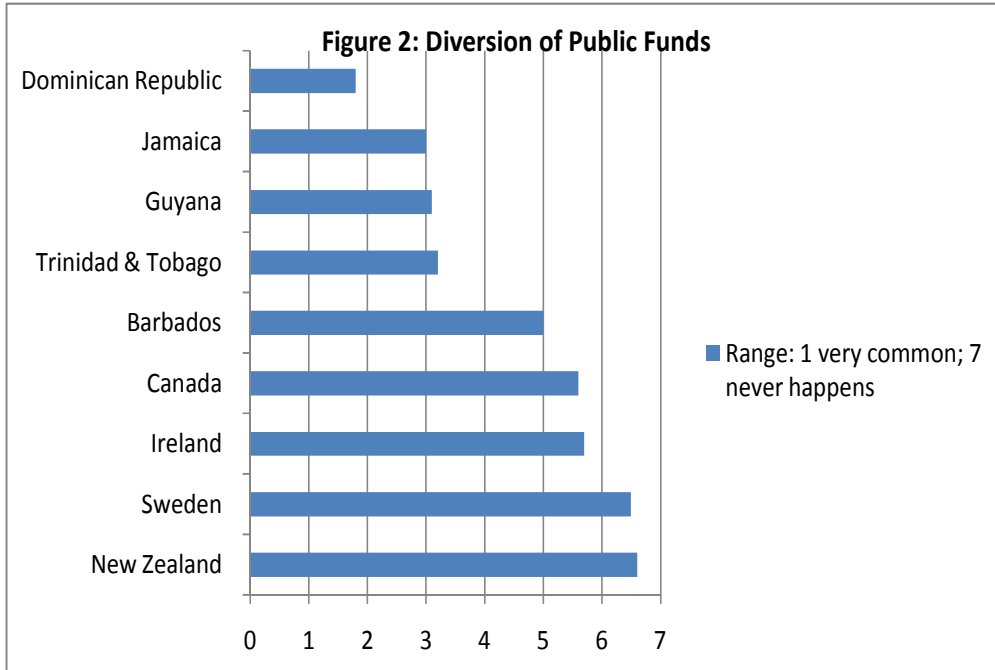
Analysis of reforms has also underscored this view of the existence of two public services in Jamaica with informal management structures co-existing with the formal underlying the need for change not only in the performance and culture of the public sector but also among the public at large (see Caricad, 2003). Transaction costs remain high while enforcement and punishment remain low. Additionally, cost in the public sector has not reduced after successive attempts at privatization, retrenchment and redundancies. For instance, public sector wages and salaries amounted to roughly J\$3 billion in 1992/1993. By 1999/2000 this was J\$35 billion or 25% of the GoJ's budget and 15% of GDP - \$86 billion by 2008 (GoJ, 2010) - (Davis 2001b: 2). Figures 1-4 give an indication of Jamaica's performance in key areas of governance vis-à-vis some of the cases to be reviewed in this work and for available Caribbean territories for 2008. These all paint a picture of under-performance after decades of attempts at reform.



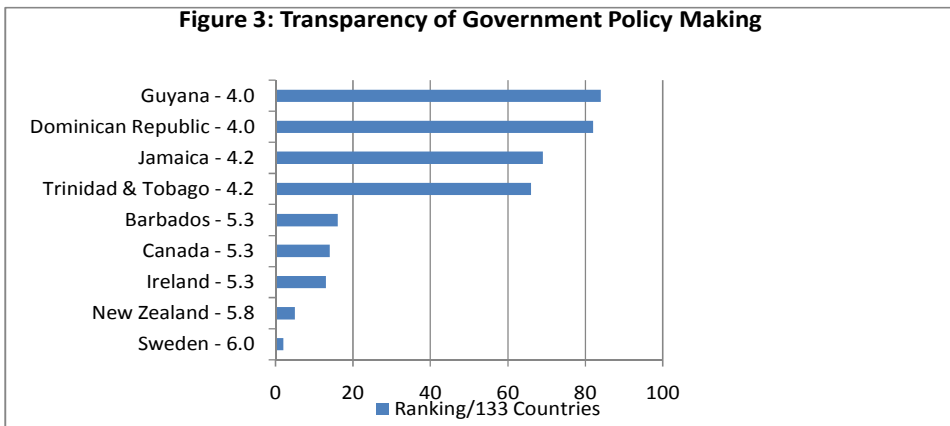
Key: 1=Extremely wasteful; 7= Highly Efficient,

Source: Compiled from World Economic Forum (2009).



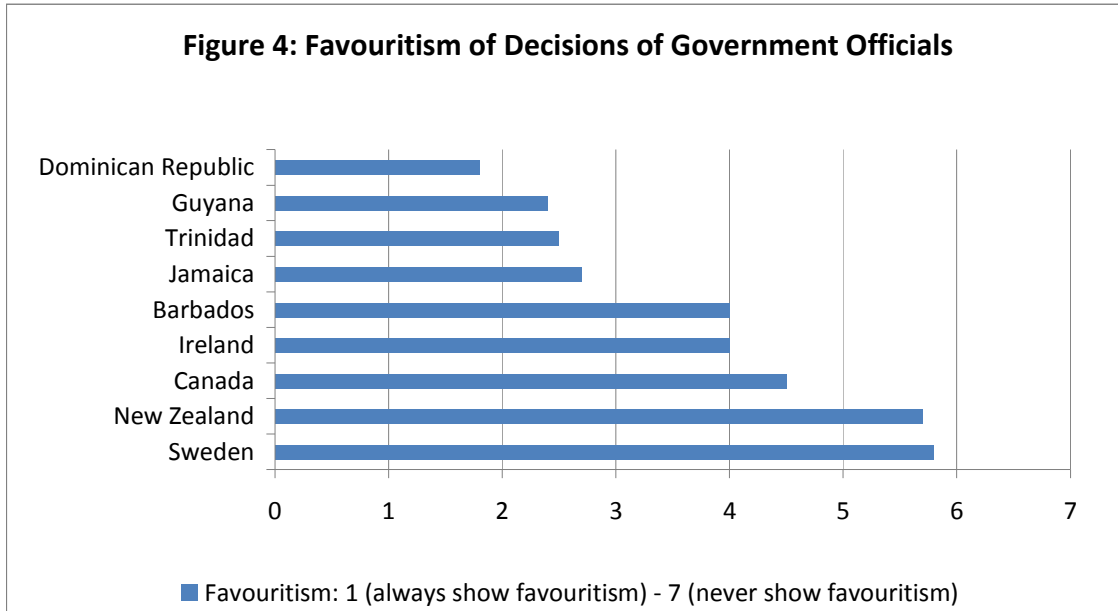


Source: Compiled from World Economic Forum (2009).



Source: Compiled from World Economic Forum (2009).



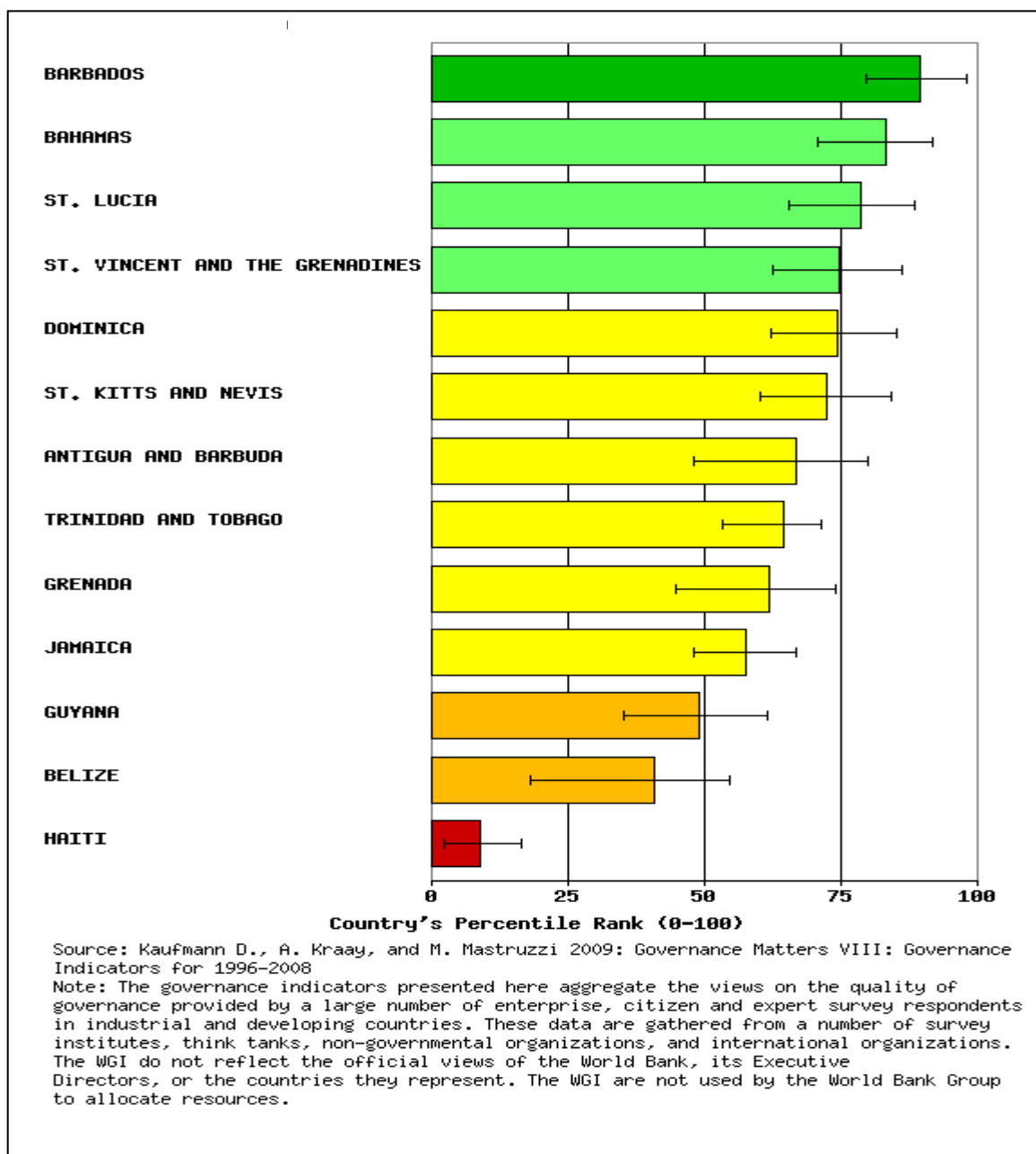


*Source: Compiled from World Economic Forum (2009).*

Manning (2001) and others (e.g. Sutton, 2008) have also questioned the extent to which the NPM model of reform has actually seen meaningful change and improvement in the public sectors of developing countries, including, Jamaica and the Caribbean. Other reforms while having some achievements have not made sufficient gains at the comparative level. E.g. the burden of customs procedures is still among the highest in the world with Jamaica being rated at 100 of 133 (Barbados is at 73 and the Dominican Republic 45) (Schwab, 2009: 416). Moreover, Jamaica’s overall performance in terms of government effectiveness has therefore been rated one of the worst in the Caribbean (see Figure 5).



Figure 5: Government Effectiveness 2008



Successive attempts at PSR have also left the Jamaican public servant with some level of unease and insecurity. Osei also notes that there exists some conflict in the employer-employee relation within the public sector. The failure of government to live up to promises has not helped this position. Thus, while the backtrack on salaries emphasise the reality of the crippling effect of debt on a government's ability to stick to its promises, to carry through initiatives to increase performance and motivate workers, it is nonetheless, important that as much as possible political leaders live up to pledges since this has relevance for its credibility. Inability (intentional or not) to



follow-through on pledges and policies can have a negative impact on future negotiations with the public sector and the GoJ's ability to gain the confidence and trust needed for concluding constructive arrangements in the future.

The reforms under PSMP particularly as it relates to procurement also highlight another challenge which has sometimes accompanied attempts at PSR. That is, the risk of reducing the impact of reforms through the creation of new bodies and the splintering of related mandates across different bodies.<sup>10</sup> With this, efficiency may be compromised while already scarce resource may be lost through duplication and overlap while opportunities for cooperation and communication are lost.

As such, the picture of previous efforts of PSR is quite mixed. If the measure of success is the extent to which behaviour has changed for public servants in charge of programmes and resources in government and the extent to which service has been improved in an organisation (see Schick, 1996: 3& 5) then the verdict for previous reforms would suggest some success as it relates to the executive agencies but not so for the entire ARP or PSMP. Indeed, the failure to register increases in productivity or significant gains in overall efficiency would support this claim. Thus, with all these reforms, Jamaica is rated among the worst in terms of burden of complying with government regulations (121 of 133 countries with Barbados, Guyana and Trinidad and Tobago at numbers 17, 43 and 56 (See Schwab, 2009: 353).

It would also appear that one of the major challenges to success and for these efforts to fully result in an overall improvement in the nation's public administration has been the fact that such improvements have been piecemeal. Perhaps however, the time has come for the nation to instigate an extensive reform program over a specific time frame with clearly articulated objectives and measures. This would require changing the view of PSR – from an ad hoc activity to a public policy<sup>11</sup> in the same vein as PSMP, but even more advanced and with the full support of the political elite.

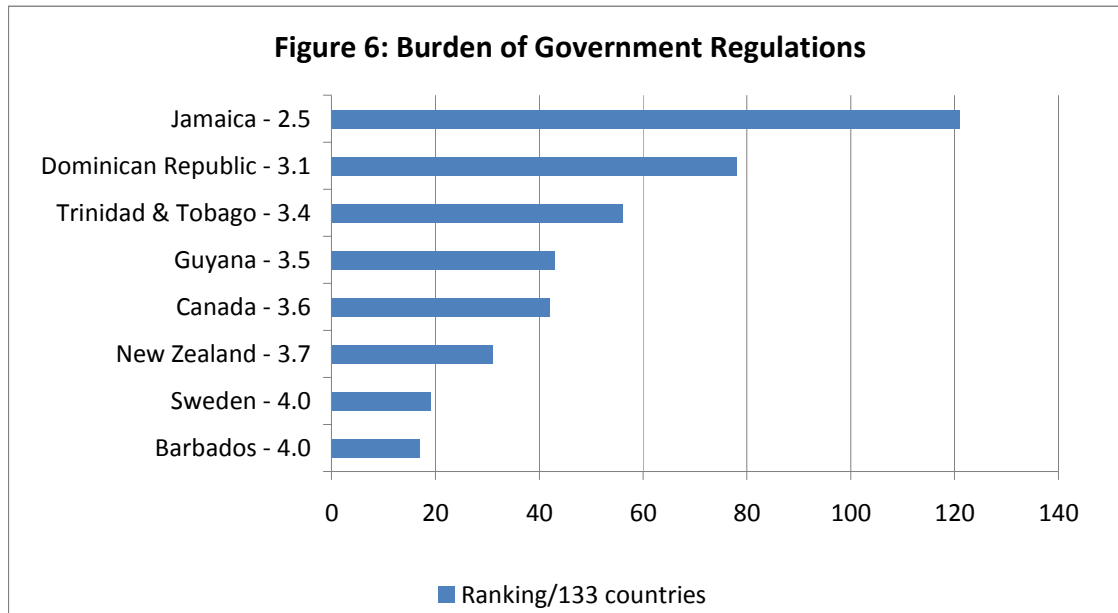
Nevertheless, gains secured through these initiatives need to be sustained and build upon in the present round of reforms. Existing institutions such as the Public Sector Modernisation Unit and other bodies and initiatives with the public sector need to be subsumed and coordinated under a single effort. The aim is to reduce duplication and avoid mixed agendas and messages being conveyed throughout the civil service and in turn, to Jamaicans about government's intentions and their place in this agenda.

---

<sup>10</sup>As in the creation of the two bodies charged with overseeing and enhancing capacity and procedures relating to procurement in the public sector.

<sup>11</sup>Also in Premfors (1991: 87).





Note: Transparency of government policy-making measures the ease for businesses to get information about industry-related policy and regulatory changes with 1 being impossible and 7 being extremely easy.

Source: Compiled from World Economic Forum (2009).

## COMPARATIVE REVIEW OF PUBLIC SECTOR REFORM

Thus, the problems that have given rise to attempts at PSR in the '80s, '90s and the first decade of the 21<sup>st</sup> century largely remain the same in 2010. What is the missing element in these reforms? What has continuously nullified the effects of efforts at institutional and capacity updates in the Jamaican PSR? Some of these have been raised above. The next section identifies other possible areas by focusing on the experience of some, more successful, attempts at PSR.

### PUBLIC SECTOR REFORM IN CANADA<sup>12</sup>

Canada's situation also has particular import for Jamaica in that the country carried debt and wrestled with fiscal indiscipline for decades. The experience of public sector reform in Canada remains one of the most convincing attempts at fiscal and debt management in recent history. In 1995-96, Canada's debt to GDP ratio which peaked at 68.4% was reduced to 29.8% by 2007-08 moving from the second highest to the lowest in the G7. Public service employment which stood at 231,400 in 1994 was reduced to 186,314 by 1999. Program spending was reduced from 16.8% of GDP in 1993-94 to 12.1% in 1999-2000. The gains experienced since the '90s have thus been of historic proportions. Among these is its longest period of budgetary surplus experienced from 1997/98 to 2007/08 (Department of Finance, Canada, 2008; Bourgon, 2009). How did Canada accomplish this? Even more, given that reform took

<sup>12</sup> This section draws upon Bourgon (2009).





place over a three year period, this case also holds lessons not only on the substance of PSR but importantly on the steps for implementing PSR. This section addresses these issues after a brief review of the origins of Canada's crisis.

The post World War II period had seen the emergence of an ideology that supported government spending as the route to growth and sustainability. This saw rising government deficit and fiscal imbalances with roughly 35% of government revenues going towards servicing debt in 1993. By the mid-1980s the consensus was to shift with government spending being viewed as a problem, not the solution or instigator of sustainable growth. It was however, during the mid 1990s when the debt to GDP ratio reached its highest levels that sufficient action was taken to halt economic decline. These measures, to date represent one of the most comprehensive and targeted approaches to debt management via public sector reform.

Reforms were also heralded by the election of a new government at the end of 1993. Importantly, however, the manifestoes of the major parties all highlighted specific strategies towards addressing national debt. Such a move underscored the understanding – across party lines – of the need for change at the highest level. The newly elected government quickly reaffirmed its pledge to reduce the deficit in its 1994 budget presentation, noting its intent to bring the deficit within three percent of GDP within three years. While the government gave little indication of the way this was to be accomplished in its presentation, it pledged that the Minister for Public Service Renewal would be in charge of reviewing all departments in order to reprioritise government spending and reduce or eliminate others. Weeks of coverage within the media would help to add momentum and urgency to the need to translate its election pledges into tangible policies.

Reforms were undertaken via Program Review (PR), an approach pioneered by the Department of Transport (see Appendix 3) and advanced as a concept by the Privy Council Office (Box 1 gives an indication of PR and how this proceeded in the Department of Transportation). PR was informed by discussions with key figures in the politico-administrative nexus. These included ministers in charge of finance, and Public Service Renewal, the Treasury Board, the Prime Minister and Cabinet Secretary, and their respective offices. PR contained a six-staged process developed to guide the review, has since been held up as one of the success stories of this reform.

Each stage was informed by a specific question which together reflected the main objectives of reducing the cost of government and redefining program responsibilities (Andrews and Brodrick, 1997).

Does the program or activity continue to serve a public interest?

Is there a legitimate and necessary role for government in this program area or activity?

Is the current role of the federal government appropriate or is the program a candidate for realignment with the provinces?

What activities or programs should or could be transferred in whole or in part to the private or voluntary sector?

If the program or activity continues, how could its efficiency be improved?



Is the resultant package of programs and activities affordable within the fiscal restraint? If not, what programs or activities should be abandoned? (Bourgon, 2009: 15)

Where savings did not materialise at step 6, PR offered an opportunity for reformers to return to step one and conduct another assessment. These steps were also used to review new requests for funding and reallocations.

PR encapsulated all public bodies reporting to a Minister and to Parliament. Among these bodies were Crown Corporation, or quasi-judicial bodies and agencies. A number of policy reviews (via a portfolio-based approach<sup>13</sup>) had been commissioned by the newly elected government from 1993. These were later integrated into the PR initiative and included areas such as, small business, social security, defence, foreign policy and science and technology.

Bourgon notes that an underlying theme of PR was the view that a deficit the size of that in Canada could be reduced simply by productivity increases. Rather, initiatives were more informed by recognition of a need for a more systematic approach to PSR, one that underscored a need to assess the value of government's ongoing activities in light of its fiscal framework. "[a]cross the board" cuts were therefore, rejected in favour of identifying those areas of the public service that were critical to the country's future prosperity and should, therefore, be preserved. Emphasis was not placed on performance. According to Bourgon, such measures are more suited to "reallocations and not to reducing a sizeable deficit" (2009: 14). Thus for Jamaica, the suggestion is that while performance indicators and results are important and have their place, particularly in helping to raise productivity and efficiency, this cannot in and of itself reduce its current deficit. Rather, PSR as a debt reducing tool will of necessity involve some re-examination of the way government carries out its business, and more emphasis in ensuring that this is done within the ability (and desirability) of government to cover these tasks and related costs.

May 18, 1994, marked the official launch date of PR. This was heralded by the head of the Privy Council (also the Minister for Public Service Renewal) submitting a letter to the Cabinet indicating the approach and principles guiding PR. Each department was given the task of reviewing and assessing its activities. Each department also had responsibility for framing its own adjustments over a three month period. Ministers and deputy ministers were issued the responsibility for this process with freedom on who to involve in consultations and how to carry the process forward. The result was that each department could select an approach that was mindful of its circumstances and needs. Thus, the approach was not uniform, with some departments utilising stakeholder participation and others making use of internal research capacity and the experience garnered from previous consultations. Each department also assigned a "program review coordinator" who liaised with the Secretariat, ensuring timely communication with this body. Departments were informed in early July of the need to deliver Strategic Action Plans (Plans) requiring organisations to identify their core

---

<sup>13</sup>The portfolio-based approach focuses on assessing expected gains and losses, and risks attached to various strategies. These can be incorporated into future policy decisions. Allows for the best/optimal combination of costs and risks of given portfolios, in so doing helping to identify alternative policy choices (see e.g. Lowengrub and Yang, 2008). The term which has been used in finance also allows helps to identify the value of various aspects of a portfolio over the present and medium-term (Elliott and Glytin, 1998).



public service functions and responsibilities and ways of offering more affordable and modernised public services via the six-stage process. By October specific cost-saving targets were issued with departments having the responsibility for meeting these targets within the proposed departmental plans. Departments were given more liberty to reallocate funds, as well as, to implement decisions. Attention was placed on the role of each department in the context of the government's three-year fiscal plan and the public service role envisioned for that department.

This approach ensured a strong link between policy choice and policy implementation, and reduced the risk of tactical behaviour (ministers arguing that they could do more if it was not for the resistance of the Public Service and public servants arguing that they could do more if there was political will to take action)

Bourgon (2009: 14).

Each Plan was reviewed by three different groups. The first of these was the Deputy Ministers' Committee (DMC) which acted as a steering committee giving advice to departments and peer reviewing the Plans. Deputy Ministers were briefed by the Cabinet Secretary ensuring that they were fully aware of the job expected of them over the coming months. The DMC headed by Mme. Jocelyn Bourgon, Clerk of the Privy Council and Cabinet Secretary consisted of eight members.<sup>14</sup> Like so many other areas of PSR in Canada, openness and transparency were critical with assessments of Plans being shared with ministers and their deputies, and emphasis being placed on "forging political consensus". The DMC also shared its assessments and gave advice to the second group, the Cabinet Committee, which was charged with providing the political oversight to the Plans. This nine member committee was appointed by the Prime Minister. Appointments were informed by a desire to ensure representation among key ministries, across political views and regions.<sup>15</sup> The inclusion of the various ministers and levels also meant that the stakes for opposing the Plans or delaying the process at the cabinet level were reduced. The final group was the Prime Minister and Cabinet offering the final and most significant level of political oversight and credibility to the debt reduction exercise. This group "provided the political leadership to the review, ensured ministerial solidarity and assessed the overall balance and impact of the proposals" (Bourgon, 2009: 17).

An eight-member PR Secretariat provided a fourth institution in the PSR landscape in Canada. Staff here was seconded from other areas of the public service and coordinated presentations to committee of Ministers and Deputy Ministers. It also coordinated communication between the various departments and central

---

<sup>14</sup>Other members were the deputies for ministries of Finance, Environment, Western Economic Diversification, Public Works and Government Services Canada, as well as, the secretary of the Treasury Board, deputy secretary of Plans and Priorities, Privy Council Office, and the executive director of the Program Review Secretariat in the Privy Council Office.

<sup>15</sup>Membership included, the President of the Privy Council who was also minister for both Intergovernmental Affairs and Public Service Renewal who acted as chair, Minister of Finance and President of the Treasury Board. Others were the Ministers of Fisheries and Oceans, Citizenship and Immigration and Energy, Mines and Resources, and the deputy Prime Minister who also acted as Minister of the Environment and Chair of the Cabinet Committee on Social Development Policy. The final two members were the leader of the Government in the House of Commons and Solicitor General of Canada, and Secretary of State for External Affairs and Chair of the Cabinet Committee on Economic Development Policy.



government, reporting directly to the Deputy Secretary of Cabinet. One of the first acts of the Secretariat was the delivery of a presentation aimed educating departments about the goals and rationale for reform and how to organise for PR. Its activities were largely informed by previous attempts at PSR both locally and internationally, underscoring the need for ‘real’ cuts, not just reductions in planned spending increases” (Bourgon, 2009: 18). Again, the suggestion here was that a freeze in spending and salaries was not the aim, and certainly not sufficient to reducing deficits. Bourgon also emphasises the need for prudence in the reform process. This was achieved through, “lower-than-average fiscal hypotheses, the creation of a contingency reserve and the elimination of policy reserves for funding new initiatives” (2009: 23). Exceptions and allowances were not permitted before the next election.

While there may have been differences between the Prime Minister and the Minister of Finance, strong collaboration was noted as being vital for success. Hence, successful reforms do not necessarily require all parties to share the same ideology or world view. There is more a need to act in the nation’s best interest and to support sound policies aimed at restoring economic prosperity. What is for sure is that where key parties are unable to act concertedly and provide a united front, in spite of differences, then the legitimacy and ultimately success of any reform effort can be significantly compromised.

The choice of leadership for each committee demonstrates the importance of leadership for reform. The selection of Madame Bourgon as chair of the DMC was not only practical but symbolic given her role in rallying support among deputy ministers behind government’s agenda. In the case of the Cabinet Committee, the Chair did not possess a department of his own. The inclination to protect a turf or position within a department was removed allowing him to focus narrowly on building political consensus. Both chairs also had direct access to the Prime Minister again heightening the profile of their office and in turn, their task. Ultimately, this move was strategic since it afforded the Minister of Finance more room to argue the case for reform across a broader range of audience (businesses, interest groups, citizens and in parliament). The Prime Minister played a critical role to the success of the reform movement, offering the political, symbolic and practical direction and support which brought credibility and form to the movement not only among his government but to Canadians, as a whole. The PM was therefore, responsible for bringing some discipline and trust to PR, demonstrating true leadership by ensuring the members of his government supported the effort. Ministers were not allowed to evade or appoint someone else to carry out their tasks. Unlike the Jamaican case of ARP ownership of reform was not an issue, a move which also helped to raise the stakes of success and failure.

PR followed a strict timeline with Plans were submitted to the Secretariat by the end of August 1994 with the aim of completing the work in time for the February 1995 budget. The SAPs were submitted to the DMC by mid-September of 1994. Reports were grouped according to roles and responsibilities with the group meeting every two weeks to review the proposals. Interestingly, the key ministries and departments (e.g. Department of Finance and Cabinet Office) were reviewed first in order to make it clear that no department was going to be exempt. Again, evenness in implementation is important with the symbolism and deeper meaning of taking a balanced approach being fully underscored throughout the process. The overarching nature of reform



allowed individual interests to be tempered by the collective. The Cabinet Committee began its work in earnest in September though it had been meeting since August. By December, meetings were held twice per week, up from once per week in September. This allowed for frequent contact while ensuring that the momentum was sustained.

Minister's retreats offered the PM an opportunity to mobilise even more political will behind PR. The final set of proposals was introduced at a retreat at the start of 1995. The PR was given sanctity and some permanence under the law when they were included as part of the budget legislation of that year. This move also made it more difficult for future leaders to ignore the results of the PR and maintain focus on managing the deficit. Ultimately, an ambitious approach saw the Government of Canada surpassing its initial target for savings. The Secretariat and the coordinators from each department were to oversee implementation of the PR. This exercise was advanced under a review conducted later that year. This review considered issues revealed from the PR that cut across different departments giving rise to additional measures which were fed into the 1996 budget.

The Program Review was successful in raising awareness of the limits of government's ability to take on new spending while reducing the size, scope and cost of the public sector. Practices such as indeterminate employment<sup>16</sup> were reduced and early retirement and departure incentives were offered to a number of civil servants over a three year period. Those who opted for early retirement 60 days after being declared among the surplus were to see their pensions being protected at present levels. Others were offered cash payments if they chose to resign.<sup>17</sup> Around 8,000 civil service positions were transferred (to the voluntary and private sectors, and other areas of government). Downsizing was initially accompanied by assistance packages for those who lost their jobs. This was done with clarity and consistency. Flexible administration allowed those persons who wished to remain in the public service to be posted to vacant. Government subsidies to businesses and other areas were reduced or removed altogether again helping to reduce program spending. Some roles, in areas such as the social sector were devolved to provincial government and via cross-sector partnerships in areas such as youth job creation, environmental management and crime prevention, reducing duplication and more directed services to citizens. Importantly too, IT was used to introduce innovations which improved the public-government interface in areas such as immigration and business services. The creation of a government website which allowed for easy access to government services via the Internet was useful here. User fees were also introduced or increased to recover cost. Importantly, though spending was actually increased on some social programs (e.g. aboriginal peoples); a willingness to act and to do so quickly was useful for the success of these initiatives.

However, achievements were not uniform with some departments achieving more success than others (Andrews and Brodtrick, 1997). Bourgon notes too, that PR was useful in bringing more debate and awareness among Canadians about the budget process, specifically on issues such as planning assumptions and fiscal measures that

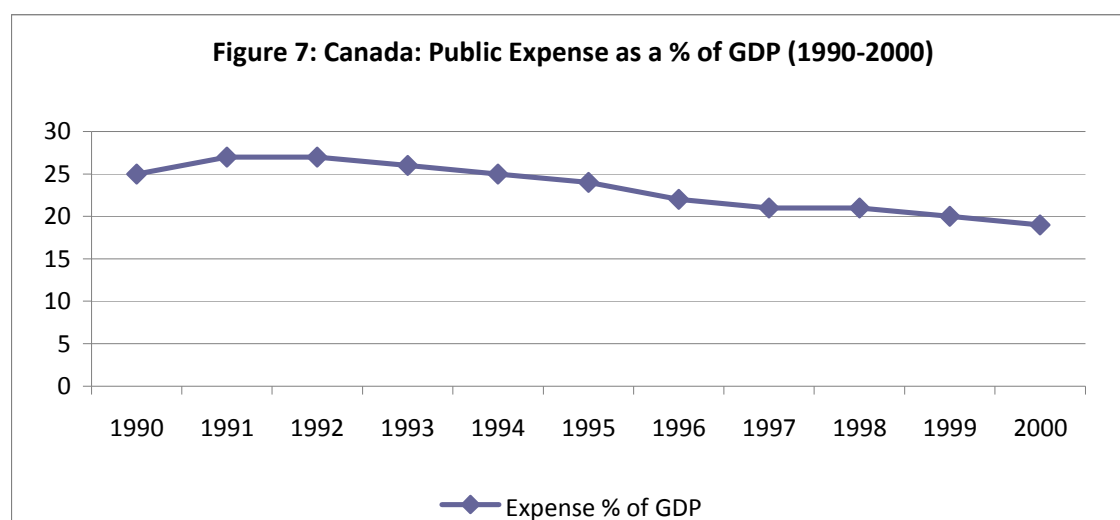
---

<sup>16</sup>For instance, all but four percent of appointments April 1994-March 1995 were based on temporary employment, the latter including student internships (Andrews and Brodtrick, 1997).

<sup>17</sup> The size of the payout was determined by age, salary and years of service and pension eligibility (Bourgon, 2009: 22).



could be undertaken to address the deficit. A cabinet committee was also used for assessing and recommending budget options. Ultimately, greater openness and consultation brought the weight of the population behind the reforms increasing understanding of the extent of measures needed to address the deficit. The Ministry of Finance and particularly, the deputy minister were essential in this process. The Privy Council Office and secretariat of the Treasury Board worked closely with the Ministry through the process, a move which helped to reduce contingent liabilities. Managing contingent liabilities also meant surpassing the private sector's cautious stance in their projections on growth and interest rates. A contingent reserve was introduced while policy reserves were eliminated. Thus, fiscal discipline was a hallmark of reform. The emergence of a global financial crisis in 1997 and attention to the country's debt underlined the value of the debt reduction strategies and strengthened the resolve to implement reforms that were already being discussed. Reforms were obtained with little social dislocation. The end was a reduction in the size, scope and cost of government while the budget deficit was eliminated by 1997.



Source: *World Development Indicators (WB, 2010)*

Implementation has been key with all the decisions under the Programme Review being implemented by 1999, this even as the country had already begun bearing the fruits of its efforts in the middle of that decade.

Importantly, however, efforts to reform the public sector were not new. Indeed, efforts to bring control over deficits and budgets had seen a total of 22 budget cuts being introduced 1984-1993. These involved cuts to departmental operating budgets, wage freeze, reduced subsidies, development assistance and funding to provincial governments, as well as tax increases. Some of these measures which left the civil service demoralised and overloaded were to realise a public service strike in 1991, the largest of its kind. These early efforts at debt and budget management were also adversely affected by a recession in 1991-92 and the government's failure to fully account for interest charges on existing debt in its budgeting. While some gains were made these were therefore, not sustainable. However, according to Bourgon, the reforms outlined above went beyond previous efforts in terms of its approach, scope and process, as well, as the guiding principles behind PSR (2009: 14). Nevertheless,



the lessons from these early experiences were valued forming an important part of the nation's historical memory and informant to the PR. As such these efforts were used to inform the initiatives of the mid-1990, particularly the value of not dragging out reform and having a comprehensive approach.

## PUBLIC SECTOR REFORM IN SWEDEN<sup>18</sup>

After two decades of social democracy, Sweden entered the 1980s with a public sector that had moved from around 30% of GNP in 1960 to 60%; above the OECD average of 40%. Its public sector accounted for over a third of employees; again surpassing the OECD average of around 20%. A belief in big government had led to increased expenditure with debt rising. Public spending, formerly seen as a solution was by then to emerge as a problem. International trend against big government as influenced by public choice theory and the effects of the oil crisis also influenced the turn-around in views on public spending. The seriousness of the situation prompted the government to place debt management as one of its primary issues (Premfors, 1991: 86).

Efforts to address the country's debt included a halving in the rate of growth of the public sector, which was set at a maximum of two percent. Tax increases were permitted where these funds were placed against national debt. Privatisation was introduced leading to measures such as, increased contracting out, the introduction of user-fees, deregulation and 'load shedding'. Subsidies to the private sector were reduced and decentralisation encouraged in government (Premfors 1991).

PSR in Sweden did not proceed unhindered but faced challenges by those unwilling to break tradition and adopt innovation leading to strikes in the 1980s; institutionalised interests therefore, helped to slow progress. Political support was also wanting in spite of the good intentions surrounding the 'crisis programme' in 1982 with internal party and political conflicts about the direction the country should take, as revealed from the Canadian case, such internal division is not conducive to successful PSR. Nonetheless, the reforms in the 1980s accomplished a number of things including a 7% reduction in the nation's debt 1982-1988 (Premfors, 1991:90). Efforts since the 1980s were criticised as much talk with little action (Premfors, 1991: 99).

Nevertheless, after a decade of attempts at public sector reform, the nation still found itself in crisis in 1990 when it found itself facing its worst depression since the Great Depression of the 1930s. By 1993, the budget deficit was at 10%, the highest in the OECD (Levy and Lovegrove, 2009: 1). The incoming government in 1994, however, recognised that obtaining growth and competitiveness meant that the country had to reduce the budget deficit in order to regain the confidence of investors.

The majority of reforms were about securing reductions in spending, a move which directed attention to the public sector measures. These included a reduction in welfare spending, a significant sacrifice given Sweden's history of using public spending to fuel economic growth and the definitive nature of the Swedish welfare system. Cuts were also made to spending in local and central government with operational budgets being reduced in these areas. Spending was capped over a three year period (1995-1998). However, as in Canada, departments were given the freedom to adopt the specific measures that would assist them to remain within the targets set by the government.

---

<sup>18</sup>Much of this section depends on a 2009 report of an interview with the former Swedish Prime Minister, Göran Persson (Mckinsey and Company, 2009).



For instance, while reductions were to be achieved, each department could decide how to apportion expenditure over the entire three years. Salaries were frozen and in some cases reduced. Savings amounted to 11% over previous expenditure.

Where departments were unsuccessful in meeting their targets, the minister of Finance and the Prime Minister played a critical role in motivating these agencies to abide by their pledges, without necessarily forcing these bodies to take action. This initiative was followed by the introduction of an efficiency factor using the private sector standard as guide. The major effect of this move was to force public servants to take a more decisive role in departmental expenditure and staff quality. Measures such as choice of rental and location of offices became more valued as areas for cutting back on taxes. Staff employment and skills upgrade became more relevant in an effort to increase the quality of staff that remained in the public sector. While there was some reduction in the size of the public sector and change in positions resulted overtime this was not the emphasis of reforms. As observed by Göran Persson, the Prime Minister who oversaw the reforms in Sweden: “It’s very easy to get rid of people, but it’s difficult to find new ones that you can be sure are better” (Levy and Lovegrove, 2009: 6-7). Managers were also given more control and responsibility for delivery even while abstaining from the more ‘hard-edged’ contractual type arrangement that had emerged in New Zealand (see Schick, 1998: 123). Interestingly, not all the outcomes of reform were planned. For instance, the efficiency factor resulted in heightening cooperation among government agencies as bodies sought to reduce time and costs.

Privatisation and liberalisation began in the ‘80s were extended in utilities and infrastructure (e.g. telecommunications and railways). Competition was also promoted between public and private providers of government services (e.g. in the provision of education, health and welfare services), resulting in improved choice, quality and productivity. The way the public interfaced with the government was also reformed via increased access to information technology via special tax incentives to the public. The promotion of ICTs at this stage has had a positive impact on government productivity and efficiency with a number of government entities increasing their profile and activities online. One area that has benefited from this is taxation, allowing the country to have one of the most efficient tax systems in the world.<sup>19</sup> Thus, this initiative was a significant yet innovative aspect of PSR not only in the obvious sense that this helped to reduce the cost of government but also given the impact that this initiative had in helping to increase tax compliance and hence, government revenues with citizens being able to file returns online. The benefit to citizens is also noteworthy and is visible in the reduction in transactions cost and increased ease in paying their taxes, as well as, increased access to and use of ICTs.

Reforms here nonetheless, were harsh with reductions in pensions and unemployment benefits being introduced. These reforms along with cuts in compensation for sick leave hurt small income earners, a point which underlines the harshness of PSR (Levy and Lovegrove, 2009: 4). The crisis experienced at that point was however, something that had not been witnessed for some time, thus causing enough concern which in turn provided the incentive for action in this regard. This was contrary to the measures adopted in the other countries reviewed here, but understandably so, in this context. Nonetheless, even-handedness was seen as vital for securing support for

---

<sup>19</sup>Swedes are also among the highest taxed in the world with taxes accounting for close to 50% of the country’s GDP (Levy and Lovegrove, 2009: 5). Most Swedes support a tax rate of 40-60%.





harsh policies and sustaining political will for reforms. For this reason, reforms were presented together allowing stakeholders the opportunity to contend with the reality that all groups were being required to make some sacrifice. Such a move served to make reforms more transparent while the public was also constantly reminded of the state of affairs and the sacrifices that were necessary to secure improvements. Another measure which helped to reduce the stress of reforms while also raising skills level was the introduction of an adult education programme aimed at increasing skills of the workforce to a medium level.<sup>20</sup> Over 10% of the workforce chose this option between 1997-2000 with rates of adult education increasing by roughly 80% (Albrecht, van den Berg and Vroman, 2006: 1& 4).

Importantly, while most of the cases considered in this work introduced a separate or centralized body charged with overseeing the implementation and design of reforms, this was not the case in Sweden where the extent of the crisis did not permit such reflection. Attention was placed on government finances and interest rate as a guide for the effectiveness of policies being implemented. Persson, has however, noted that in hindsight this implementation and monitoring body would have been one of the areas he would change (Levy and Lovegrove, 2009).

Nevertheless, the absence of this central body made leadership an even more critical ingredient for success. Leadership of the reform movement was clearly led by the government. The Prime Minister was also clear about the extent to which he was willing to go to secure reforms, underscoring the importance of gaining an understanding and support from the electorate, and apprising them of the extent of problems and the need for reform. While in opposition, his party campaigned on the promise of introducing the toughest set of reforms (budget cuts and tax increases) to return the country to a path of growth. With this, they were able to secure the mandate for reform when they won elections in 1994. As he noted, an election poses an opportunity for the opposition to put forward a bold platform for reform. However, commitment is required at the top. Given that:

The forces working against a harsh crisis program are very strong—almost every area of the public sector has its own vested interests—so any sign that you might waiver in your commitment will doom the program to fail

(in Levy and Lovegrove, 2009: 3).

Even so, the Prime Minister was supported by a cabinet who recognised and accepted the need for action.

Restoring the country's finances via PSR took around four years with the public debt being reduced to around 40% of GDP by 2006, almost half its value in the 1990s. However, as noted by Persson (2009: 3-4), a two year period was the critical phase for the introduction of the main content of reform. This was mainly to ensure that the electorate's patience was not worn out. Swift action also helped to send a clear message to the public about the newly elected government's intention to carry through election pledges.

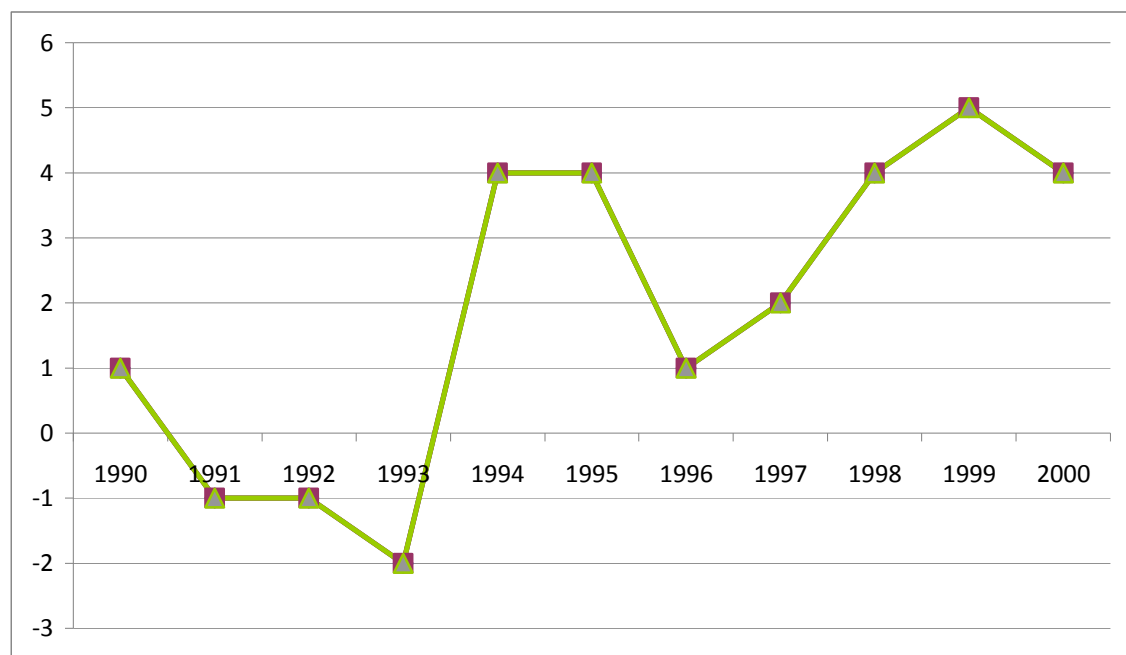
---

<sup>20</sup>This programme (Knowledge Lift or Adult Education Initiative) allowed workers who wished to obtain a university level education to return to school. The subsequent opening was allowed to be filled only by an unemployed person while the newly unemployed worker became eligible for unemployment benefit.



Debate and discussion were encouraged throughout the process with successive ministers engaging in activities to spread the word about public sector reform and getting public servants informed and to participate in shaping the reform. PSR along the lines of the Swedish model involved an increase in productivity. As underscored by Persson, this was the case since the public sector was expected to maintain the same level of service, even under new employment conditions remuneration. Figure 8 suggests that the reforms did manage to bring gains to Sweden moving the country from deficits into sustained positive growth since 1993.

**Figure 8: Sweden: GDP Growth Rate (%), 1990-2000**



Source: Compiled from WB (2010).

## PUBLIC SECTOR REFORM IN BARBADOS

Barbados at the end of the 1980s into 1991 was a country in crisis. GDP growth for 1991 was -3.9 percent. Politically motivated spending and tax cuts during the 1986 elections had seen the fiscal deficit moving from 5.3 percent to 8.8 percent of GDP after the restructuring of the tax regime and 8.4 percent in 1991 (Wint, 1999: 46 and 48). Thus, by 1990, the country was experiencing its largest fiscal deficit, while national debt which was B\$493 million in 1980, rose to B\$1,880.1 million by the early 1990s.<sup>21</sup> Declining export earnings and increased foreign borrowing also served to worsen the country's position so that by 1991 Barbados had enough foreign exchange reserves to cover 2.9 weeks of imports (Wint, 2003: 46-47 and 54)

A search for solutions was to bring the country to the IMF by 1990. Attention was placed mainly on the reduction of recurrent expenditure with wages and salaries

<sup>21</sup> For instance, an election promise had seen a sharp decline in taxes in 1986 leading to fiscal deficit from 1986-1988. Election pledges led to the loss of fiscal restraint again in 1991 (see, for example, Blackman, 2006: 377-380).



coming in for attention. These would be reduced via an eight per cent wage cut (across-the-board) in October 1991. Another proposal was for a 10 percent cut in public sector personnel. Over 2,000 casual and temporary workers were made redundant through this strategy. Severance benefits were also reduced while the practice of paying out monies in lieu of notice ceased. The implementation of this SAP

These initiatives were halted when the unions and other major groups (including, civil society groups) went on strike to protest against what they saw as a harsh programme that would threaten the quality of life for citizens. Protests were also encouraged given the view that the government's action was unilateral and betrayed an agreement to negotiate with the unions to arrive at reforms. While these demonstrations and a law suit against the government had failed to overturn the eight percent wage reduction, measures relating to wages were overturned. The level of reduction was also reduced, while the work week was restored with workers receiving pay in lieu of notice. Government also agreed to maintain stability in basic costs in the short term.

Reforms from this point on were encapsulated in a series of Protocols which have been institutionalised under the term Social Partnership, denoting the consensual nature of such an agreement. Underlining the reforms was an emphasis on worker security and protection of the vulnerable in society – an emphasis which ran counter to the earlier SAP approach. This was important in getting buy-in and support from civil servants and helping to reduce the threat or confrontation, which had accompanied reforms in 1991. A number of services were privatised, including telecommunications while some subsidies and exemptions were removed. These included deductions for housing repairs and mortgage interest. Infrastructure projects were also halted mid-way (Wint 2003: 50-52).

A key feature of Barbados's adjustment under its social contract was the freeze on wages and compensation which applied to both the public and private sectors. The private sector and government also pledged to keep prices stable with few increases being permitted. A series of reforms were introduced in the public sector with the ultimate goal of making further productivity gains in the public sector. Key to this strategy was the use of job evaluations and negotiated job enhancement exercises. Performance-related-pay was also introduced based on economic growth. Thus, increases were permitted where they represented profit-sharing or productivity bonuses. A number of reforms were also initiated in the public sector since the early 1990s. More specifically, PSR has been a continuous process in Barbados with the early recognition of the need to configure a civil service that was respondent to an independent society. However, PSR in Barbados brought its greatest benefit and took its most definitive shape and objective in the mid-1990s with the social contract giving the country the space to negotiate and implement PSR. By 1997 this effort had been institutionalised in the creation of the creation of the Office of Public Sector Reform (OPSR) based in the Ministry of the Civil Service. An important part of its duties was to spread information and build support for PSR. Officers from this body are placed in respective Ministries and Departments throughout government. The motivation behind this reform was a recognised need to reengineer the public service to be more responsive to the demands of the nation.

PSR Strategies in the 1990s included: Reviews of organisational procedures, processes and systems; strategic planning within Departments and Ministries with the help of



the OPSR<sup>22</sup>; the introduction of a performance review and development system; and an employee assistance programme. This aimed to provide support for staff in dealing with stress and anger, personal finance and help for nurses and teachers in avoiding burn-out. Support is also extended to the families of employees; and internal reform committees to guide reform within each department and ministry. Also integral to PSR in Barbados was the Internal Reform Committee or Work Improvement Team, which as its name suggests aimed to identify ways of managing and improving work in the public sector; Humanised Management and Personnel Excellence Program to create a more customer and worker-friendly environment and to increase overall performance in the public sector. This initiative also came out of recognition of the value of achieving attitudinal change alongside the requisite changes that were being encouraged at the organisational and procedural level. Thus the aim was to achieve a cultural change among public servants as it relates to their view of their jobs and the quality of service delivered to the public. Standards here are set in conjunction with bodies such as the National Productivity Council and the private sector.

Communicating the progress and achievements of reforms was also important. Thus, as PSR developed, the OPSR established a network involving Management Development and Reform Liaison Officers in each public sector body charged with developing its organisational profile and communicating successes and developments to the public via the print media, television, radio and the Internet.

PSR has also focused more narrowly on improving the relationship between the public and private sectors, particularly the former's role in assisting growth in the latter. Thus, the OPSR has encouraged dialogue with the private sector in order to address issues within the public sector that were prohibitive of business activities. The aim here was to reduce red-tape and public sector constraints on business activities. This emphasis has increased over time, with investor sector reform initiatives, such as Enabling Environment for Private Sector Investment (EEPSI) being launched in 2000. EEPSI was designed with business efficiency in mind, and specifically to increase access of investors and businesses to government. This has seen fourteen of the major government bodies and departments being networked to streamline processes and information to reduce red-tape and more harmonised procedures to reduce waste and ease for businesses. These measures have brought success with Barbados receiving a 4.0 and ranking above many developed nations in terms of the Burden of Government Regulations (see Figure 6).

Performance management (PM), one of the hallmarks of PSR in the 1990s to present was also adopted in Barbados. PM linked target-setting, appraisal and development at the individual level to general public service goals (Best-Winfield, 2006: 19). Updates were made in 2001 with the piloting of a Performance Review and Development System which sought to link review closer to the work performed. Thus, updates and reviews of public administration practices and procedures are presented as useful as the environment changes and old systems cease to deliver maximum impact.

---

<sup>22</sup> "Strategic Plans are intended to provide government agencies with a management tool to assist them in producing fundamental decisions about their future direction as well as adjust objectives, strategies and resources to meet the opportunities and demands they may face in their changing environment. In addition, they are intended to provide the platform for the introduction of new management systems, such as, performance management, performance/programme budgeting and change management" (Best-Winfield, 2006: 11).



As in other cases, financial accounting and management practices also came in for review. A tax administration and Public Expenditure Management Program aimed at managing public expenditure and strengthening the capacity of the Minister of Finance and revenue collecting bodies, including Inland Revenue was introduced. A Financial Management Information System (SmartStream Financials) provided a complete financial management system, organized around the fundamental activities or specific tasks that reflect the business being conducted by each ministry/department. This serves to enhance the productivity of the accounting processes and allows users to more effectively access and analyse financial information. The greatest benefit realised from the implementation of SmartStream systems has been the discipline which it has brought to management of government's financial processes." (Best-Winfield, 2006: 25). Programme and Performance Based Budgeting were introduced by 1996 to improve financial and budgetary financial system. Value-for-Money-Audits were also carried out by the Audit Generals Office but no enforcement powers.

An Automated Systems for Customs Data (ASYCUDA ++ ) was introduced in 1993. The adoption of this system allowed for the replacement of 11 import and export custom forms with one form. This has brought results for business (reduction in costs, and time and greater efficiency) and the public sector (increased efficiency, revenues, coordination, data collection and retrieval and less duplication). While allowing for better management of the Customs process, this also helped in increasing e-government in Barbados.

Attention was also placed on improving customer service throughout the public sector. As in Jamaica, the UK (among others) Customer Charters were also introduced. These were accompanied by evaluation and monitoring systems to track performance and make improvements where necessary. A Service Assessment and Improvement Programme was also introduced. The basic objective of this programme is to establish quality customer service to promote the establishment of basic service standards; raise the level of customer satisfaction with the delivery of public services; identify any weaknesses in the delivery of quality services and make recommendations for their improvement; and promote the effective use of the telephone as a tool for business communication (Best-Winfield, 2006: 15-16).

Importantly, however, such measures are not ends but considered to be the means to obtaining stabilisation and control over public expenditure and in turn the nation's debt. As such, such policies were understood to be one part of a larger more comprehensive package for overall economic reform. Nevertheless, it is instructive to note that the cost of the public sector remains comparatively high (roughly 40 percent of GDP in 2007).<sup>23</sup> The country however, remains the top performer for the region on many international indicators with much of this success being attributed to the consensus seeking an inclusive form of governance under SP.

Collectively, the reforms since 1993 have been instrumental in moving the island to become less dependent on concessionary foreign aid, with a more efficient and responsive public sector. The evolution of compromise and facilitation was arguably facilitated by the fact that unions were willing to encourage their members to

---

<sup>23</sup> See Figure 9. This may be a function of size or the fact that, like Jamaica, the public sector is also a major employer.



compromise once they were allowed some say in the way the Public Sector and country was reformed and later governed. While these later measures were introduced to help raise efficiency, responsiveness and the effectiveness of the public sector, one of the major thrusts to stabilise the country was provided by the IMF programmes, which though they were halted and spurred societal conflict, helped to instigate a number of harsh adjustments which may otherwise not have been introduced. Nevertheless, the social contract helped to make reforms more sustainable, helping to build consensus and ownership. Thus, reforms post-SAP in 1991 went relatively smoothly with the National Productivity Board overseeing the social contract and productivity improvements.

As suggested reforms in Barbados, as in the other cases has not been without hitches. Challenges included, staff shortages while some senior civil servants (e.g. Permanent Secretaries) have found it difficult to attend workshops and training sessions. Where personnel were small, some offices found themselves seriously depleted with a lack of staff responsible for implementing all aspects of the reform programme. Such problems have not been noted specifically, or to the same extent, in the other cases considered have and thus help to underscore some of the challenges of PSR in a small developing setting. In other instances, it was only after the PSR had begun and public servants expressed dissatisfaction with the level of communication about the reforms that effort was made to develop a formal, coordinated public relations initiative around PSR. Cost has also been a concern, as well as, coordination problems among the various agencies involved PSR.

## PUBLIC SECTOR REFORM IN NEW ZEALAND

One of the most closely observed and assessed experiences of PSR have been that of New Zealand. Reforms which began in the late 1980s was a result of a confluence of economic and political factors, under-girded by the, then, developing theory of New Public Management (Pollitt and Geert, 2000; Barzelay, 2001; Sutton, 2006). Importantly, however, it has been noted that PSR was not the ultimate goal of the government. PSR was instead a component of far more general effort at structural adjustment aimed at improving performance throughout all areas of society.

One of the defining features of reforms in New Zealand has been the extent to which contracts have been used to hold managers to account. Essentially, the reform of public administration in New Zealand was founded upon the introduction of a network of contracts that have been used to guide all areas of government. To this end autonomy and responsibility for meeting specific annual performance targets was given to senior managers. As noted by Schick, the system of contracts essentially transformed the annual budget from a projection of income and expenditure “into an explicit statement of what will be done with the resources to be made available” (Schick, 1998: 124). Likewise, traditional accountability based on public service ethics of trust and responsibility was replaced with responsibility for specific results. Delivery and policy making functions were separated, allowing ministers and departments to purchase services and goods from other areas of the public service or private sector via contracts. Chief executives were granted considerable autonomy in the methods chosen to meet agreed targets or outputs once these were within a given block of resources. Required level of outputs was clearly specified to allow government to accurately assess the extent to which output met agreed levels. Departments also



published the level of outputs expected for each year to coincide with the budget process. These were reviewed prior to the start of the year when purchase agreements are signed with ministers. An end of year report outlined the actual outputs delivered.

The elaborate system of contracts that has evolved has been described as the 'new contractualism' and has also been evidenced, though to a lesser degree, in the United Kingdom. The result has been the creation of quasi-markets and greater operational autonomy within the public administration system that have helped to raise efficiency, productivity and the overall quality of public management practice in the country. In some cases it was estimated that efficiency had improved by as much as 10 percent.<sup>24</sup>

Costs were also contained via reduction in departmental operating budgets. Efforts here included, staff cuts, securing additional support during high peak periods via the hiring of temporary and part-time staff, while the freedom to choose accommodation and other costs related to travel meant that staff could choose cheaper yet better quality hotels that may not have been among those recommended by government (Schick, 1996: 4). However, it is significant to note that more freedom in this regard has not been wholesale, since contracts and targets have also increased accountability on the part of managers. Reforms also included the move from cash to accrual accounting and budgeting. This was fully implemented 18 months after the enabling legislation the Public Finance Act was passed in 1989. Thus, like Canada, reforms were institutionalised via legislation, giving them permanence and credibility. Privatisation also saw the sale of a number of state entities and the reduction in the overall size of the public sector.

Departments were also required to submit a series of reports which gave a comprehensive picture of all aspects of performance and management.<sup>25</sup> The traditional public service has, therefore, been transformed with departments being run by chief executive officers who have been given specific conditions under finite contracts, a move also adopted for permanent secretaries in Jamaica under PSMP. The changes in the public sector were made possible by the passing of a State Sector Act in 1988. Whereas the Canadian model later rejected this strategy, NZ opted for across the board spending cuts which while being viewed as restrictive by some managers were welcomed by others as assisting in reducing the real cost of operations and promoting an atmosphere of innovation to ensure that costs fit within established limits.

However, like the other cases reforms have not been without some set-backs or shortcomings. Concerns have included the view that the traditional civil service ethos of professionalism, public service and personal responsibility has been compromised. Additionally, the emphasis on outputs has seen less recognition of the value of outcomes which are understandably harder to contract and measure. Thus, while financial performance information and systems were produced with much success within three years of reform, non-financial information, e.g. on outcomes and the link

---

<sup>24</sup> This appeared lower in actuality given the cost of the contract society and spending to improve working conditions, which in itself can be counted as a gain, particularly where this then contributes to the well-being of public servants

<sup>25</sup> These were a monthly financial report, a quarterly performance report on the department's purchasing agreement, six-month reports on the performance of the chief executives according to their performance agreement, and an annual performance review based on financials and outputs.



between these and inputs have been less clear (Gill, 2007: 30, 33). Additionally, the realisation that options of providers for all services in the public sector is not as wide as in the private sector has, means too that the extent to which competition and choice can thrive has been limited in NZ, while the contract system has come at a cost, particularly for those small government agencies who have had to expend scarce resources in this area (Schick, 1998: 126). Others have also argued that an absence of political will has also prevented reforms in the area of performance management from taking full shape (see Gill, 2008: 29). Schick in his revision of the reforms in the mid-1990s suggested that the emphasis on annual targets had in fact eroded some ability for strategic planning, while performance improvement was not uniform as some departments had not grasped what was expected of it and resources were not always clearly aligned with mission (1996). Other concerns relate to resources and capacity within bodies such as the Cabinet office to manage reforms, the fit between measurements and rewards, some of which are similar to complaints sounded in the Jamaican context.

Nevertheless, NZ has essentially managed to realise most of what Schick described as the 'lofty expectations' it aimed to accomplish at the start of reform having seen restructuring of organisations and the old structure of public management, increased productivity, efficiency and responsiveness, along with improvements in service quality. Movement between the public and private sectors has also increased with reform (Schick, 1996: 6). This has resulted from the opening up of public service roles to competition from other sectors (Norman, 2008: 44). Efficiency gains are demonstrated in the fact that in the public sector overall numbers have reduced, moving from 85,738 to 31,810 between 1984 and 1996. Its total share of employment moved downward from 27 percent a year before reforms to 20% in 1994. As a share of total GDP, public expenditure declined by three percentage points between 1987 and 1997. All this been accomplished while volume and quality of service have not diminished and in spite of departmental budgets.<sup>26</sup> The heads of departments have developed a clearer idea of the cost of public goods and services and good performance has been awarded. The country has also managed to implement what to date represents some of the most ambitious PSR programmes known in any country and like Canada, Sweden and Ireland, over a fairly short period of time. According to Schick, these have been done without the conduct of pilot tests that have accompanied and slowed reforms in other countries (1996: 2). Thus reforms which began in 1988 took roughly three years to be implemented fully and to take route.

Outside of these initial reforms others have since been introduced with the aim of addressing some of the shortcomings of previous efforts. Included among these are the revisions to performance agreements and a Fiscal Responsibility Act introduced in 1994. The latter required government to disclose information on its medium and long term aims as it related to the economy and its budgets. These, according to Schick

---

<sup>26</sup> Schick reports that an assessment of four departments by the Treasury noted that the unit cost of producing services in one agency had been reduced by roughly 10-20 per cent (over a four-year period), had remained unchanged for another and had increased marginally for the remaining two, in spite of significant increase in responsibilities. Other estimates suggests a 10 percent efficiency gain which appears reduced given the increased transactions costs associated with the new contract system and expenditure toward improving the work conditions and service quality (Schick, 1996: 5).





have not been contrary to the objectives and guiding rationale behind the original reforms.

## PUBLIC SECTOR REFORM IN IRELAND

Jamaica has since 2004 made a number of attempts to instigate economic reforms via the negotiating of a number of social consensus or corporatist-type arrangements termed Social Partnership (SP)<sup>27</sup>. The Jamaican government has at different stages made attempts at such negotiations with labour and then with labour and the private sector, with very little success. Indeed, as suggested from the earlier review, Jamaica first attempted this strategy in the 1990s. The spirit and shape of these 'Memoranda of Understanding' have been informed by the experiences of Ireland in the 1980s who used SPs as the overarching framework for its PSR. In the Irish case, these arrangements also included civil society and special interest groups. Experiences in Ireland have also been heralded as having much success in the 1990s. Thus, like the Barbados case, PSR in Ireland emerged as part and parcel of a wider effort at reform under SP. Like the other cases too, PSR in Ireland was not the singular aim of reform but emerged as a part of a programme aimed at re-engineering and refocusing Irish economy and society.

Furthermore, like the countries reviewed here, reforms were fuelled by an intense economic crisis in the 1980s. In 1986 the debt to GDP ratio stood at 125 percent, the budget deficits in the 1980s were around 10 percent and the GDP growth rate was low in comparison with its European neighbours (1.4 percent in 1982-1986) (see Detragiache and Hamann, 1997; GoI, 1987; Dornbusch, 1989). Unemployment in the mid-80s was roughly 19.5%; sustained emigration and lack of opportunities at home had seen the exit of even more skilled Irish to countries such as the US, while the country possessed one of the highest debt rates in the world. Much of 1980s Ireland is mirrored in Jamaica's position in 2010.

Reforms were enshrined in the three year Programme for National Recovery (PNR) which commenced in 1987. Through the PNR, the GoI made clear that:

The situation that has been developing in recent years in which the National Debt and **its** servicing have been growing out of proportion to our ability to sustain them will be ended.

(PNR, 1987: 9).

The PNR was shaped by consultations involving unions, employers, government and a number of interest groups, demonstrating the collective bargaining principle inherent in the social partnership concept. Among the interest groups were those aimed at ensuring that the unemployed were protected and that reforms did not lead to social dislocation. Like Barbados, reforms in Ireland evolved out of a clear rejection of the prevailing view of government taking a back place and allowing the private sector free reign.

The PSR component of the reform involved an attempt to control cost and increase productivity in the public sector. This was accompanied by a partial hiring freeze in which only one-in-three public sector vacancies were filled. A 2.5 percent cap was set

---

<sup>27</sup> This essentially refers to negotiations and agreements involving governments and unions, private sector and Unions.



on salary increases for each year of the PNR. This was to apply to both the private and public sectors to achieve more parity in wages. Public employees were also allowed to take extended job leaves with guarantees of return to employment. Work hours were also adjusted as a means of raising employment (for example reducing overtime). Limits were also placed on spending within government

Tax reforms also focused on increasing the tax threshold via increased compliance support and achieve a more equitable tax system. The tax rate was reduced with income, corporate and capital taxes moving downwards to reduce strains on economic activity. Whereas, the ratio of tax officials to citizens was around 150 tax payers to one official, further pledges were made to improve capacity here. The reforms were not purely economic but also aimed at ensuring that the worst off were not adversely affected by reforms, including low-paid workers (see GoI, 1987). Thus, reforms were meant to be complimentary, representing an attempt to compensate and ease the pressure for workers given the sacrifices they were making. Increased emphasis was placed on enforcement to reduce tax evasion. Importantly too, down-sizing was done on a voluntary basis, a move which could arguably allay conflict and views of being pushed from employment.

Key sectors such as air travel also came in for liberalisation while others were transferred to a state-owned enterprise structure. All utilities were charged with reducing prices to increase competitiveness. Worker participation also saw employees in some state-owned companies gaining shares in those companies through an Employee Share Ownership Plan (for example, telecoms). Public sector capacity and focus were improved as it related to business processes and being aware of investment trends among international investors in order to target these more effectively as sources of income and renewal for the Irish economy.

Importantly, too the experience of high debt meant that reducing the size and cost of the public sector and overall public expenditure were not sufficient moves for debt reduction and for moving to a more sustainable economy. Thus, the government also pledged to reduce its overall spending and borrowing. Thus, attempts were made to restrain borrowing to five-seven percent of GNP (GoI, 1987: 9).

In terms of institutional support, Ireland's recovery was spearheaded by the National Economic and Social Council (NESC) who was responsible for designing, implementing and monitoring the Programme for National Recovery. The NESC was created in 1973 as an independent economic advisory body to the government. Members of this body were drawn from the private, non-governmental and public sectors (Beary, 2007). As in the Canadian case, the government was intent on communicating the full state of the nation's economic problems to the public, emphasising the need for serious 'belt-tightening' in the public sector in order to bring the country out of its economic turmoil. Momentum for reform also came from a new coalition government headed by a charismatic leader (Charles Haughey) in 1987 (Beary, 2007).

In the years following the introduction of public sector reform under SP, the size and cost of the public sector was reduced, resulting in a leaner, more efficient, and productive organisation (Detragiache and Hamann, 1997; CaPRI, 2008b). For instance, the number of strike days was reduced to almost a third (Yeo, 2004: 42) with an increase in productivity and growth. As in Sweden and New Zealand, pay and working conditions were improved for those who remained. Inflation was reduced and



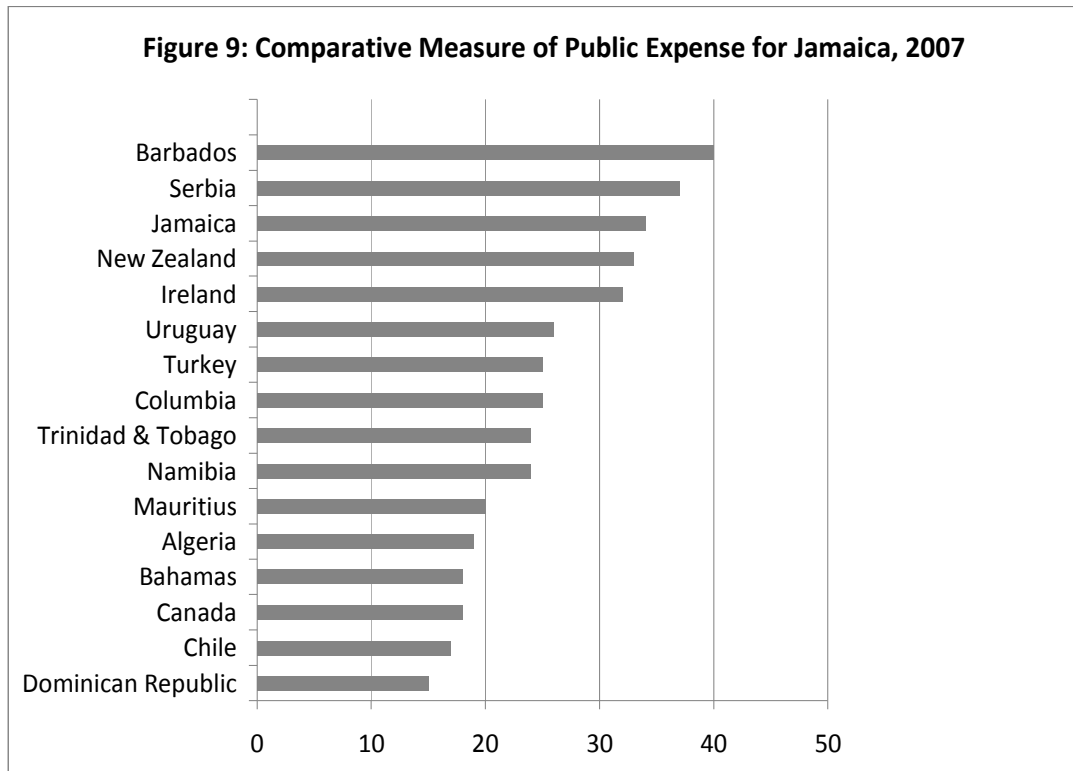
the national debt was reduced to close to 60 percent by 1997 and 40 percent by 2001 (Cassidy, 2002: 52). The direction of migration was also reversed with more members of the diaspora returning to the country. In that first year of reform, growth was over four percent, seriously surpassing the projected rate of zero percent (Ahern, 2009). The budget deficit of 8.3 percent GDP in 1987 was reduced to -5.65 percent in 1992, moving into a surplus of 0.7 percent in 2001.

Importantly, success was not only about PSR but involved a comprehensive economic and social reform under SP (see EC, 2009). The SP allowed the government to build the consensus among the public service, and citizens as a whole to support reform. SP offered government the labour and macro-economic stability for reform. In this case as well as Barbados the demands of growth and development were seen as according a critical role to all major productive forces in society with an emphasis away from trickle down to planned redistribution of the benefits of growth and protections against increased social dislocation. This is a departure from the early efforts of PSR and Structural Adjustment in Jamaica in the 1980s. Nevertheless, it could be suggested that success was not all within the control of the Irish government, particularly in terms of the support which membership in the EU guaranteed and the good fortune of a favourable environment in the US. This argument can to some extent be counteracted by the point that these favourable conditions may still not have had much success without planning and years of 'getting ready' to ensure that the country could take advantage of such favourable conditions). Like Barbados a number a number of agreements have since been concluded, each undergirding the former and charting a path for sustained growth.

Interestingly, the adoption of these measures has not seen complete ease in budgets and finances and freedom from other economic disasters as seen in 2009-2010 in Ireland. Even here, attention to PSR has been viewed as a route to addressing the nation's financial woes. Initiatives mooted to reduce public spending included the agreement for 12 days of unpaid leave, which could be taken over a number of years. Salary reductions have also been suggested for senior civil servants and politicians (Sheehan, 2010).

The figure below gives an indication of the cost of the public sector as a measure of GDP in Jamaica. The greater comparative value is placed against that for select countries in Jamaica's (upper middle) income band, as well as, some of the cases focused on in the work and a number of Caribbean states. It suggests that Jamaica's spending is high when compared to other countries, indicating the need for reduction. This is not as high as its Caribbean neighbour Barbados. Nevertheless, the imperative for reduction should be higher for Jamaica, given its higher level of debt.





Note: Expenses is cash payments for operating activities of the government in providing goods and services. It includes compensation of employees (such as wages and salaries), interest and subsidies, grants, social benefits, and other expenses such as rent and dividends.

Source: World Development Indicators (WB 2010).

## LESSONS FOR THE REFORM OF THE JAMAICAN PUBLIC SECTOR

As globalisation has provided the incentives and tools for increasing productivity in the business world, so too has it provided the rationale for the public sector to also improve the tools and methods for providing public goods and services to citizens. For example, international experiences in efficient and effective policy making delivery are now more available with citizens being more aware of other experiences by which they can benchmark the activities of their governments. Globalisation has in turn, brought more emphasis on the need to improve management of public finances. The Jamaican public sector is no different with an increased demand for innovation, efficiency and cost-effectiveness towards improving quality, reducing overall government spending and ultimately to achieve growth and future-proof this growth.

All the models considered here have their strengths and weaknesses. Indeed, even those heralded as successful have been criticised and have had some failings, interestingly some similar to those identified in the Jamaican context. This suggests that no one model is perfect and indeed, the task is to assess each and come up with a



set of recommendations or guides based on the Jamaican context which can heighten the chance of a more successful PSR than has been achieved to date. Again, the goal is to gain more insight into what to do and how to identify some of the major issues that should be taken into consideration in such a major reform effort. Public sector reform is both a continuous and comprehensive activity. Thus, while the intent of reform may be realised, this does not mean that the attainment of objectives signalled the conclusion of the reform movement. Reforms also, for the most part, do not mean the achievement of every objective, although to be effective the majority of reforms would have to be completed and major changes be accomplished throughout the public sector.

It is not just the content, but also the method used for adopting and implementing reforms which matters for producing results. Indeed, the review of the Jamaican case already demonstrated that some of the success and failure of previous efforts have in part been due to the way in which the reforms have been drawn up and communicated. This includes the extent to which public servants have been included in drafting and implementing reform. Other challenges have related to the timing, quantity and quality of reforms with initiatives taking place in a piecemeal fashion and over a number of years. While there is need to ensure that PSR agenda does not become too overwhelming

The task on hand is to offer recommendations for a programme of sustainable and comprehensive reform of the Jamaican public sector; one which offers protections for civil servants, allowing this group to more adequately fulfil its mandate and responsibility towards enhanced economic management of the Jamaican economy; one which enhances service and delivery to citizens; and ultimately can assist in placing Jamaica on a more sustainable path for growth and development.

These guides will be informed by the cases reviewed above. Indeed, a number of themes emerge from this discussion on public sector reform and include: the imperative to reduce cost and size of the public sector to increase efficiency and productivity which can be gleaned from the need to engender a leaner civil service. Such a discussion as shown in the Irish case as well as the privatisation efforts in the other countries must also include attention to identification of new sources of income. Other issues include: Leadership, the challenge of winning support for reform, implementing and sustaining PSR and how to increase revenues. The attempts at SP in Jamaica and its place in two of the cases reviewed here, also suggest the need to return to this issue and consider its place in the present attempt at PSR, particularly as a tool for implementing PSR. Another of the major issues from the cases is the place of social and welfare reforms in PSR and economic reform, more generally. The rest of the paper will discuss each of these themes individually.

Speaking specifically to the NZ case, Schick has warned that these experiences do not offer practical advice for developing countries on improving public management; a point which could also be made for the remaining case studies. Thus the extent to which Jamaica can learn from NZ, and indeed the other countries covered in this review may be questioned. Nonetheless, it is maintained that the experiences of these countries suggest some important lessons as it relates to the preconditions for reform and in the process, timing, and implementation of reform. This may even involve some attempt to mimic the content of reform programmes elsewhere but bearing in mind Schick's warnings, this will require careful consideration and modulation which



acknowledges the local context. Further, even where Schick does not support the application for the NZ model with its emphasis on contracts and outputs, it could also be suggested that such a system has its value in Jamaica. That is, the evolution of public service ethics and practices originally based on the Weberian and Westminster Whitehall systems have not necessarily been accompanied with the pledge or practice of neutrality and accountability espoused in these models. Instead informalism and uneven delivery of service have been known with insufficient mechanisms for accountability. Thus, where targets and measures can be clearly outlined this may to some degree help to overcome informalism and enhance accountability while increasing productivity in the Jamaican public sector. In fact, a major lesson from the cases is that while international experiences were taken into consideration, the local context also came into play. Guarding against Schick's warning will therefore, require some attention to culture and context. Thus, whereas much of the analysis and recommendations are informed by international experience, some will also have been influenced by the Jamaican context, representing an attempt to adhere to what Bouckaert and Halligan (2007) has advised as the value of regarding culture and context in reforms.

## TIMING OF REFORM

The countries reviewed here, including Jamaica, have through the years attempted various strategies towards debt management, modernising the public sector and improving the quality and economy of the PSR. They demonstrate that the magnitude of PSR requires time and cannot be undertaken in weeks or a few months, instead, requiring time and care over time. In some instances, more recent reforms have been layered on top of past initiatives in response to changing environmental demands and as a result of institutional learning. The major lesson from this, however, is that reforming the public sector to reduce its size (and increase efficiency), "is not a problem that...can be solved once and for all; [rather] it must be attacked incessantly" (Premfors, 1991: 93). This however, does not mean that the implementation of individual strategies or reforms are to be drawn out to the extent that changes in one area of the service are undermined by the time the reform gets to another aspect of the system. Hence, those that have been successful demonstrate the value of rapid and comprehensive reform. These have been accomplished via consultation, facilitation and transparency in government accounts and plans with the harshest measures coming within the first two-three years of reform. This is important in maintaining the momentum of reform while maintaining public interest and support for PSR. Nonetheless, reforms were continued into the next political cycle as it became more obvious what parts of the system were necessary to be changed or advanced. .

PSR is also demonstrated as being most effective if undertaken within a particular environment. As illustrated in the cases, this tends to involve a confluence of forces and interest which recognise and accept the need for action. Former experience has shown that the level of political commitment, public awareness, budgetary transparency and coordinated planning towards debt management and restoring budgetary discipline in the public sector has not been as intense in Jamaica.

In all cases the level of debt has not been close to Jamaica's (the closest being Ireland at 125 percent of GDP). Indeed, even Greece's level of debt is nowhere close to that currently being experienced in Jamaica. However, whereas other countries have



demonstrated a willingness to take the measures necessary for reducing the national debt this has not been at the same level in Jamaica. The concern here is that Jamaica may be used to so many crises regarding national debt that the current situation (IMF or no IMF) will still not prove sufficient restraint or alarm for action. Current and future borrowing should be viewed as loans that will reduce, even cancel savings already being made in the public sector. The Irish case has already demonstrated the fact that regaining fiscal sovereignty cannot be achieved simply via redundancies and wage restraint (i.e. PSR). Rather, these measures must also be accompanied by a commitment from government to reduce borrowing. Indeed, where the government fails to deliver after successive requests for restraint from public servants and society, there is the risk that the sacrifices of the public and the public sector will have been in vain; a risk that will derail future efforts, particularly, where successive reforms have left the public sector with little room to 'give'. Reforms in Canada, Sweden, Barbados, among others have been driven by an acknowledgement that the situation as it existed was hitherto not seen and posed a serious threat to growth. Jamaica may arguably at such a place, with the private sector, government, labour and some segments of the public being aware of the need for change.

### ADDRESSING SIZE AND COST OF THE JAMAICAN CIVIL SERVICE

Obtaining fiscal sovereignty in Jamaica is highly unlikely to materialise without reducing government's operating costs. CaPRI has already suggested that: "The positive benefit of the JDX is insufficient to produce falling debt without the government achieving expenditure reductions or enacting meaningful tax reform to garner additional revenue without raising existing average tax rates" (2010: iv). To this end attention will be turned first and foremost to the matter of reducing government expenses.

Accordingly, attention must be paid to identifying other measures for reducing the cost of the public sector. A number of steps have been taken towards this end in other countries with a reduction in personnel being one of the obvious means. Already the GoJ has demonstrated some willingness to attempt to address cost and size via new ways of service delivery including privatization (e.g. divestment of Sugar Factories and Air Jamaica). Such moves suggest that the government is willing to take unpopular decisions. The extent to which this extends to other areas such as redundancies, closures and mergers remain to be seen.

Indeed, options for addressing size and cost of the public sector will differ throughout the whole of government based on the service and function of the individual agency. Importantly, these can also be combined within the same organization or ministry, particularly where different levels of service currently exist within the same structure or function, for maximum benefit. A challenge for reform, going forward would be to ensure that this does not result in the introduction of new bodies with overlapping responsibilities but the most efficient pairing of activities in the public sector. Bodies that are responsible for overseeing procurement should be merged with such action equating to an improvement in capacity and efficiency without the accompanying increase in cost.

Contracting out, privatization and liberalisation, however, do not take government out of the picture. Rather, these processes place more attention to the government's ability to regulate and oversee arrangements to ward against waste and corruption. The



transaction costs (design, implementation and monitoring costs) associated with this system can be significant, requiring agencies to budget for these. For this reason, further, contracting out and privatisation efforts must be accompanied by improved measures for contract management and vetting of suppliers and partners (see e.g. EC, 2009). Processes such as contracting out are useful only if they deliver savings and quality. This will mean even closer scrutiny by regulators and particularly, the Office of the Contractor-General with the enforcement powers of these bodies being advanced to pose a more credible barrier to waste and corruption.

Further, PSR is not simply about what to hive-off. Rather, a debate about what should be kept must also be a part of this dialogue and where services are contracted out or partly privatised end-up being a sustained drain on public funds, the argument could be made for such services to be retained under command and control provision. The cost associated with concluding such arrangements can be reduced through the assistance of those bodies already created to oversee and raise experience in these areas (e.g. the bodies already installed in the MOF in this area). While speed and cost may be an issue there are bodies, such as the Contractor-General's Department, in the conclusion of such arrangements to ensure that procedures are complied with from the outset, and certainly for larger contracts. In such a case the bodies already created to oversee, inform and educate public servants on government procurement under PSMP can be merged and act as a central repository for information and assistance to departments in designing and enforcing contracts.

The challenge here is how best to realize this goal with the minimal effect on public sector morale while not depleting existing (already inadequate) capacity to deliver the best quality goods and services in the most efficient way. Measures here include the merging of some public utilities, redundancies, and outright closures of bodies is no longer deemed to be fit for purpose, or contracting out (or out-sourcing), all measures attempted by the governments in the cases studied.

Dislocation could be reduced via the use of strategies such as early retirement, with guarantees of pension protection, cash payments for others who choose to resign, guaranteed returns to work for those wishing to leave the public sector temporarily via unpaid sabbatical (e.g. 2-3 years). An additional option could be the consideration of an employee share ownership programme, which would help to motivate those who remain in the Public Sector (e.g. as in telecoms in Ireland). Reforms should also include each department giving their views and suggestions on how they can reduce costs and improve services. Efforts at downsizing personnel must be guided by charity and consistency to avoid the threat of partisanship. Indeterminate employment may help in raising productivity and delivery where continued employment is based on performance. Others can be redeployed to other areas of the public sector or remain in the hived-off sections. Paid sabbaticals can be offered at reduced salaries in order to allow staff to advance their skills and education as was done in Sweden. Incentives can also be offered where advancement is in those areas where skills are most needed. The risk here is that those that remain may not be the most unqualified, least trained with little prospect for successful employment elsewhere. However, as suggested from the Swedish model, those who remain within the public sector should be supported via training and re-training to increase the capacity of those who remain.

As a first option, voluntary redundancies should be offered. Where this fails to meet cost-saving objectives, then the government can adopt the PR approach of Canada,





where each department is given the room to meet the specific savings required by the government (2% Gershon efficiency savings used in the UK 2005-2009) Such a move will help to empower public servants, while giving them more ownership of reform. In the case of mergers care must be taken to ensure that the best person continues on in the newly created body, requiring transparency in the terms for continued employment.

Easy targets are not sustainable. One key lesson from the cases investigated here is that across the board cuts are not always the most effective way to reduce the size of the civil service. It worked for Sweden. Nonetheless, assessing the best route for Jamaica requires systematic assessment of the role played by the different entities within the civil service and the best way to reprioritise government to accomplish its responsibilities. The PSTU's approach of conducting a full audit **of** public sector employees and agencies is a worthy one. This should be done firstly at the level of central government. Problems may not be uniform throughout the public sector or in the same organisation. So for those areas of the public sector that must be preserved attention will be on understanding (and even measuring) the problems and causes as a route to modernising these areas. Problems may relate to poor capacity, ineffective use of existing capacity, poor management, badly designed processes and rules that are not enforced (or are unenforceable) with the different problems requiring different levels and types of attention. This is an activity that will require the input of the most senior and the most junior staff member of each organization. Additionally, even where goods and services are being produced efficiently, an investigation under PSR would seek to assess the extent to which these outputs actually meet existing needs or whether requirements among the public have shifted and if delivery is even. In short, an understanding of the causes of problems in the public sector is important in determining how to address PSR, what to cut and how.

Almost certainly such measures must be accompanied by a hiring freeze (e.g. Ireland's 1 in 3).<sup>28</sup> While the argument for a wage freeze can be justified, successive freezes and the size of the debt demonstrates that this cannot be the only response and certainly if the country aims to address historic challenges and secure future improvements in its finances and in the capacity and quality of public administration. Greater use can also be made of part-time or temporary employment as well as internships on a cyclical basis as in Canada. Successive waves of wage freeze which do not assist in delivering real economic gains will only demoralise public servants. Indeed, wage freeze ought not to be considered as a ploy for government to forestall or ignore the more serious issue of raising productivity, as wage freeze will simply be a temporary fix, since the government will in the long run, simply end up increasing wages (and government spending) which are not offset by increased income or performance. Such moves will essentially cancel any gains made in reducing debt or public expenditure over the long run.

The local private sector and Community and Voluntary Sector (CVO) also offer the state another avenue for reducing its scope and size. Already, the CVOs have demonstrated their prowess in addressing national issues in a variety of sectors, including education, poverty reduction and community development. Community groups have for instance, demonstrated a desire and capacity to partner with government in areas such as HIV/AIDS prevention and have developed capacity to

---

<sup>28</sup> A wage freeze has already been extended to financial year 2010/11 (GoJ, 2010: 47).



address some of these areas. However, unlike the reforms of the '80s, this sector must be supported in their ability to partner with government in the delivery of public goods and services. Community development funds now given to MPs can in fact be redirected towards these groups with emphasis on the sustainability and income generating capacity of projects. Government could perform more of a regulatory function in these areas, providing the support and assistance to secure funding (international and local) for initiatives and delivering these services. Support would include grant writing, identifying opportunities, assisting with designing plans, formalization, etc. The preference among some sources of international aid to channel funds to NGOs and the private sector given experience of corruption and misallocation of funds by governments in areas such as the Caribbean and Latin America and Africa could prove useful in this exercise. The social enterprise model<sup>29</sup> currently being adopted in countries such as, the UK, Poland and Italy offer the Jamaican government one way of helping to raise the business appetite and aptitude, and sustainability among local CVOs. Recognising the cost (estimated £10 million/year at 1987 estimates) of maintaining and servicing high technology equipment in hospitals, e.g., health centres, the GoI was keen to acquire external consultants to help train civil servants to maintain these machines. This highlights the need to develop local capacity in order to increase employment in the public sector, or private enterprise, and reduce redundancy (GoI, 1987: 25). The development of capacity can be achieved in a more strategic partnership with local universities, e.g., medical physics at the University of the West Indies.

There is need for examining of the potential savings which can be secured from the payment and licensing structure in areas such as information system. In fact, the latter offers an opportunity to carry out a pilot study to identify the role of open source versus licensed proprietary systems in government's efforts to reduce the cost of the public sector. This would take into consideration the existing cost for maintaining a network of support for present ICT technologies against the cost of adopting open source systems. The executive agencies offer a fitting testing ground for such a study. Such proactive investigations and assessments can yield best practice with government departments and ministries being an innovator and source of best practice for other departments as well as the private sector, educational institutions and NGOs.

The reality is that cutting personnel will not be sufficient and this is fully indicated from the cases. As in Sweden and other countries PSR will include a review of other public spending (beyond salaries). To this end, the public sector must become an engine of innovation and entrepreneurship, demonstrating these traits in the management of their own offices. The PSTU has suggested a number of strategies including: reduction in printing, stationary and review of the country's membership in international organizations. Such a recommendation is even more realistic in a changing international relations landscape. Attention to reducing travel costs must also include reduction in the number of delegates and frequency of trips taken by governments overseas. This means the greater utilization of embassies and consular officials in or near the countries being visited. Where travel is necessary, intellectual, administrative and other strategic support must be provided at a greater level by civil

---

<sup>29</sup> A Social Enterprise is a "businesses that aim to maximise profits to fund underlying social objectives" (in Curtis, Minto & Nicholls, 2008: 21).



servants overseas. This is critical in ensuring an active and informed civil service, not only at home but also abroad, that is more advanced in their knowledge and capacity to assist, negotiate and lobby to secure Jamaica's interests at home and abroad. The knowledge, resources and skills of the diaspora can also be activated more constructively here to reduce cost involved in official travels. The reduction of a number of waivers and subsidies already marks a step to cost reduction.

Additionally, whereas PSR in 1990s Barbados saw increased focus on the use of the telephones as a tool for business in the public sector; for Jamaica in 2010 this must equate to the use of ICTs as a business facilitation and cost reduction tool. This means more use of web-based programmes and applications for meetings (e.g., Skype), to reduce travel and telephone costs. The increased presence of government and on the Internet is one step in helping citizens to *reduce the number of avoidable contacts* with public bodies, as well as among civil servants and different public bodies. Others strategies will require a review of the location and cost of office facilities. Even the structural design of the workspace or building can offer potential for cost savings where this results in reduced utility charges. Greater collaboration across government departments can result in joint purchasing and other forms of collaboration to procure goods and services such as office stationery and cleaning.

## IMPROVING PRODUCTIVITY AND EFFICIENCY

The measures suggested above would ultimately lead to a reduction in the size, scope and cost of government. The experience of the countries reviewed here still suggests that these moves are not sufficient, given the extent of Jamaica's economic problems. Reforms in the public sector must be accompanied by increased productivity and measures to improve or maintain service, especially in light of reductions. This is important in ensuring that dissatisfaction and unrest do not result from reforms, making improvements in efficiency an even more important aspect of reform (EC, 2009: 5). Attention to productivity and efficiency are even more critical for a country, which is currently an underperformer in an underperforming region as it relates to economic productivity (see Pagés, 2010). Further, whereas reforms brought greater productivity and efficiency in other countries, previous reforms have not seen similar results in Jamaica.<sup>30</sup>

As pointed out by Schwartz (1994: 529) reforms in countries such as New Zealand and Australia were very much about redesigning the incentive structure for public servants, as well as, customers in order to achieve behavioural change. Towards this end, attention is needed towards removing perverse incentives for underperformance, corruption and unproductivity. Where measures already suggested do not lead to sufficient savings, unpaid leave (as suggested in Ireland) may be adopted where workers are allowed a specific number of days off work within a three year period. Indeed, such a move could be matched with a reduction in the number of paid personal days currently awarded to public servants. Other measures aimed at redesigning incentives, encouraging behaviour change and increased efficiency in the public sector include opening up more areas of government to competition. For

---

<sup>30</sup> An indication of this sustained inefficiency can be gleaned from the ease of doing business index. Just looking at the last two years gives much cause for concern in Jamaica. The country has for instance moved from its 67 spot in 2008 to 75 of 181 countries in just one year (World Bank: Key Indicators, 2010).



example, Sweden has benefited from the opening of services such as education to alternate providers. Consistent failure to punish abuses also constitutes a perverse incentive for corruption and sustained abuse of public office. Addressing this issue will require greater punishment of abuse. Stories of public servants absconding with public money ought to be reduced, particularly where these individuals flee to countries with which Jamaica already has extradition arrangements. Such moves will go some way in advancing the view of the public sector of Jamaica, both locally and internationally as a country that takes public corruption seriously. Countries such as Botswana have suggested that while corruption takes place everywhere, what differentiates one country from another is how such breaches are treated (see Hope, 1995; 1997; Tsie, 1996; Maipose, 2008).

Performance management (PM) has been one of the most popular tools for managing efficiency and delivering an efficient public sector within the last two decades. As seen in some cases, this has equated to a more hands off approach where public sector managers have been given the room to operate to deliver specific targets. According to Halligan, PM covers both human and financial resources, is comprehensive, including attention to inputs, outputs and outcomes. Admittedly, these have not all been met extensively in the countries covered here and performance management does have its drawbacks.<sup>31</sup> The difficulties in implementing PM in all areas of the public sector are many (including cost and oversight). On the other hand, as noted in NZ, financial management has improved with budgets having more comprehensive information and more synchronicity between annual reports and internal planning document (Halligan, 2009: 5).

Experience shows that PM can be most useful, especially at the managerial level, particularly where managers are made directly responsible for meeting the set targets agreed by the government and where PM is tied with performance-related pay (PRP). Canada has for instance allowed senior staff a bonus of 0-15% based on the meeting of agreed targets with rewards being made commensurate with the level of success in meeting such targets. Also, some sections of a salary can be based on PRP, while others are fixed. Such a method will be useful where it is difficult to adopt wholesale PRP. Rewards will also have to be sustainable as there must be punishments or consequences for consistent failure to meet targets – that is, beyond the loss of bonuses.

Given the on-going problems with the budget process and debt from poor budgeting in Jamaica, the country cannot afford to ignore the positives of this form of governance in the public sector. Extending this practice in Jamaica may be costly in the initial phase but where implementation and monitoring are carried out to ensure managers use their freedom responsibly and are accompanied by accessible reporting to the public the gains could be improved recognition on the part of managers and public servants of their role in cost management. This may also assist managers to become more aware of the impact of operational choices on the public purse and their ability to realise specific targets as was the case in Sweden. There must however, be a willingness to step away from PRP where there is difficulty in assessing the full productive capacity of the public service or good that is provided and matching these to pay.

---

<sup>31</sup> For example Halligan notes these as high transactions cost, relevance and complexity (2009: 5).



Admittedly, the public sector has some unique features, requiring acceptance that management features of the private sector may not sit neatly if transposed insensitively. Modern management strategies nonetheless, have some place in increasing quality, innovation, productivity and ownership of PSR among civil servants and other workers in the public sector. For instance, the practice of ‘collision’ (used here to mean the convening of different skills, talents and individuals at different levels of the public sector to arrive at the best solution for identified problems) may have some place in PSR. This multidisciplinary approach has been utilised in General Electric’s Global Research Centre and Tata’s Innoverse hub. The latter represents one way in which collision can be encouraged effectively via a well-built virtual space, which allows public servants to suggest solutions to problems on an on-going basis. This can be done via the development of a virtual innovation portal for the public sector. Recommendations can be assessed for their feasibility and where projects are implemented and result in savings, the teams responsible for their conception can share in the rewards.<sup>32</sup> Such forms of interaction again draw attention to the value of the Internet particularly in increasing economy and effectiveness in government (2010). Constructive collision has its place in helping to foster greater collaboration and communication within government, as well as helping to raise service quality and innovation. As suggested in Sweden increased cooperation among agencies helped to heighten communication and effective interaction among government bodies. The use of the virtual world also increasingly has its place in increasing options for collaboration and cooperation between government and its citizens and for increasing government’s income earning potential. These relate to areas of e-commerce and e-government (see Dunn and Minto-Coy, 2010; forthcoming, 2011). Internal competition also has its place in helping to raise quality and service in Jamaica’s public sector.<sup>33</sup>

## INCREASING GOVERNMENT REVENUES

Cost reduction must also be accompanied by efforts to increase revenues via the identification of new revenue sources as well as increased efficiency in the collection and management of revenues. One of the measures used in the past is the introduction of user fees as seen in the creation of executive agencies. Indeed the countries reviewed here have all sought ways of increasing revenues and the role of citizen-funding in the delivery of public goods and services via the introduction of user fees. To this end, it may be worth considering the remaining services that can be transferred from central government to executive agency status. Indeed improvements in service and income have already been acknowledged from the first generation EAs in Jamaica meriting a further move in this direction. Nevertheless, further attempts to transform segments of the public sector into executive agencies should be accompanied by an awareness of the limitations of this model and a desire to ensure that these bodies do not unwittingly end up carrying on the practices of the traditional civil. This suggests the need for oversight and arms-length management of such bodies to ensure that managers are able to demonstrate control over inputs and

---

<sup>32</sup>“This portal serves as a virtual innovation forum where employees from across Tata’s business units can post ideas, comment on them, and then vote on the ones they like the best. In one year it gathered 12,000 ideas, on topics ranging from R&D to management and strategy, several hundred of which have been turned into projects or implemented through operational reforms”(Ferrari, and Goethals, 2010: 3).

<sup>33</sup> The PSCSC marks one form of constructive competition.



outputs. Thus as suggested from the NZ model greater managerial autonomy over budgets, methods and staffing must also be accompanied by greater accountability for results and performance among these agencies. An emphasis on the outcomes or impact of output must also be a factor in creating EAs, a move which would also help to justify the existence or provision of a service.

One of the most popular measures for increasing government revenues has been tax increase. Indeed, the GoJ has already introduced a number of increases including General Consumption Tax. Interestingly, not all the cases reviewed here went this route. Ireland for instance, chose to reduce taxes and instead increase collection and reduce the rate of evasion. Thus, while an increase has already been introduced, PSR must also include efforts to reform tax administration and capacity in Jamaica. Tax increase is not the same as tax reform and this distinction needs to be fully grasped as no increase can address the structural and systemic problems in Jamaica's tax regime. Successive tax increases cannot be viewed as a sustainable means for addressing government deficit, particularly given the size of the formal vs. informal economy in Jamaica. This is also important in the Jamaican context where the level of deficits and tax avoidance are already renowned. Indeed, as much as possible future tax increases should be placed against debt reduction as opposed to being used to pay for increased government spending.

Tax administration in Jamaica has consistently suffered from problems of lack of enforcement, weak capacity, complex tax structure and high compliance costs (Figure 9). These have over the years incentivised avoidance, evasion and ultimately encouraged the tendency towards informalism. Successive efforts have been made towards improving this vital source of government revenues but investments in this area have yet to reap commensurate rewards. Until Jamaica is able to address this tax reform with the seriousness which it merits, efforts will continue to flounder. A number of studies have been produced over the past two-three decades with recommendations for tax reform and the aim here is not to review or reiterate all of these suggestions.<sup>34</sup> Some gains have been made but full implementation has yet to materialise. There is need for a greater appreciation of the place of the tax system in addressing budget deficits (beyond tax increases) and in increasing productivity and economic efficiency. Speaking to the situation of the Latin America and Caribbean Region, a recent IDB study concluded that:

the region's tax systems distort the allocation of productive resources: the sectors and firms that expand are not necessarily the most productive but rather those that enjoy higher tax breaks or can evade their tax obligations more easily

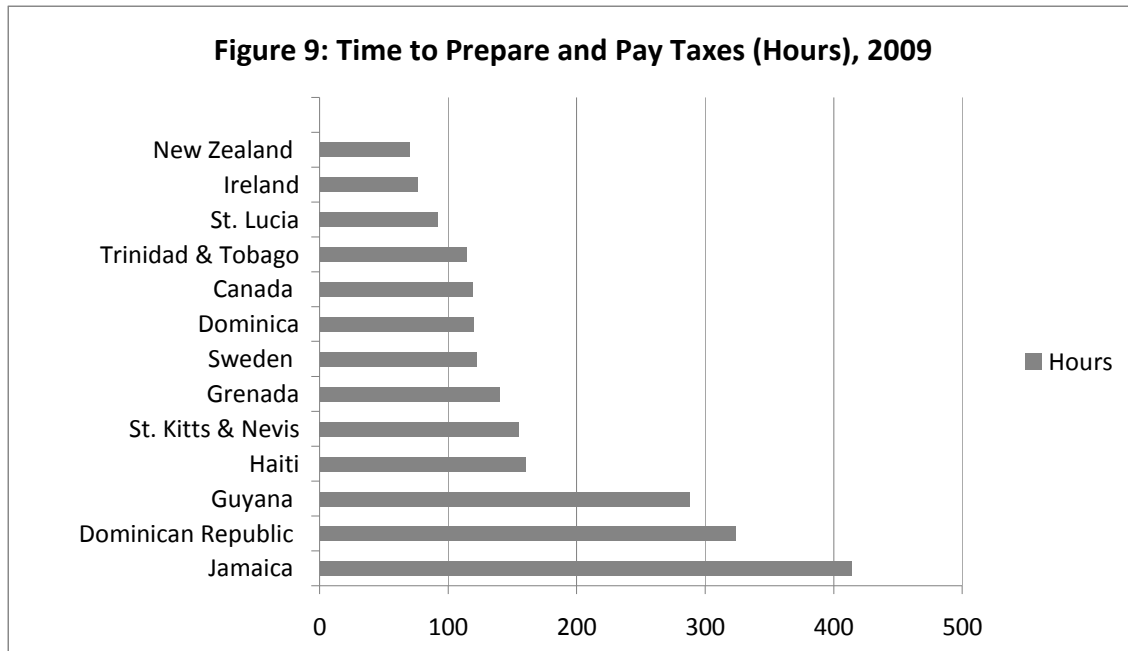
(Pagés, 2010: 9).

The removal of certain duties and exemptions over the past months marks a significant first step in this regard.

---

<sup>34</sup> Including the Nettleford and Matalan Reports.





Source: Compiled from WB (2010).

Tax reform may require a Canada-type PR of tax administration in Jamaica. This would involve a review of past and present approaches and initiatives, an assessment of the place of tax administration in Jamaica's efforts to reduce debt and improve the delivery of public goods and services. This PR would of necessity not be a totally new assessment but also include a review and consolidation of the various studies and consultative exercises conducted over the years in order to distil the most suitable set of options for meeting goals established within the GoJ's debt management and development framework. Where the emphasis is on private sector led growth and entrepreneurship, these should in turn be reflected in the tax regime. For instance, Sweden's emphasis on building an ICT literate society and increasing the ease of tax compliance was matched by tax exemptions and credits to facilitate computer ownership. Where the goal was for increasing skills and training unemployment benefits were issued to allow return to school. Likewise, in Ireland, emphasis on attracting business and investments saw adjustments to corporate tax as a means of encouraging local and international companies to do business in Ireland. However, where benefits and other tax concessions are deemed not to deliver commensurate benefits, these should be removed. Such an exercise may be useful in building consensus around the options and needs of the country and where the tax system fits with these issues. Successful PSR therefore, requires renewed and more convincing attempt at modernising and improving the tax system in Jamaica in order to increase economic productivity and government revenues.

Penalties for avoidance must be increased even as the carrot or incentives for compliance must be increased. For instance, Section 121 of the Companies Act of 2004 notes a penalty up to a maximum of \$10,000. Such a penalty is not a sufficient deterrent, particularly for bigger companies. Public information initiatives, such as the development of a responsible shopper programme, can help citizens to be better informed about the companies with which they conduct custom. Such programmes



can be an incentive for more businesses to become formalised. Particularly important is the need to improve government's tax-auditing capacity to identify hidden income and tax cheats. This therefore requires greater investigative capacity in the revenue department including the ability to track hidden income and to identify where spending or assets surpass figures noted in returns. More effort is needed towards increasing collection, reducing evasion and closing loopholes in the tax system. A review of the relationship between compliance and the voluntary nature of the present system may also be required or at least attempt to change the culture to one where tax compliance is seen as a more serious issue. This will be accompanied by measures to help small businesses and the self-employed to become regularised. Measures here could include assistance with computerisation to increase their ability to file tax returns earlier and online. An area for development is the availability of user-friendly software and online programmes to allow businesses to file their taxes online as in Sweden and Canada.

The reality is that Jamaica has been advancing to a state where a "business as usual" stance is unrealistic. Thus, addressing the many challenges faced in the area of tax administration may require more drastic and comprehensive measures to be laid out over a short and fixed period of time. These can be constructed over the next few months, tabled at the start of 2011 and entrenched in the 2011 budget. The aim will be to simplify tax administration and compliance, and unify procedures to reduce duplication, waste and cost to the Jamaican government and public. Success here can be halted by practices that have compromised many other efforts at reform-unequal and uneven implementation, but as illustrated in other reforms in the countries investigated here equity is important in reform. As noted by the Swedish PM, who oversaw PSR in the 1990s, citizens must be able to see that all players are feeling the pain of reform equally (even if, as in that case, it meant a reduction in the level of welfare benefits in some instances). Thus, the mantra must be simplify, unify and enforce, *evenly*.

The review of the Jamaican case suggests that one of the key factors that have been missing from successive efforts has been a lack of political will to carry through tax reforms to their fullest, particularly where it concerns the enforcement of existing rules. The recent signs in this regard are heartening with the GoJ rescinding various waivers and exemptions and increasing collection levels. Such efforts must be stepped up and extended. This is the case not only for easy targets but also for those areas of the economy where tax avoidance has traditionally not been accompanied by any penalties. Increased enforcement is an essential aspect of government's ability to enhance compliance and collection. However, this also carries with it a responsibility on the part of government to be more accountable and transparent in the use of such funds. This is critical since compliance is not only a function of increased enforcement but also an acceptance and recognition by the public that taxes will not be misappropriated or misused. Thus, as the government makes moves towards increasing collection, these must also be accompanied by greater transparency about government expenditure. Such a move will go a far way in increasing trust, legitimacy and – based on the literature and experience of the successful cases presented above – compliance and support for government policies and institutions.

Tax reform can therefore deliver a number of gains, which would go some-way in helping the government to achieve its stated targets of increased revenues, while





reducing the onerous on the public sector to assist in meeting this target via redundancies and job losses.

### Reclaiming Investment in Human Capacity: The Role of the Diaspora

The role of the diaspora has already been raised in the Irish case and merits further mention here, given the relevance of this group's involvement in governance locally. The Irish case brings into sharp focus a critical point which (beyond the high debt rate and budget deficits) makes the Jamaican experience in 2010 similar to that of Ireland in the mid-1980s. That is, the issue of migration of the skilled and talented. Ireland's efforts to attract the skills and capital of its diaspora saw specific effort to woo this group back to the country<sup>35</sup>. Lessons remain in the specific measures taken by the Irish government but these also go beyond the specific measures adopted by Ireland to the general idea of accessing the capacity of the diaspora towards efforts to reduce the nation's debt, increase productivity and income options while enhancing administrative capacity.

The diaspora remains a potential source of income beyond remittancing. It has already been accepted that the Diaspora already makes a significant investment to the country and increasingly exists as one of Jamaica's most active development partners (Minto-Coy, 2010). Migration already brings a number of gains in terms of remittances, diaspora trade and contribution to civil society, while reducing the pressures on domestic services and local demand for employment (see Reis, 2006 and 2007; Orozco, 2003). However, migration of the most skilled does mark a loss in the return on investments, e.g. loss of potential tax earnings and talent in the public service, private sector and civil society, as well as diminishing the size of the middle class believed to be important in maintaining democracy and good governance (see e.g. Chabal, 2004:249) in countries made in areas such as education (see Table 1). In terms of investment on education, this is one of the few areas in which the nation fairs well comparatively being rated at 28 from 133 based on the level of GNI spent on education (Guyana is listed as 3 and Barbados at 9) for 2007 (World Economic Forum, 2009: 392). This is indeed, a considerable investment for the country and perhaps the debate should not only be on how government can cut this expenditure but importantly too, ways in which it can recoup some of this investment, particularly where more recent migrants have been some of the most skilled and educated.

Thus, where Jamaicans migrate and do not return there is cause to consider the possibility of such individuals returning a portion of investments contributed to their education<sup>36</sup>. A number of technical issues may be involved (e.g. ease of tracking individuals and ensuring that this payment does not become a burden on disincentive to migration). Other countries such as Singapore have similar programmes and could thus provide insights into how such a policy could be designed. At the least, recouping some investments will see measures taken to ensure that student loans are repaid after migration.

---

<sup>35</sup> These included linking members of the diaspora directly with companies wishing to establish businesses in Ireland.

<sup>36</sup> This is partly explained by changing immigration policies in the developed countries, which specifically targets the most skilled and educated from developing countries such as Jamaica.



**Table 1: Government of Jamaica Expenditure per Student 2001-2009**

Expenditure per Student	2001	2002	2003	2004	2005	2006	2007	2008	2009
Primary (% of GDP per capita)	13.35	13.45	12.53	10.15	12.82	-	17.31	-	-
Secondary (% of GDP per capita)	20.99	20.96	20.11	17.60	18.85	-	19.89	-	-
Tertiary (% of GDP per capita)	70.37	59.67	36.17	-	-	-	-	-	-

Source: WB Indicators, 2010.

There therefore, remains a need for the government to adopt more innovative strategies aimed at involving the nation's diaspora and migrant population in countries such as the US, Canada and the UK in more the nation's development and particularly in this effort to address the crippling debt and PSR. The reality is that the diaspora and migrant population has a stake in Jamaica's renewal. This is seen for instance, in the desire of many to return to the island to retire, to help in setting up businesses and the pain which sometimes accompanies a decision to migrate. Many already demonstrate a desire to contribute in more concrete and structured ways, where their contribution can be seen to have a direct impact. For instance, the capacity and knowledge of this group can be utilised in efforts to modernise the local public sector. This is possible given the location of some members of the Diaspora in public offices and points of influence in countries such as Canada and the UK, two of the very countries that have been heralded as having secured success in many of the reforms attempted by Jamaica over the years.

This engagement can also be done in ways which do not necessarily impose a greater tax on the diaspora who already are engaged in maintaining the quality of life for their families and communities at home. As yet, there is the possibility that the debate ignited in the first Diaspora conference of 2006 and which has yet to produce precise and tangible measures for cooperation between the diaspora and Jamaica can be brought to fruition under the following recommendations. To this end, it is suggested that the Jamaican government seek to engage its development partners, particularly the governments of countries such as the UK, Canada and US in assessing the possibility of securing some of the payments that are deducted from the salaries of Jamaican migrants and temporary workers in these countries. For example, the Canadian government presently deducts pensions from the salaries of Jamaican migrants and temporary workers. These deductions are not repaid upon departure from Canada. There is an argument for such payments to be paid over to the Jamaican state as a form of compensation for such workers.

## MANAGING CONTINGENT LIABILITIES

PSR requires a comprehensive, inclusive and open approach to budgeting to remove deficits – this is not a normal budget exercise. As illustrated in the Canadian and Barbadian case, there should be no misgiving about the potential volatility of



measures which appear to threaten jobs and wages and the need to do things differently. Restoring the country's fiscal position also requires improved financial management, particularly of government's contingent liabilities.<sup>37</sup>As demonstrated from the financial crisis of the 1990s one of the greatest moral hazard or threat to fiscal management is contingent liabilities and this has the risk of throwing a well-planned budget and development plan off course. With this, Jamaica's debt that had been trending down returned to growth by the end of the 1990s. The impact on wages and PSR has already been suggested in the earlier review. The issue of budgeting and managing contingencies also emerged in the other cases. Sticking to agreed reforms and staying the course; setting clear rules from the outset; agreeing on these plus desired outcomes; and agree from outset the conditions which would necessitate a change procedures agreed to undertake to obtain fiscal management. Such monitoring is necessary at all levels of government to avoid future financial claims. The government must understand and proactively plan how to address contingent liabilities in its effort to manage the nation's debt. This is important in restoring its credibility of government and ultimately for realising the aims of current reform efforts. Including such contingencies in the planning and budgeting stage is important in preventing knee-jerk reactions and managing the countries debt.

Experience of countries such as Canada (and Australia and the Netherlands) suggests that contingent liabilities can be managed successfully. These cases suggest that effective risk management in this area could help to reduce the problems associated with CL via the adoption of multi-year budgeting and reporting practices, whereby departments are expected to report contingent liabilities to central agencies. By law the Government of Canada has to account for all CL (Section 64 of the Financial Administration Act). This is taken further in Section 63 of the Act which specifies that reserves for CL be held in order to give a fair account of the country's financial position. Canada also issues an annual call letter for the evaluation of assets and unrecorded expenses in government offices allowing public bodies to update their systems and in turn the national consolidated financial status. Risk managing for CL requires attention to specific details. These include an assessment of the likelihood of an adverse outcome and of potential liabilities to government from such an outcome, as well as an indication of how such an actual estimate of liability was derived.

“Australia and New Zealand include contingent explicit liabilities and contingency expenditure provisions in government financial statements. Italy and the United States make budget appropriations for the net present value of the future fiscal costs of issued loan guarantees and direct loans.” (Polackova, 1999: 48)

Governments here assess their risk and reserve adequacy using history as their guide. This is backed up by more advanced models and techniques (i.e. “actuarial, econometric, loss-estimate, and option-pricing models” (Polackova, 1999: 48). Governments in Columbia and the Phillipines have sought to pass on risks to private companies in infrastructure projects by negotiating tighter contracts. They also review the risks associated with guaranteed infrastructure projects estimating their exposure from such arrangements. In the case of Botswana very little new spending has been permitted outside the agreed budget cycle. The government's approach to fiscal management not only sent a clear message to its people about its commitment to

---

<sup>37</sup>These are potential liabilities that become actual liabilities if an event occurs or fails to occur.



managing its finances responsibly, but also to the international community about its adherence to the principles of development planning (Hope, 1994). Such consistency has meant the country has been able to weather crises more effectively than others, while it has little debt repayment (see Maipose, 2008) and interest on debt is not as high as that for countries such as Jamaica.

There is also need to account for the volatility of public finance in designing government programmes. For Canada, contingencies include recessions, and global crises and their effect on government's ability to meet payments and manage its deficit. In the case of Jamaica, this will include the risks posed by natural disasters such as hurricanes and increasingly, droughts. As recent events suggest, these are the same issues for Jamaica. However, the sources for crises are arguably even more varied for this small island developing state (SIDS). Managing contingencies in SIDS means accounting for fluctuations in income from sensitive industries, such as tourism and remittancing. Even more so, accounting for CL will include attention to the natural environment and particularly the real and potential impact disasters such as hurricanes and floods on the government's ability to manage its finances (See Table 2 below). For instance, estimates by Professor Gladstone Hutchinson, head of the Planning Institute of Jamaica (PIOJ), is that the figure has amounted to J\$100 billion between 1980 and 2010 (Brown, 2010). The loss of production and the business cost of droughts and the impact on overall growth is another emerging consideration, requiring attention to risk management and accounting (e.g. insurance, savings and improved investments in water management) within the normal budget cycle to reduce the ill-effects of these disasters.

**Table 2: Top 10 Natural Disasters in Jamaica: 1900-2010 (By Economic Cost)**

Disaster	Date	Damage (000US\$)
Storm	12/09/1988	1000000
Storm	11/09/2004	595000
Storm	13/08/2004	300000
Storm	20/08/2007	300000
Storm	29/09/2010	150000
Flood	15/05/1986	76000
Storm	28/08/2008	66198
Storm	31/07/1980	64000
Storm	17/08/1951	56000
Storm	06/11/2001	55487

Source: "EM-DAT: The OFDA/CRED International Disaster Database [www.em-dat.net](http://www.em-dat.net) - Université Catholique de Louvain - Brussels - Belgium". Accessed November 8, 2010.



A sense of realism needs to be imbued in the policy process and concomitantly in dialogue with stakeholders, particularly, unions and citizens as to the state's capacity. This is important in avoiding claims and demands being made on the government's purse mid-way through the budget year. Thus, where the government is unable to fund initiatives such as universal health care or where doing so will reduce its ability to meet existing pledges to other constituencies then this must be made clear. Exercising control over government finances is critical, given that: "The greater the weaknesses in a country's macroeconomic framework, financial sector, regulatory and supervisory systems, and information disclosure practices, the larger the country's contingent liabilities" (Polackova, 1999: 47). It therefore, stands to reason that managing Jamaica's contingent liabilities, indeed all its liabilities will require greater disclosure and transparency, particularly in the country's finances and closer oversight, enforcement and monitoring to ensure that these are not surpassed or ignored in the policy and budgeting process both in the immediate and long-run. Importantly too, the government must include in its planning and make known the liabilities of institutions which it owns or has responsibility for and the extent of public funding which these may require in the future.

One significant starting point is to conduct a review of Jamaica's approach to the national health service, involving a serious assessment of the future direction of this service, government's obligations as it regards the provision of a cost-effective, equitable service and the various options for the provision of such a service. Likewise, promises of wage or spending increases cannot be unconditional. Rather, as in Barbados, such promises must also be linked to other conditions such as the realisation of growth. An attempt at equity is important for winning support for harsh measures.

Experience shows that public spending is not always a solution, particularly where as in Jamaica's case, the country has demonstrated a sustained inability for responsible fiscal management and where governments have tended to view increased spending has been used as a tool for winning electoral support. In Jamaica's case public spending has clearly become one of the greatest problems, seriously constraining the nation's ability to grow and to meet the needs of its citizens in the future, and poses an even greater threat to its future. The forgoing would suggest that for public spending to become a solution, government has to review its priorities and subject itself to more rigorous use of the tools of public policy analysis including, cost effectiveness and cost benefit analyses in determining what areas of spending ought to be sustained and in determining where funds will be placed in the future. Vital for improving the quality of public spending, as noted by Tarrallo, et al. (2009: ix) are:

*sound public expenditure management arrangements that include: [1] Comprehensive and transparent legal frameworks for public financial management and procurement; [2] Institutional frameworks made up of agencies with clearly defined responsibilities and adequate numbers of suitably qualified professional staff; [3] Leadership that takes seriously its accountability for efficient management of public resources; [4] procurement arrangements that are supportive of government's strategic goals and that are based on explicit principles of economy, efficiency, competition and transparency and; [5] independent scrutiny, including from civil society, of government stewardship of public resources.*



Managing government liabilities implies a greater use of tools such as risk, cost benefit and cost-effectiveness analyses in Jamaican public policy in order to better regulate contingent liabilities. Such an approach is important in allowing government to identify and classify the risks associated with its decisions if it is to be able to manage the country's finances responsibly.

Thus according to Polackova (1998) governments can reduce contingent liabilities by creating institutional capacity to regulate or prevent risks in the private and public sector, including the costs of such liabilities in the budgeting, reporting, evaluating and overall, policy process; and by acknowledging the limits of a government's responsibilities. Indeed, one strategy which would allow such a comprehensive view of risk management, involving the private and public sectors is a social contract or social partnership, as undertaken in Barbados. It is therefore, worth revisiting this issue in the Jamaican context and its potential as the institutional mechanism, which Polackova sees as being necessary for risk managing Jamaica's liabilities.

## BUILDING SUPPORT, IMPLEMENTING AND SUSTAINING PSR

PSR is inherently contentious and divisive<sup>38</sup> and potentially, has many losers, but even more beneficiaries where it results in success. This has particular relevance in a society where unemployment is already at a high of 14.5 percent, an estimated 14.8 percent of the population lives below the poverty line and growth for 2009 was -4.2 percent.<sup>39</sup>

Borgelt and Falk (2007) identify four stages to an 'intervention': the trigger stage of identifying a problem; the initiating stage, a largely informal method of sensitising people to the need for the intervention; then the development stage, where a more formalised procedure takes place; and finally, the management and sustainability stage. The Jamaican policy process has tended to focus more on the first and third stages of reform with 'buy in' and implementation being perennial problems. Stages two and four are equally important in helping to raise consensus and support for reform and helping to solidify cultural 'change' by guarding against complacency and a return to old perceptions or behaviours. This is critical, given PSR is not just an academic or design exercise. That is, the introduction of new rules and modus operandi do not in themselves bring about PSR since this is also about engineering a change in mindset and organisational culture. Mutual reinforcement is important. This is to avoid the uneasy mix of reformed procedures being run and overseen by individuals who lack understanding of the purpose or need for such reform and hence, lack the desire to enforce or practice new procedures with new rules uneasily overlaying the old.

To this end, it is being proposed that initiatives aimed at building a 'public service ethic' be included into the PSR programme in Jamaica. This will require the development of education programmes to inform public servants of their roles and responsibilities and of what it means to be a public servant. This is not to suggest that the current stock of public sector workers is completely void of such an ethic. Rather, such programmes can play a vital part in helping to improve the relationship between

---

<sup>38</sup> See, e.g. Schwartz's investigation of reform in Sweden, UK, New Zealand and Australia in the 80s (1994).

<sup>39</sup>CIA (2010)



the public sector and its constituents (including, citizens, the private sector and other public servants). Further, where discussions on public service ethics suggests a dichotomy between the theory and current practice then such dialogue can assist in the identification of instances where this is the case, the possible problems for such deviation en-route to finding solutions for identified problems.

As it relates to designing the PSR programme including public servants in the design and discussion of policies in an open environment can help to win their support for reforms. Public servants have in other countries (e.g. Ireland and Canada) been allowed (via PR and SP in Canada) to contribute to policy formulation. This is certainly one route to empowering public servants who are able to innovate and contribute positively to advancing productivity. Importantly however, this is not simply a matter of sharing power. Rather, this involves efforts to include public servant's views in shaping reform and according to Fernandez and Moldogaziev is also about sharing knowledge about performance, the information needed to help in meeting performance targets, and sharing the benefits of increased productivity (2009). Public servants can therefore, be given the scope via PR to contribute to discussions on how they their jobs can be improved within the constraint of existing or projected debt reducing budgets, which are then brought before the cabinet. The result is that the nation's gains in fiscal management, via PSR, also become the gains of public servants as they begin to understand their role in debt management.

The PSTU has already begun to make positive moves towards addressing some of these old failings. This is seen for example, in the use of Facebook and other media to build awareness and support for PSR. These moves have already gone some way in opening up what has for the most part been a more secretive affair in the past. These efforts should continue, particularly in reaching those on the ground, to prepare them for the extent of reform which is to come and the necessity for citizen support for success. Again, empowering CVOs can help in this endeavour, building support from the ground up to meet initiatives flowing from the top.

Culture change among public servants will also require a similar change among politicians as failure to obtain this can result in the latter frustrating the efforts of the public sector to deliver improved and equitable service to citizens. PSR is undoubtedly a political exercise with high stakes for success (and failure). Leaders in the cases examined here have all been hailed for their willingness to support such far-reaching reforms. PSR is also a public relations exercise, as demonstrated in Canada, Sweden with symbolism having some place in such an exercise. Thus, where salaries are to be frozen or reduced, this must first begin with the most visible departments and positions (e.g. Office of the Prime Minister, finance ministry, ministers and senior civil servants).

Sensitisation must ultimately go beyond the public sector to include Jamaicans on a whole. This will require raising awareness of the cost of inaction and a clearer indication of the impact of existing debt on present and future generations. The 'pain' of reform must also be expressed. Reducing political risk will therefore, require openness and discussion via a public relations exercise aimed at increasing consensus around the need for PSR within a fixed time period and then for marking the progress of implementation. To this end, the Jamaican public must be seen as a legitimate partner in PSR, since such an exercise can affect the quality of service citizens receive. In turn, the extent to which public servants are able to deliver goods and services to



the public (their constituents) affects the citizen's (and global) perception of the GoJ. The implications for citizen's willingness and desire to pay taxes, exercise the rights of citizenship (e.g. participate in the electoral process) and to participate in the formal economy are not to be ignored. There must also be attempts to offer tangible indicators of what is to be gained (e.g. levels of savings, and debt reduction) from PSR over fixed time periods.

Reform is inevitable; the key is to ensure that cuts do not affect the poorest disproportionately. The cases examined in the previous section all demonstrate recognition among reformers of a link between economic and social well-being and a belief that the benefits of reform should be widespread. In fact, all but Sweden embodied increased attention and support for vulnerable groups. This is for practical reasons since social unrest and inequity breeds instability, uncertainty and injustice – conditions which do not favour growth. PSR must also not leave those at the bottom worst off but must be accompanied by measures to cushion the blow of retrenchment on the most vulnerable to avoid the criticism levelled against efforts in the 1980s and 1990s. Further, improvements in social welfare can help to raise the productive processes of the state. Emphasis on a social protection is arguably not contrary to attempts at economic recovery. This is an important consideration given that social security has some relevance for economic security and potentially even more so in the context of Jamaica's current problem with poverty-related crime. It is true that without a strong economy it will be difficult for Jamaica to achieve development goals. On the other hand, economic recovery without attention to who benefits from recovery will result in more rent-seeking and informality, particularly where resentment and mistrust emerges from a view that those who have sacrificed (e.g. public sector and public) are not the direct beneficiaries of recovery or that gains are unfairly allocated. This idea is not revolutionary and has been acknowledged in the increasing attention to the role of social spending and its role in reform (see e.g. Levy, 2008). For example, Levy recognised social protection as having a place in raising productivity and formalism in economies (2008). International organisations, such as the IMF are coming to recognise the place of welfare projects and programmes in economic reform (Gupta et al, 2000: 24; IMF 1995). Thus, demonstrate even more the value of focusing on what to preserve.

Thus, for the most vulnerable citizens, an extension of the existing social safety-net programme will be required. Interestingly, such advances can also help to address issues of informality and the need for tax reform. That is, linking the social benefits to the tax system (e.g. via tax credits or cash back) could help to bring more Jamaicans into the formal economy. This may have even greater benefit over the long run where economic growth leads to a natural increase in the tax base and government revenues. Countries such as Brazil and Mexico have within the last two decades experimented with various forms of social safety systems including 'Basic income grant' to lessen the effect of reforms and job losses and offer experiences, which may be of use to Jamaica. Already, the GoJ has signalled its intent to increase coverage under existing social protection programmes (e.g., social safety net (GoJ, 2010: 47)). The challenge here is in ensuring that such benefits do not become perverse incentives for informality, a burden on the formal system (i.e. those who pay taxes) or dissuade return to full employment (see Levy, 2008; Talbot, 2008). Experience in El Salvador also indicates the dangers of an ill-designed and poorly targeted system, which contributed to the government's near bankruptcy in 2008 (SOLIDAR, 2009: 13). It is hereby suggested





that a review of these experiences be conducted with the aim of designing a Basic income-type structure for Jamaica under the present reforms. Importantly, such measures must be given as a package. That is, the delivery of welfare support must be accompanied by measures to reduce the size and cost of the public sector, tax reform and other initiatives. Such a strategy will allow public servants and citizens alike to make a direct link between the difficult adjustments being required of them and the fact that there is some attempt to diminish the harshness of reform and in so doing, lessen the uncertainty and anxiety which can accompany PSR. Presenting an overall package will also allow everyone to 'see' that PSR is not being carried out in an unsympathetic way, potentially broadening the support base for change.

Here support for the 'most vulnerable' also refers to that for the civil servants who are to lose their jobs, as well as those who will remain after the cuts. Beyond measures already mentioned for public servants (see Sections 5.2 and 5.3) these will include counselling and psychological support for those leaving the sector, as well as for those who remain.

Implementing and sustaining successful PSR will take into account context, i.e. the political, economic, social, constitutional and cultural contexts (E.C. 2009a: 8). PSR is therefore, not an easy task and requires serious coordination from reformers who must also demonstrate understanding of the big picture. Most countries that have achieved reforms successfully have had a clearly identifiable body (or bodies) with responsibility for implementing and monitoring PSR over the lifetime of the initiative. Such bodies have also been instrumental in protecting gains by monitoring the environment to ensure the public administration and public policy processes remain responsive to the changing environment. These is a point that the GoJ should take seriously as it assesses how best to implement PSR. The Ministry of Finance is also demonstrated as playing a major role, ensuring that plans and projections for spending are placed within the context of the government's macro-economic programme, both in the short and long term.

An interesting aspect of reforms to date is that the goals of PSR have been very broad and tend to be expressed in somewhat abstract terms, such as the need to increase efficiency or to modernise and to improve delivery. This has been the case, not only in Jamaica but the other countries reviewed. While these can be the general objectives of PSR, the experiences also suggest the need to translate these goals into tangible measures at the departmental and ministerial levels (e.g. keeping increases within a 2 percent limit in Ireland). Moving forward will therefore, require more specific measures and markers to allow reformers to judge progress and to allow public servants and the wider public to have more specific information on goals ways of measuring when progress has been made and how much. Importantly too, this should involve a clear set of objectives which will permit an assessment of the successes and shortcomings of PSR. Establishing clear outcomes and objectives from the outset (e.g. establishing a specific level of savings per year) is important in assessing the extent to which outcomes have been met, and in turn, in informing future efforts.

Moves towards implementing and sustaining PSR should be under-girded by an understanding that PSR is not a one-off or ad-hoc activity but a serious public policy requiring a dedicated unit and leadership to lend credibility and form to the process, a point made clear from the experiences reviewed here. Where there is risk of successive governments going against agreements and compromising the success of reforms, then



it may be necessary to enshrine PSR in the law, thus protecting gains (as in Canada). Enshrining reforms in law will also likely reduce the risk of irresponsible spending excess as occurred in Barbados in the 1980s.

To this end, some attention will be needed in determining the sequencing of reform. Consequently, the EC (2009: 30) notes, some reforms can be based on a grand design, while others implemented on a phased basis with the choice being determined by the depth and extent of problems being faced. For Jamaica, implementation must be phased, with the major issues being implemented first (e.g. personal cuts) as was the case in the countries reviewed. Nevertheless, such intervention will take place over a fixed number of years. Furthermore, some care is needed in guarding against lapses and backtracking on reform. Thereby, the PR approach of Canada may prove useful in maintaining control over public spending over the long run. Reforms can be sustained via programme review coordinators strategically placed in each department, who in turn liaise with the PSTU in the OPM. This network will also be charged with monitoring the implementation process in each department. Oversight and monitoring at the highest level of government is also important. Therefore, ministers and civil servants must be involved in monitoring progress of PSR. This will require ministers to become more aware of the rules of engagement in the public sector not as a straight jacket, but to guard against abuse. This can be in a similar vein as the Prime Minister and Cabinet Committee in Canada or the various Partnership Committees in Ireland and Barbados. The symbolism of PSR must also not be ignored. Thus, as suggested in Canada, implementation of cuts and savings must begin in the 'most' important ministries and departments, including the Ministry of Finance. This signals not only the seriousness of reform, but also the intent to be balanced and equitable. One of the key motivations for the emergence of social partnerships or social contracts has been the need to reduce fiscal deficits and the debt-to-GDP ratio. This has also been the case for Barbados and Ireland. These models also placed labour on an equal footing with employers. As such, negotiations for PSR took place in a non-threatening atmosphere, which parties understood they had as much to lose (and to gain) from reform. Even so, reforms in the other cases also went smoothly enough, which may suggest that as a method for deriving reforms, SP may not be critical with method being determined by culture and timing.

On the other hand, the reality is that earlier attempts at outside the context of its SP had seen widespread labour demonstrations in Barbados, while the incidence of industrial strife in Ireland was reduced via SP. The reality of the matter however, is that whether couched in the language of social partnership or not, the reforms currently being discussed in Jamaica is a form of social partnership with government hoping citizens, the public and private sectors to get on board with its agenda for reform. Further, given issues of trust and the need to form a consensus around reform it may be the time to march forward with SP. The reality is that the country does not have the cultures of agreement as Sweden or New Zealand. Thus, where the mechanism already exist for building consensus and obtaining PSR in a most cohesive and effective way, these should be utilised, rather than each initiative (PSR and SP) being treated as separate exercises.



## THE ROLE OF SOCIAL PARTNERSHIP (SOCIAL CONTRACT) IN PUBLIC SECTOR REFORM

This suggests that it may be fine to revise the debate and views on social partnership/social contracts. As noted by Heinemann & Tanz: “In a constantly changing environment, a country’s ability to undertake reforms is crucial to maintain economic growth and to promote the welfare of its citizens” (2008: 173). It is proposed here that the structure of a social contract offers the Jamaican government and stakeholders the framework or means by which reforms suggested here and those already put forward by the PSRU can be implemented. This largely involves viewing the term ‘social partnership’ as a verb - as an activity, a methodology and a critical tool between the desires for translating and dreams of the Jamaican government and society into tangible policies and programmes that can be implemented.

In all the cases, PSR was not the main goal or emphasis of reforms undertaken by the government. Rather, reforms were aimed at structural readjustment of all sectors, thus being comprehensive in nature with recognition that the quality and success of PSR mattered for overall success. With this, the risk of obtaining artificial reforms or evolving, dual and conflicting systems and structures was largely avoided. These points were also amply illustrated in Ireland and Barbados; SP provided the overarching structure for redesigning those economies. Utilising social contracts as a structure for reform also secured the status of the least off in the society who were offered a number of social protections which increased the likelihood of a peaceful transition and implementation<sup>40</sup>, another important consideration for Jamaica. Underlying the link between the SP model of governance and PSR is the reality that SPs are designed to deliver worker safety not insecurity (Minto-Coy, forthcoming). This is the very goal that PSR needs to achieve in order to encourage enhanced productivity and efficiency, greater worker participation and support at this most difficult point. The country risks losing a critical opportunity for overall reform by adopting a piecemeal approach which does not consider these various policy objectives and debates together to achieve systemic reform. The risk in this approach has been made plain throughout the nation’s existence with reformed and unreformed institutions standing side-by-side, reducing the overall effect of individual reforms.

Ultimately, this debate is also about more transparency and openness in government since PSR and a social contract will require direct efforts at communication, information sharing and transparent goal setting with key government departments, the private sector and unions and the public being kept informed of activities. This will require some degree of culture change in society and particularly within the key partner – Government. Key here is a movement away from the culture of secrecy which has been a feature of public administration in Jamaica to one where government processes are made transparent and open.

### ROLE OF LEADERSHIP

The cases reviewed here all demonstrate that the quality and durability of reform are dependent on the quality of leadership, not only in the sense of the quality of managers as espoused under NPM, but importantly, that of the political leadership.

---

<sup>40</sup> Inequalities have emerged as economic progress came to these countries.



Ultimately, the experience of countries such as, Ireland, Botswana, Sweden and Canada suggest that a strong government is essential in driving PSR.<sup>41</sup> Political leadership needs to be transparent, possessing an ability to understand and communicate the reform agenda to constituents as well as possess a willingness to expose itself, even if this means risking the ultimate price for freedom – electoral defeat (as in the case of Barbados).

Importantly too, there must be a genuine awareness on the part of political leaders and their parties of the need for reform. For instance, political parties in Sweden and Canada campaigned on a platform of change. The parties promising the most far-reaching structural reforms aimed not at offering expanded government services but reducing the national budget that formed the next government in such times of crisis. As such, these parties, then in opposition were able to secure the mandate for reform. Having won their respective elections (as in Ireland), these did not squander the political leverage and goodwill entrusted to them by the public but urgently sought to make good on pledges. It is thus, not surprising that the main reforms in these cases were implemented over the lifetime of one administration, with subsequent gains being used as leverage for a second electoral victory. In such, a case, the reformers did not squander the second opportunity, instead advancing and institutionalising the reforms started in their previous terms in office. The value of political leadership cannot be overstated here with Hope noting decades ago that the problem with development in the Commonwealth Caribbean has been weak government (Hope, 1983), a point which remains relevant and arguably even more so in today.

Leadership at the head of the civil service needs to be strong, aware of legislations and regulations (“legs and regs”) of the public sector and be brave enough to let ministers know the rules, their unwillingness to breach these rules and to protect their members from unfair dismissals where politicians require them to flout the ethical principles governing their office. This should as much as possible be handled in a non-confrontational way requiring both the institutionalisation of procedures which allows for such constructive dissent. This issue is a sensitive one, particularly where it concerns the issues of secrecy and professionalism that should to some degree accompany public service employment. In the present context, however, there is a case for increasing civil servants ability to steer their political leaders where a minister’s course is against the interests of an efficient public sector, or for national growth and development. Importantly, too in an age of customer service senior civil servants must also empower their staff to allow them to interact with the public at an equal level and not be subjected to abuse or aggression from the public.

The existence of an obvious body charged with designing, managing and implementing PSR is also suggested as being important. Indeed, even where such a body did not exist in Sweden reformers there have noted this as one of the areas they would change if they had an opportunity to redo PSR. As indicated in the cases reviewed here, this body has to have a clear mandate and the support of the senior civil servants, or at least be able to amass support among key groups. Such a champion will also act closely with the Prime Minister to give strategic leadership to reform, helping to raise and sustain support for reforms across political and organisational divides. For this reason, this group must also act as a boundary-crosser possessing the ability to translate and communicate the reform agenda across a variety of organisational

---

<sup>41</sup> Also see Premfors (1991: 83).



settings, and importantly within the public sector, itself. In short, this body or person must be able to “cajole, encourage, nudge, inspire and bring along others” (in Norman, 2008: 41). Dr Carlton Davis former Cabinet Secretary did help to champion the cause of PSR. The PSTU has since been instrumental in this area, and its activities and functions should be sustained to this end.

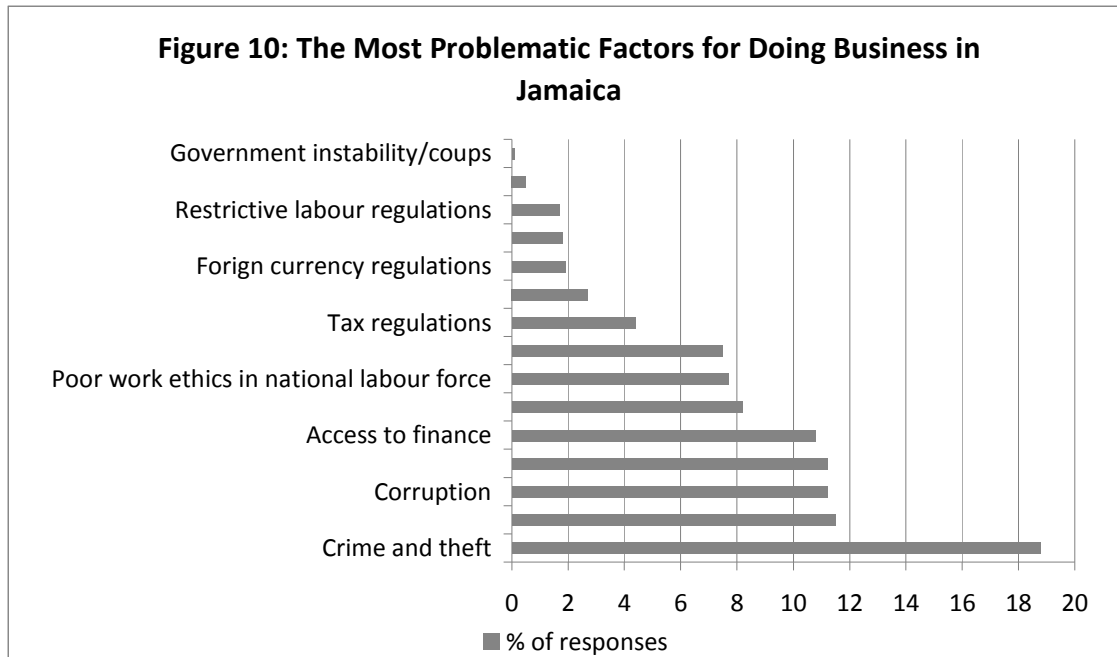
## THE PRIVATE SECTOR & PUBLIC SECTOR REFORM

Not all the cases of PSR reviewed here have accorded a specific role for the private sector as a direct beneficiary or contributor to PSR. This is at first glance reasonable since PSR is largely about the government and public servants. Nevertheless, it is important to consider and give a role to other stakeholders, including the private sector. This is important since the effectiveness, quality and efficiency of the public sector has a significant impact on the ability of the private sector and investors to perform. Inefficient government bureaucracy and corruption have for instance been noted as the second and third most problematic factors for doing business in Jamaica (Figure 10). The reality is that the private sector is essentially a part of a wider system and it affects and is affected by other parts of this system.

Where the public sector is large, this will have implications for the government’s ability to support private enterprise and in turn affect the tax rate. The productivity and cost savings in the public sector also affects the private sector, in so far as, government spending on public wages and expenses represents the use of funds which could otherwise be spent on bolstering private sector capacity or funding economic expansion. In such a case the cost of complying with inefficient government rules is a tax on business activity. The burden of public debt also places similar constraints on the private sector, giving the private sector has a stake in PSR.

Thus, the adoption of measures such as EEPSI (Barbados) may be useful in helping to reduce the number of steps that investors and businesses have to go through, thanks to reduced government regulation. For instance, centralizing the key departments responsible for business start-ups and registration (e.g. title, registration, taxes, etc.) can reduce the number of steps and distance that individuals have to travel in their transactions with the state, while increasing the interaction and flow of information across Ministries and Departments for greater efficiency.





Note: “From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country/economy and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.” *Source: World Economic Forum (2009: 180).*

The Irish case also demonstrates the gains which can be achieved where PSR is a part of a larger macro-economic strategy which identifies the private sector directly as partners. This is not only in securing the private sector’s in put in the shape of PSR but also where PSR involves a bolstering of the public sector’s knowledge and capacity on the activities and needs of the private sector. As seen in Ireland, this allowed state investment agencies to act as a direct partner to the private sector in wooing external capital and support for local entrepreneurship.

The private sector will also benefit from the greater computerisation and overall from the adoption of ICTs in the public sector. As seen in the case of adoption of the ASYCUDA programme in Barbados significant gains can be had from e-governance, ultimately helping the private sector to interact with government at a more constructive and efficient level, particularly where it involves measures aimed at reducing the difficulties in tax compliance.

But alas! Benefiting from PSR is also about the private sector’s ability and willingness to take advantage of an efficient public service and where the latter does not exist to step in to provide such services or help to inform government on how PSR can improve performance and productivity in the private sector, and hence the country. The onus for reform not only lies with government but also the private sector with the effectiveness of the private sector having an impact on government and vice-versa. Importantly too, the private sector and civil society, including students and the media also have a role to play in enhancing fiscal discipline and particularly in ensuring that government behaves in a responsible way. For the private sector this may mean



refraining from using ties and political clout to secure duty waivers or to avoid paying taxes. As noted by Schick: “It is highly unlikely that government will operate by the book when rules and regulations are routinely breached in private transactions” (Schick, 1998: 127). For the media this involves bringing more attention to instances of abuse or overexposure within government.



## SUMMARY AND CONCLUSION

The following discussion has attempted to identify some key features and approaches to public sector reform in a number of countries as a route to informing the ongoing attempt at PSR in Jamaica. Recognising the value of focusing on the experiences in the local context, attention was also placed on assessing previous efforts of PSR in Jamaica. The experiences from these were collectively used to inform a discussion on the way forward for Jamaica.

Achieving PSR is usually a difficult task in any context. The numerous instances of shortcomings and failures against the few instances of success underline this point. Further, while caution is required in the extent to which the experiences of one setting can be extrapolated to another, there is merit in considering the extent to which developments in other settings can inform and inspire reforms in another setting. So while care is necessary much can be learned from understanding the general lessons and guides which can be gleaned from the experiences of others. The discussion has highlighted a number of these favourable conditions and contributors to a more successful PSR. Among these is the value of a champion or body populated by boundary-crossers charged with consensus building, overseeing implementation, the monitoring and evaluation of PSR. PSR should also have well-defined outcomes (including measurable) which can allow for assessment of objectives and the extent to which plans meet objectives. Focus must also be on the implementation and evaluation of reforms, as much as it will be on design. For Jamaica, the value of revisiting the issue of a social partnership or social contract as a mechanism for implementing PSR has also been underlined, particularly in light of the overarching nature of the reforms being considered and the extent to which the support of societal actors (i.e. CVOs, private and public sectors and other interest groups) will matter for success. The experiences of the countries reviewed also demonstrate the value of taking a comprehensive and swift approach to reform rather than drawing out the design and implementation process. PSR also needs to be accompanied by increased transparency in government processes and communication with the public about the goals of reform and the extent of sacrifice that will be required for gains to be realised.

Public Sector reform is as much about attitudinal and cultural change as it is about changing organisational structure and procedures. Achieving change in one without attention to the other may have the effect of sabotaging the whole process of reform. Indeed, change cannot be seen as successful if they do not meet their objectives, and if achievements are not sustained. Where the PSR exercise simply becomes a mission to reduce the size of the public sector without adequate attention to the other aspects of reform then there is the risk that informal practices and cultural predispositions are overlaid by formal institutional measures with the two existing as separate entities and the latter not having a real impact on the conduct of public administration. This is important in ensuring that PSR amounts to more than simply a cut in salaries and numbers. To this end, it has been recommended that an exercise aimed at developing a public service ethic be carried out as part of PSR.

Above all PSR is not an exercise meant to weaken the civil service or other societal groups, but to improve the management of government and the quality and delivery of goods and services. To this end, PSR should proceed in a way which does not leave public sector workers demotivated, emaciated or anxious about their jobs. Reforms





which include job cuts, etc. should not be drawn out or leave civil servants feeling as if they have been beaten into submission, since this will affect their ability to serve and own reforms. Reforms should therefore, first be about voluntary departures with a variety of additional approaches being suggested, should this not result in the level of reductions desired. The skills of those who remain should also be enhanced.

Importantly, the paper has argued that current measures such as salary freezes and job losses are merely quick and temporary fixes to the problems. Rather, these measures must also be accompanied by efforts to raise productivity and efficiency, identify new revenue sources and to reduce overall spending. Suggestions have included a review of the role of the diaspora, a review of the way the high commissions and diplomats have been used, reviewing the role of joint purchasing and other costs within the public sector. The later measures are important given that PSR is being undertaken (as in other countries) as part of a wider initiative towards debt reduction. Hence, success will also be judged by the extent to which PSR helps to achieve this objective. Keeping these broad goals in mind will help to imbue PSR with realism. This is also important in ensuring that PSR is not seen as an end but a process. Hence, though it must have clear markers and outputs to assist in the measurement of accomplishments, there must also be an attempt to sustain reform. The governance landscape is ever changing and so the institutions and mechanisms designed to manage this landscape must also evolve to become more adept at identifying and responding to new claims and challenges.

As has been suggested, where an established pattern or way of doing things no longer serves the initial purpose then change may be necessary. As the cases demonstrated such a scenario may result from a social, political and financial or economic crisis (e.g. the GFC). This situation may also be spurred by some form of external intervention (e.g. by the IMF) which provides the support for change or underscores the extent to which a current condition is untenable (e.g. rising public debt). It is safe to say that Jamaica now finds itself in all these positions: with worrying socio-political unrest, the fourth highest level of debt in the world and currently locked into an IMF Stand-By Agreement. However, it is important for those concerned to recognise the need for reform, to recognise the immediate situation as a crisis and be willing to change or respond to this crisis. The question remains, the extent to which the Jamaican state (government and citizens) accept the present context to be a crisis and opportunity for rebirth or whether the nation has simply become used to crisis and existing (simply) in survival mode.

Jamaica is now at an ideal place for reform. There is some consensus across political parties and unions of the need to address the nation's debt and international pressure is being provided by the IMF. The private sector has also demonstrated its support for reform via the JDX while the international policy and aid communities have also provided support and motivation for reform. There is also some acceptance among public servants of the need for improvements while the work of the PSTU demonstrate a clearer awareness of some of the measures which need to be taken to address structural problems in the Jamaican public sector.

However, while the public appears to be demanding better service and change, the extent to which they are aware of the need for PSR, certainly in terms espoused by the IMF and government (i.e. personnel cuts and higher fees) remains unclear. Most members of the public will also not judge a successful public sector based on its size



but on the quality of service received from this body. It is, therefore, worth reiterating that achieving true reform in the Jamaican public sector will mean a change in the citizen-state relationship and importantly, in the quality of services to citizens. If changes simply equate to reform in pay, terms of employment and working conditions without improvements in the quality of service, then the success of any PSR will be tempered. This will also occur if PSR is not taken as a comprehensive process and where the sacrifices of public servants (and citizens) are undermined by a return inefficient management of the country's finances, political corruption or where excessive borrowing prevents significant reduction in the nation's debt. The success of PSR must therefore, be measured in terms of value and improvements in public service quality and in improvements in the overall social and economic well-being of the country. The countries investigated in this work have proven the ability of PSR to deliver these goals. They have also underscored the view that PSR must not only be accompanied by cuts in numbers but also by attention to social policies and ensuring that reform does not unfairly target the poor. To this end, there has been a call for a careful assessment of the existing social policy structure in Jamaica and an assessment of the ways in which this can be advanced; while avoiding the perverse incentives towards informalism, abuse and lack of desire to return to formal employment; practices that have accompanied welfare reforms in other settings.

It is now Jamaica's opportunity to prove to itself and the world, whether it can through this latest attempt at PSR transform the structure and quality of political and economic governance. Ultimately, PSR offers the Jamaican government the opportunity to make lasting reforms which will ameliorate the country from decades of underperformance. Failure to grasp the opportunities now presented will lead to further questioning of the role and desire of government to secure the nation's future by adopting more generation conscious spending practices.



## REFERENCES

Ahern, Bertie (2009). `Speech of Dermot Ahern TD Minister for Communications, Marine & Natural Resources, Ireland`. [www.dcenr.gov.ie/NR/rdonlyres/A9EE1253-92A8.../1speech.doc](http://www.dcenr.gov.ie/NR/rdonlyres/A9EE1253-92A8.../1speech.doc).

Alm, James and Wallace, Sally (2004). `Can Developing Countries Impose an Individual Income Tax`, Paper prepared for “The Challenges of Tax Reform in a Global Economy” Andrew Young School of Policy Studies International Studies Program, Georgia State University, Stone Mountain Park, May 24-25, 2004.

Albrecht, James, Gerard, J. van den Berg and Vroman, (2006). “The Aggregate Labour Market Effects of the Swedish Knowledge Lift Program”, *Discussion Paper Series/IZA D.P. No 2385*, Germany: Institute for the Study of Labour, October 2006.

Andrews, Alick and Otto Broderick (1997). “Maintaining a Competent and Efficient Public Service” *1997 April report of the Auditor-General of Canada*, Canada: Office of the Auditor General. [Http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_199704\\_01\\_e\\_8082.html#0.2.L39\\_QK2\\_4FNW9F.2KDJQE.41](http://www.oag-bvg.gc.ca/internet/English/parl_oag_199704_01_e_8082.html#0.2.L39_QK2_4FNW9F.2KDJQE.41).

Barber, Michael (2007). *Three Paradigms of Public-Sector Reform*, London: McKinsey & Company.

Barzelay, Michael (2001). *The New Public Management: Improving Research and Policy Dialogue*, Berkeley, California: University of California Press.

Beary, Brian (2007). “Why Ireland’s Economic Boom is no Miracle,” *The Globalist*,

May 30, 2007, Available at: <http://www.theglobalist.com/StoryId.aspx?StoryId=6172>. Accessed: April 8, 2009.

Best-Winfield, Gail (2006). *Public Sector Reform: Making Barbados Work Better Case Study: Public Sector Reform: The Barbados Experience*. The Caribbean centre for Development Administration (CARICAD), Available at: <http://unpan1.un.org/intradoc/groups/public/documents/caricad/unpan030902.pdf> Accessed: April 16, 2010.

Blackman, Courtney N. (2006). “Economic, Strategy and Growth in Barbados: From Colonial Times to the Year 2000,” *The Practice of Economic Management*. Kingston and Miami: Ian Randle Publishers.

Borgelt, K. and Falk, I. (2007) ‘The Leadership/Management Conundrum: Innovation or Risk Management?’ *Leadership & Organization Development Journal* 28(2): 122-136.

Bouckaert, Geert and Halligan, John (2007). `Comparing Performance Across Public Sectors`, Paper Presented to the Study Group on Performance in the Public Sector, Conference of European Group of Public Administration, 19-22 September 2007, Madrid, Spain.

Bourgon, Jocelyne (2009). *The Government of Canada’s Experience Eliminating the Deficit, 1994-1999: A Canadian Case Study*, Waterloo, Canada: Centre for International Governance Innovation.



Brown, Ingrid (2010). "Natural disasters cost Jamaica \$100b since 2000: PIOJ head says unregulated settlements to be blamed", *Jamaica Observer*, October 13, 2010. [http://www.jamaicaobserver.com/news/Natural-disasters-cost-Jamaica-100b-since-2000\\_8028479](http://www.jamaicaobserver.com/news/Natural-disasters-cost-Jamaica-100b-since-2000_8028479).

Caricad (2003). *The Executive Agency Model: Legal and Policy Management Issues in Jamaica*, Prepared for Caribbean Centre for Development Administration (CARIFORUM/EDF Project No. RCA 008 ACP005). Available at: <http://unpan1.un.org/intradoc/groups/public/documents/CARICAD/UNPAN014415.pdf>

Cassidy, Mark (2002). "The Irish Economy: Recent Experience and Prospects," *The Irish Economy in Transition: Successes, Problems and Prospects*, Vincent Munley, Robert Thornton and J. Richard Aronson (eds.). Amsterdam: Elsevier Science.

Chabal, Patrick (2004). "The Quest for Good Government and Development in Africa: Is NEPAD the Answer?" *Braving the New World: Readings in Contemporary Politics*, Thomas Bateman and Roger Epps (eds.), Toronto: Nelson.

CIA (2010). *The World Fact Book: Central America and the Caribbean: Jamaica*. Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/jm.html>

Curtis, Tim, Minto, Indianna and Nicholls, Alex (2008). *Cultural Shift South East: The Challenges of Partnership*, United Kingdom: South East Development Agency and Skoll Centre for Social Entrepreneurship, Said Business School, Oxford. Available at: [http://www.culturalshift.com/attachments/File/SEEDA\\_Soc\\_Ent\\_Research.pdf](http://www.culturalshift.com/attachments/File/SEEDA_Soc_Ent_Research.pdf).

Davis, Carlton (2001a). "Public Sector Reform in the Caribbean", Luncheon Speech at the Conference on Changing Governance and Public Sector Reform in the Americas, May 1, 2001, <http://www.cabinet.gov.jm/files/docs/speech-cdavis-public-sector-reform.pdf>.

------(2001b). "Executive Agencies in Jamaica: the Story thus far and the Central Management Mechanism", *UWI/MIND Conference on Executive Agencies in Action* - May 19, 2001.

----- (2001c). "The Role of the Public Service", Presentation by Dr. Carlton Davis, Cabinet Secretary and Head of the Public Service to the Second Batch of Recruits for the Immigration Division at the Police Academy, <http://www.cabinet.gov.jm/files/docs/speech-cdavis-role-public-service.pdf>

Department of Finance, Canada (2008). "Chapter 3: Canada's Fiscal Progress", Department of Finance, Available at: <http://www.fin.gc.ca/ec2005/ec/ecc3-eng.asp>. Accessed: June 23, 2010.

Detragiache, Enrica, and Hamann, Alfonso J. (1997). "Exchange Rate-Based Stabilization in Western Europe: Greece, Ireland, Italy and Poland", International Monetary Fund, Research Department.

Dornbusch, Rudiger (1989). "Credibility, Debt and Unemployment: Ireland's Failed Stabilization", *NBER Working Papers 2785*, National Bureau of Economic Research, Inc.



EC (2009a). "Public Sector Reform – An Introduction", *Tools and Methods Series/Concept Paper No. 1*, Luxemburg: Office for official Publications of the European Communities, March 2009.

Elliott, Gregory and Glytin, William J. (1998). "A Portfolio-Based Approach to the Segmentation of Markets for Financial Services: Conceptual and Operational Issues", *Journal of Segmentation in Marketing*, 2(1): 65-83.

Ferguson, Tyrone (1995). *Structural Adjustment and Good Governance: The Case of Guyana*, Georgetown: Guyana National Printers Ltd.

Fernandez, Sergio and Moldogaziev, Tima (2009). "Empowering Public Employees to Innovate", Paper presented at the 10th National Public Management Research Conference, Hosted by Ohio State University, Columbus, Ohio, October 1-3, 2009.

Ferrari, Bernard T. and Goethals, Jessica (2010). "Using Rivalry to Spur Innovation", *McKinsey Quarterly*, May 2010. [https://www.mckinseyquarterly.com/Strategy/Innovation/Using\\_rivalry\\_to\\_spur\\_innovation\\_2599?pagenum=3](https://www.mckinseyquarterly.com/Strategy/Innovation/Using_rivalry_to_spur_innovation_2599?pagenum=3). Accessed: July 1, 2010

Gill, Derek (2008). "Managing for Performance in New Zealand – The Search for the 'Holy Grail'", *Holy Grail or Achievable Quest International Perspectives on Public Sector Performance Management*, Switzerland: KPMG, 29-40.

Government of Ireland (GoI) (1987). "Programme for National Recovery," October 1987, Dublin: Department of the Taoiseach.

(GoJ) Government of Jamaica (2010). "Government's Macro Economic Programme Requires Wage Bill Freeze", Office of the Prime Minister, January 27, 2010. Available at:

[http://www.opm.gov.jm/news\\_and\\_public\\_affairs/governments\\_macro\\_economic\\_programme\\_requires\\_wage\\_bill\\_freeze](http://www.opm.gov.jm/news_and_public_affairs/governments_macro_economic_programme_requires_wage_bill_freeze). Accessed: July 25, 2010.

----- (2004). *Corporate Information: The Cabinet Secretary's Report*, Kingston, Jamaica: Cabinet Office.

----- (2001). *Annual Report 2000-2001*. [http://www.cabinet.gov.jm/files/docs/Annual\\_Report\\_2000-2001.pdf?phpMyAdmin=36964530831c7b5cd24342ae2600c405](http://www.cabinet.gov.jm/files/docs/Annual_Report_2000-2001.pdf?phpMyAdmin=36964530831c7b5cd24342ae2600c405)

Gupta, Sanjeev, Mireaux-Dicks Louis, Khemani, Ritha, MacDonald, Calvin and Marijn Verhoeven (2000). *Social Issues in IMF-Supported Programs*, Washington, D.C.: IMF.

Halligan, John (2008). 'Performance Management in Government: International Perspectives on the Challenges', *Holy Grail or Achievable Quest: International Perspectives on Public Sector Performance Management*, Switzerland: KPMG, 3-10.

Harrison, G (1995). 'The Collected Papers of Roger Harrison', San Francisco: Jossey-Bass.

Heinemann, Friedrich and Tanz, Benjamin (2008). "The Impact of Trust on Reforms", *Journal of Economic Policy Reform*, 11(3): 173-185.



Hope, Kempe Ronald (1995). "Managing the Public Sector in Botswana: Some Emerging Constraints and the Administrative Reform Responses," *International Journal of Public Sector Management*, 8(6): 51-62.

----- (1997). *From Crisis to Renewal: Development Policy and Management in Africa*. Leiden; Boston; Köln: Brill, 2002.

----- (1983). "The Administration of Development in Emerging Nations: The Problems in the Caribbean", *Public Administration and Development*, 3(1): 49-59.

Hopeton Dunn and Minto-Coy, Indianna D. (May 2010). "The Caribbean Communications Industry: Opportunities and Challenges", *Caribbean Paper No. 9*, Waterloo, Canada: Centre for International Governance Innovation.

----- (Forthcoming, 2011). "Strategic Issues, Opportunities and Challenges in Caribbean ICTs", in *Ringtones of Opportunity: Policy, Technology and Access in Caribbean Communications*.

IMF (1995). "Social Dimensions of the IMF's Policy Dialogue: Prepared by the Staff of the International Monetary Fund for the World Summit for Social Development, Copenhagen, march 6-12, 1995", *Pamphlet Series No 47, 1995*, Washington, D.C.: 1995. Available at: <http://www.imf.org/external/pubs/ft/pam/pam47/pam47con.htm>.

JIS (Jamaica Information Service)(2010). "Public Sector Urged to Take Customer Service Seriously", June 24, 2010. Available at: [http://www.jis.gov.jm/officePM/html/20100624T100000-0500\\_24456\\_JIS\\_PUBLIC\\_SECTOR\\_WORKERS\\_URGED\\_TO\\_TAKE\\_CUSTOMER\\_SERVICE\\_SERIOUSLY.asp](http://www.jis.gov.jm/officePM/html/20100624T100000-0500_24456_JIS_PUBLIC_SECTOR_WORKERS_URGED_TO_TAKE_CUSTOMER_SERVICE_SERIOUSLY.asp). Accessed: July 1, 2010.

Kaufman, D., Kraay, A. and Mastruzzi, M. (2009). *Governance Matters VIII: Governance Indicators for 1996-2008*, Washington D.C.: WB

Levy, Alaistair and Nick Lovegrove (2009). "Reforming the Public Sector in a Crisis: An Interview with Sweden's Former Prime Minister", *McKinsey Quarterly*, 2009 (3).

Levy, Santiago (2008). *Good Intentions, Bad Outcomes: Social Policy, Informality and Economic Growth in Mexico*: Washington, D.C.: Brookings.

Lowengrub, Paul S. and Yang, Spencer (2008). "Energy Planning in the United States and Europe: A Portfolio-Based Approach". Available at: SSRN: <http://ssrn.com/abstract+1105032>.

Maipose, Gervaise S. (2008). "Policy and Institutional Dynamics of Sustained Growth in Botswana", *Commission on Growth and Development Working Paper, No35*. Washington: IBRD/WB.

Manning, Nick (2001). "The Legacy of the New Public Management in Developing Countries", *International Review of Administrative Sciences*, 2001, 67: 297-312.

Mckinsey (2006). *Sweden's Economic Performance: Recent Developments, Current Priorities*, McKinsey Global Institute, May, 2006.

Minto-Coy, Indianna D. (2010). ). "The Impact of the Global Financial Crisis on Remittancing", in *What Others Manifest? The World Economy in the Theoretical*



*Turbulence of the Global Financial Crisis*, İhsan Günaydın and Hilmi Erdoğan Yayla (eds), Turkey: Gümüşhane University Press, 2-18.

----- (forthcoming). "Social Partnerships and Development: Lessons for the Caribbean", *Caribbean Series*, Waterloo, Canada: Centre for International Governance Innovation.

MOF (Ministry of Finance) (2010). "Jamaica's Request to the International Monetary (IMF) for a 27-Months Stand-By Arrangement (SBA) Ending March 2012", Kingston, Jamaica: Ministry of Finance and the Public Service, January 18, 2010.

Norman, Richard (2008). "Managing Performance – New Challenges for Central Agencies: The Case of New Zealand", *Holy Grail or Achievable Quest International Perspectives on Public Sector Performance Management*, Switzerland: KPMG, 41-52.

Orozco, Manuel (2003) "The Impact of Migration in the Caribbean and Central American Region", Focal Policy Paper FPP-03-03, Ottawa, Ontario: Canadian Foundation for the America.

Osei, Philip (2006). "Public Sector Reform in Jamaica", *Modernising the State: Public Sector Reform in the Commonwealth Caribbean*, Kingston, Jamaica: Ian Randle Publishers, pp. 57-83

Pagés, Carmen, ed. (2010). *The Age of Productivity: Transforming Economies from the Bottom Up* (Executive Summary), Washington, D.C: IDB, [http://www.iadb.org/research/dia/2010/summary/DIA\\_booklet\\_eng.pdf](http://www.iadb.org/research/dia/2010/summary/DIA_booklet_eng.pdf).

Polackova, Hana (1998). "Contingent Government Liabilities: A Hidden Risk for Fiscal Stability", *World Bank Policy Research Working Paper No. 1989*. Available at SSRN: <http://ssrn.com/abstract=604971>

----- (1999). "Contingent Government Liabilities: A Hidden Fiscal Risk", *Finance and Development*, 36(1): 46-49.

Polanyi-Levitt, Kari (1991). *Debt, Adjustment and Development: looking to the 1990s*, Kingston: F. Ebert Stiftung, 1991.

Pollitt, Christopher, and Bouckaert, Geert (2000). *Public management Reform: a Comparative Analysis*, Oxford, UK: Oxford University Press.

Premfors, Rune (1991) "The 'Swedish model' and public sector reform", *West European Politics*, 14 (3): 83-95.

Reis, Michele (2007) "The Role of the Caribbean Diaspora in Promoting Growth and Development in Cultural Industries", Conference on the Caribbean: A 20/20 Vision, Washington D.C, 19-21 June.

Reis, Michele (2006) "The Modern to Late-Modern Period in the Caribbean Diaspora, in *Caribbean Transnationalism: Migration, Pluralization, and Social Cohesion*, Ruben Gowricharn (ed.), Lexington Books: Oxford.

Schick, Allen (1996). "The Spirit of Reform: Managing the New Zealand State Sector in a Time of Change", Wellington, New Zealand: State Services Commission.

----- (1998). "**Why Most Developing Countries Should Not Try New Zealand's Reforms**", *The World Bank Research Observer*, 13(1), February 1998.



Schwab, Klaus, ed. (2009). *The Global Competitiveness Report 2009-2010*, Geneva, Switzerland: World Economic Forum.

SOLIDAR (2009). "Doing A Decent Job: IMF Policies and Decent Work in Times Crisis", [http://www.eurodad.org/uploadedFiles/Whats\\_New/Reports/Doing%20a%20decent%20job.pdf](http://www.eurodad.org/uploadedFiles/Whats_New/Reports/Doing%20a%20decent%20job.pdf).

Spiller, Pablo and Sampson, Cezley (1996). 'Telecommunications Regulation in Jamaica' in *Regulations, Institutions and Commitment: Comparative Studies in Regulation*, Levy, B and Spiller, P (eds.), Cambridge: Cambridge University Press.

Sutton, Paul (2008). "Public Sector Reform in the Commonwealth Caribbean: A Review of Recent Experiences", *Caribbean Paper #6*, Waterloo, Canada: Centre for International Governance Innovation.

Talbott, Strobe (2008). "Foreword" in Levy, Santiago (2008). *Good Intentions, Bad Outcomes: Social Policy, Informality and Economic Growth in Mexico*: Washington, D.C.: Brookings.

Tarallo, Roberto, et al (2009). "Foreword" in *Accountability in Public Expenditures in Latin America and the Caribbean: Revitalizing Reforms in Financial Management and Procurement*, Omowunmi Ladipo, Alfonso Sanches, and Jamil Sopher, Washington, D. C.: The World Bank.

Tsie, Balefi (1996). "The Political Context of Botswana's Development Performance", *Journal of Southern African Studies*, 22(4): 599-616.

UNDP (1991). *Human Development Indicators*, UNDP.

Wint, Alvin (2003). "Exchange Regime Choice: The Case of Barbados", *Competitiveness in Small Developing Economies: Insights from the Caribbean*, Kingston, Jamaica: University of the West Indies Press.

World Bank (1995). *Project Completion Report: Jamaica Public Administration Project*, Report no 14595, Washington, D.C.: June 1995.

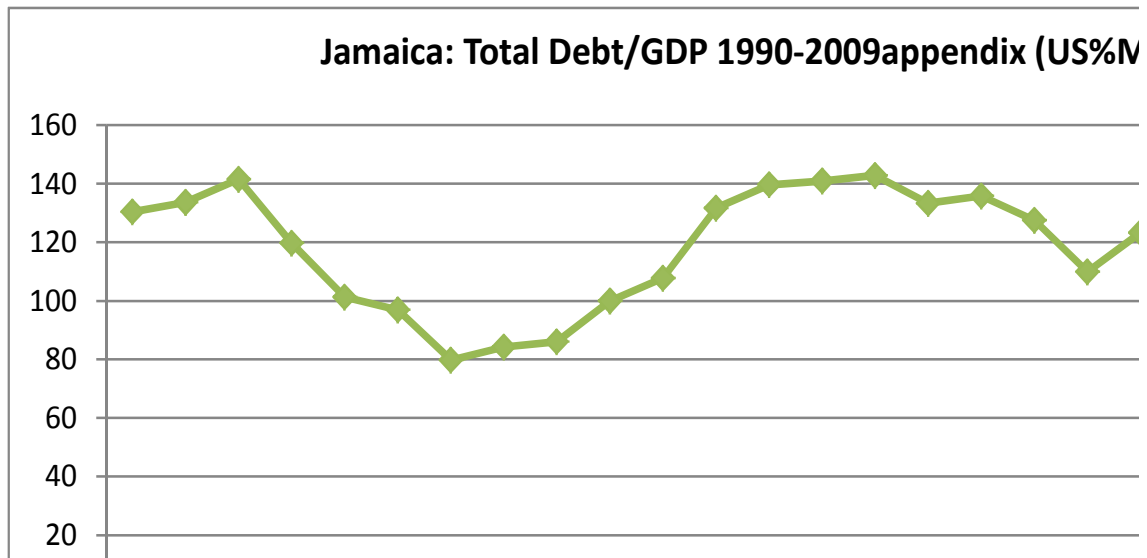
WB (2010). "World Development Indicators", <http://data.worldbank.org/indicator/IC.REG.DURS>

Yeo, Lionel (2004). *Growth Strategies of Small Nations with Special Reference to Ireland, Finland and Singapore*. MBA Thesis, Sloan Business School of Management, Massachusetts Institute of Technology, June 2004.





## APPENDIX 1

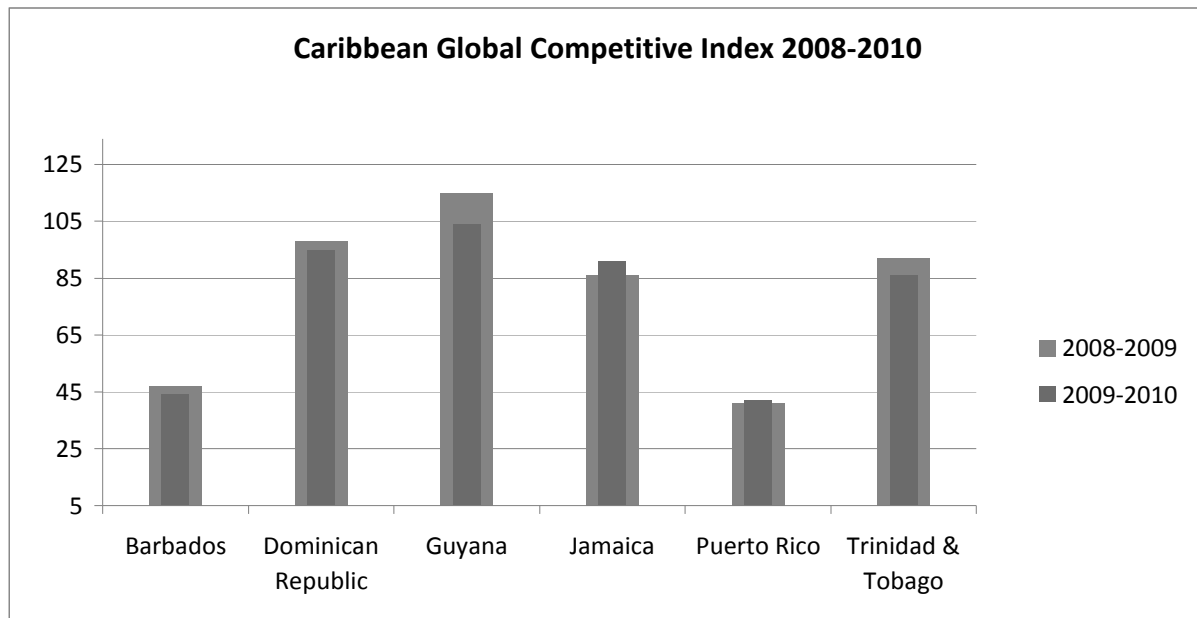


Source: [http://www.boj.org.jm/economic\\_data\\_page.php?report\\_id=83&year=2005](http://www.boj.org.jm/economic_data_page.php?report_id=83&year=2005)  
Accessed: May 25, 2010



## APPENDIX 2: GLOBAL COMPETITIVENESS 2008-2010: COMPARATIVE STATISTICS FOR JAMAICA

As an indicator of productivity, the Global Competitiveness Index lists Jamaica as having fallen from the number 86 spot to 91 from the 2008-2009 to 2009-2010 period. One other Caribbean country has registered a decline in competitiveness over the same period, however, Jamaica's fall is much more significant (Puerto Rico from 41 to 42). The four other islands have all registered improvements. The Table below depicts the trend for 2008-2010 from a population of 134 countries.



Source: Schwab, 2009.



### **Box 1: Reorganisation of the Department of Transport in Canada, 1994**

The Department of Transport which formerly had responsibility for air and sea ports, rail services, the Canadian Coast Guard among others, was to witness its responsibilities shifting from operating transportation to that of policy and regulation under the Program Review of 1994. This was accomplished via privatisation and demerger when some of its functions were transferred to other bodies. For instance, responsibility for the coast guard was passed to the Department of Fisheries and Oceans, and others (airports, ports and seaways) local operating authorities while Canada Rail was privatised. Thus, reductions were achieved in both the size and scope of this Department while more emphasis was placed on its management and oversight functions via demergers and privatisation.

A cohesive approach was taken to Program Review in this case with all levels of the Department being involved in the process. The Department was integrally involved in this reorganisation, with its staff having analysed and explored existing and alternate policies towards cost, redefining the role, size and cost of the Department. Implementation was charged to the Deputy Minister while the Minister was charged with assessing the various proposals and directing these through Cabinet (Source: Andrews and Brodtrick 1997)

