

EXECUTIVE AGENCIES IN JAMAICA:
THE STORY THUS FAR AND THE
CENTRAL MANAGEMENT MECHANISM

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INTRODUCTION

The Government of Jamaica has been undertaking, arguably, the most comprehensive public sector reforms in its history.

These reforms include:

- the transformation of the Cabinet Office from a secretariat which was concerned essentially with the preparation of Cabinet agendas, recording minutes and the communication of Cabinet decisions to more central executive functions, similar to those

‘See Carlton E. Davis, Public Sector Reform Agenda in the Caribbean: Luncheon Speech at the Conference on Changing Governance and Public Sector Reforms in the Americas, Ottawa, Canada, May 1, 2001.

undertaken by the Cabinet Offices in the developed Commonwealth countries such as the United Kingdom, Canada and New Zealand.

- strengthening the policy capacity within government;
- improving the quality of service offered to the citizen-customer through so-called **First Steps** and at the more advanced level, through a **Citizen's Charter** which means that the citizen-customer has a right to receive the standards of service documented in it and if he/she does not get it he/she is entitled to an explanation or apology and in some cases return of money;
- revamping the system of the procurement of goods and services through, inter alia, the strengthening of the Office of the Contractor General, the creation of a National Contracts Commission and strengthening procurement capacity in the Ministry of Finance and Planning and other Ministries;
- modernization of the Customs Department to enable it to more efficiently, effectively and transparently process passenger goods and cargo so as to optimize revenues, ensure national security, protect the economy and facilitate trade;
- the rationalization of state agencies by closures (e.g. FIDCO), mergers (e.g. CHFC and NHC to form NHDC), or privatization (e.g. JPSCO) as the circumstances dictate;
- the pursuance of a programme to reduce waste in Government (the Orane Report).

- the pursuance of a programme for the ‘greening’ of Government through an Environmental Action Programme (ENACT);
- the undertaking of a comprehensive **Taxation Administrative Reform Programme (TAXARP)**;
- the creation of **Regional Health Authorities**;
- the creation of **Executive Agencies** as an alternative form of service delivery.

The reforms have been driven, more or less, by five specific considerations and one overarching one.

The five specific considerations are, briefly:

1. A redefinition of **the role of the State**, such that it does not, under normal circumstances, involve itself in activities that could be more efficiently and effectively carried out by the community or private enterprise and where there is no substantial public interest to take into account.²
2. The fiscal austerity the country has been experiencing over many years.
3. The rising expectations of the society for greater efficiency and better customer service from state agencies.

²See Report on Roundtable on the Emerging Role of the State, Ocho Rios, July 1993, Cabinet Office Library.

4. The impact of globalization in such areas as: (a) the lowering of trade barriers; (b) liberalization of the world capital markets; (c) new systems of customs valuation; (d) the harmonization of procurement policies; (e) increased competition for knowledge workers; (f) human rights; and (g) the environment.

5. The impact of information technology with its pervasive and profound effects on the ability to communicate within and without much more rapidly than hitherto; the storage and retrieval of information; physical planning; education and so on.

The overarching consideration was the determination by Government to improve the quality of its governance a term defined more-or-less similarly, by the World Bank and the Canadian International Development Agency (CIDA) as “the manner in which power is exercised in the management of a country’s social and economic resources for development”.

I wish to turn now to the matter of immediate concern, the creation of Executive Agencies.

Executive Agencies

The creation of executive agencies represents one of the most radical and innovative initiatives introduced by government in its efforts to improve the level of service offered by the public sector.

The decision to create these agencies was influenced both by our own experience in the functioning of the Public Services and that of the United Kingdom from whom we inherited the Whitehall /Westminster system of government. I will deal with each in turn.

Jamaica's experience with various forms of Government institutions

The operations of government in Jamaica were run largely (if not entirely) by the 'traditional' departments, for the most part with the 'command and control' system of operation.

Things seemed to have worked well in the early years (if we allow for some historical amnesia, and accept what old timers say of the 'good old days' of the civil service) largely, I think, because:

(a) the private sector was relatively underdeveloped and as such, was not much in competition with the public service for the 'best and the brightest' leaving high schools and universities; and

(b) the functions of Government were not as complex, and the demands on it not as great as they subsequently turned out to be.

Later, however, as both these situations began to change, the traditional system proved less and less adequate. This led, among other things, to the creation of an increasing number of statutory corporations and

government companies as a means of: (a) making the state more competitive with the private sector for competent professionals; (b) escaping the rigidities³ of the ‘command and control’ system; and (c) achieving greater efficiency in the production of services (and in some cases, goods).

It has to be said, however, that but for some notable exceptions, not even their greatest defenders could claim that these alternatives to the traditional departments lived up to expectations.

Although I am not aware of any detailed analysis of why this should be so, a number of reasons seem to suggest themselves.

One, is that like the rest of the public sector, the statutory corporation or government company operated as largely monopoly provider of services; and, as such, there was no pressure from the market to ‘shape up or ship out’.

Two, is the fact that the holder of the shares in these entities (usually the Accountant General) is a poor proxy for the shareholder in the private sector, who under normal circumstances will put pressure on management to perform in order to get good returns on investments.

Three, (whatever may have been the original intentions when they were created) many of these agencies carried over the less

³Margaret Priestly: Administrative Reform Enquiries in Jamaica 1942-1980, cites the view that many of the state entities were created to escape the rigidities of the civil service.

desirable features of the work ethic of the traditional civil service; and in many instances, also, had a sort of ‘best of both worlds’ situation by getting salaries reasonably competitive with the private sector but retaining the generous leave conditions of the civil service.

Four, accountability of these bodies tended to be diffused between Minister, Chairman, Board and Chief Executive.

In sum: whilst the ‘command and control’ ‘departmental’ model may have worked well in the early days, it became inadequate in managing a more complex and competitive environment. While they were not replaced, many new government agencies were created as statutory corporations or government companies because they were seen as more appropriate means for Government to deliver services. However, these too, for the most part, proved disappointing because of the number of reasons cited.

I turn next to the situation in the United Kingdom.

The United Kingdom Reforms

The United Kingdom initiated a series of reforms in the 1980s to change the prevailing Civil Service culture. This was done through an Efficiency Unit in the Cabinet Office; first under Sir Derek Rayner, Chief Executive of Marks and Spencer and later Sir Robin Ibbs, a former Director of Imperial Chemical Industries and subsequently,

Deputy Chairman of Lloyds Bank.

A report by the latter recognized that: (a) although the main business of some 9500 of the U.K. Civil Service was to deliver service, operational efficiency attracted low priority among senior people compared to giving policy advice to Ministers; (b) the Civil Service was still governed by a body of centrally-laid-down rules even though it was too big and diverse to be managed as a single entity; and (c) central controls prevented local managers from being able to make decisions in the best interests of their operations.

The report recognized **five main issues** and **three main** priorities.

The issues were:

1. A lack of clear and accountable management responsibility and the self-confidence that goes with it particularly among the higher ranks in the departments.
2. The need for greater precision about the results expected of people and of the organization;
3. The need to focus attention more on outputs than inputs.
4. The handicap of imposing a uniform system in an organization of

the size and diversity of the Civil Service; and

5. The need for sustained pressure to perform.

The **priorities** identified were:

1. The work of each department must be organized in a way that focuses on the job to be done and the 13 systems and structures must enhance the effective delivery of policies and services.
2. The management of each department must ensure that their staff have the relevant experience and skills needed to do the tasks that are essential to effective government; and
3. There must be real and sustained pressure **on** and **within** each department for continuous improvement in the value for money in the delivery of policies and services.

The central recommendations of the report were that: (a) Executive Agencies should be established to carry out the executive functions of government within a policy and resources framework approved by the Minister responsible for the area of the work; and (b) each Agency should be under the direction of a Chief Executive who would have significant delegated authority within the policy and resources framework to manage the Agency.

As I said earlier, these two experiences informed the Creation of Executive Agencies in Jamaica.

The decision to do so was in keeping with the vision the Government had of a new public sector which, as has been put quite succinctly elsewhere⁴ involves, inter alia:

- (a) an emphasis on delegation of authority;
- (b) a shift from process to results in control and accountability mechanisms;
- (c) a focus on performance measurement;
- (d) the disaggregation of public bureaucracies into managerially autonomous agencies;
- (e) a consumerist bias expressed in a new focus on quality services.

Creation of Executive Agencies in Jamaica

The procedures for establishing Executive Agencies include: (a) a strategic review; (b) the development of a modernization plan; (c) the preparation of a medium-term financing plan; (d) the preparation of a framework document; (e) the selection of a Chief Executive Officer (CEO); (f) the delegation of personnel and financial authority to the CEO; (g) the selection of staff by the CEO; and (h) the creation of an Advisory Board to guide the work of the agencies.

I will deal with each briefly.

⁴Denis Saint-Martin: Two or Three Models of the Public Service: Ottawa Conference op.cit.

The strategic review focuses on the need for the activity. The results of the review (assuming the activity is needed) answer the following questions: What is the Agency's business? Where should it be going? How will it know when it gets there?

The modernization plan proposes answers to the question of how the Agency should get to where it expects to go. It covers matters like the new mission; key outputs and performance indicators; developing the business of the agency including new and changed products and services; new fees and charges; information systems; and human resources issues.

The medium-term financing plan identifies capital and recurrent costs vis a vis the earning potential of the agency.

The framework document sets out the basic elements of the contract between the Chief Executive and the Minister (with monitoring and evaluation of performance by the Permanent Secretary of the portfolio Ministry). These include: (a) specific outputs that management would be expected to deliver; (b) resources available to management; (c) extent and nature of managerial, operational, financial and human resource management autonomy; (d) performance indicators and methods of performance measurement and evaluation; (e) rewards and sanctions that will follow performance evaluation.

Appointment of Chief Executive Officer and other measures

The Chief Executive Officer (CEO) is appointed on a performance basis, through open competition, by the Governor General, acting on the recommendation of the Public Service Commission (pursuant to Section 125 of the Constitution).

By way of a Delegation Order, the CEO is given authority (pursuant to Section 127 (1) of the Constitution) to make appointments of and exercise disciplinary control over staff. (Any member of staff subject to such disciplinary control has the right of appeal to the local Privy Council (Section 127 (4) of the Constitution).

Pursuant to the Financial Administration and Audit Act, the CEO is appointed an Accounting Officer by the Minister of Finance.

It should be pointed out here that the Agencies will operate on the basis of accrual rather than cash accounting, to enable the measurement of the full costs of providing goods or services, and to provide full information on the value of assets and liabilities.

In addition it would do capital charging to end the practice whereby offices and equipment are regarded as a 'free good' in the determination of the cost of services; even if for policy reasons, these services will be subsidized to all or some citizens.

In terms of conditions of service, the first four agencies created - and we expect the others will follow suit - have been established without in any way resorting to extravagant salaries and with leave

conditions considerably less generous than those enjoyed in the traditional departments and even some statutory corporations and government companies. Provision is made for each agency to be supported by an Advisory Board.

It was decided early that in order to expedite the reform programme, the Executive Agencies would be created by administrative actions, but later the considerations in respect of their formation, operation and evaluation would be codified in law. A draft Bill be considered by the Legislation Committee of Cabinet shortly.

Whilst the Executive Agency model may not fully address the inherent problem of a state entity being a monopoly provider of service, we are confident that the more rigorous preparation in setting them up; the performance contract arrangements of the CEO (and other top staff); and the system of monitoring and evaluation will serve to mitigate the problem.

Conclusion

Whilst it is early days yet, the achievements of the first four agencies - the Administrator General's Department, the Management Institute for National Development (MIND), the Office of the Registrar of Companies (ORC) and the Registrar General's Department and Island Records Office - in terms of percentage of targets achieved, timeliness and accuracy of quarterly and annual

reports, the innovations introduced (such as a two-shift system at the RGD and the use of technology by the ORC and RGD so far) to make the service much more accessible to each citizen-customer and the vastly improved customer service -encourage us to believe that Executive Agencies may indeed be ‘The Way Forward’ for Government Departments in the foreseeable future and may well meet the criteria for a firm (albeit a good one) described by Mr. McKoy⁵ and to incorporate the best values and ethics of the old public service.

⁵Derrick McKoy: Applying the Agency Cost Model to the Executive Agency Concept in Jamaica - Caribbean Journal of Public Sector Management Vol. 2, No. 1, pp.34-48.