SECTION 2: MAKING GOVERNMENT MORE EFFICIENT

2.1 Amending the legal framework of administration

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2.1 Amending the legal framework of administration

As in most countries, Maltese public administration is law- and rule-based. The legal framework of administration derives from several sources, including a written Constitution, statute law, subordinate legislation, judicial case law and administrative instructions. Several laws and regulations govern management of, and within, the public service.

- Three chapters of the Constitution of Malta are relevant: Chapter VII – The Executive – regulates the appointment of ministers, parliamentary secretaries, permanent secretaries and heads of government departments, and outlines their powers and responsibilities in broad terms. Chapter IX – Finance – provides for a Consolidated Fund and regulates the appropriation of expenditure. Chapter X – The Public Service – provides for the appointment of a Public Service Commission and governs the appointment, discipline, removal from office and pensions of public officers (other than those dealt with in Chapter VII).

- One provision of the Interpretation Act (Cap 249, Section 6(c)) is especially important, in that it subordinates the exercise of decision-making authority vested by means of *ad hoc* legislation in heads of government departments, to the direction and control of ministers.

- The Public Service Commission Regulations, 1960 give effect to the constitutional provisions relating to the public service, by prescribing procedures and general criteria for making appointments and promotions.

- The Public Service Commission (Disciplinary Procedure) Regulations, 1977 establish procedures for the investigation and penalisation of disciplinary and criminal offences committed by public officers. They provide for a central Public Service Disciplinary Board.

- The Financial Administration and Audit Act, 1962 regulates the receipt, control and expenditure of government funds and provides for the audit of the public account. The Act's provisions are supplemented by the General Financial Regulations, 1966, which prescribe the duties of the Accountant General and accounting officers; the preparation of annual estimates of revenue and expenditure; procedures for receipt, custody and payment of moneys; the procurement, receipt and disposal of stores; and procurement of works and services.

- Selected provisions of these and other instruments are codified together with instructions issued from time to time by the Head of the Public Service and the Ministry of Finance in a manual of procedure known as "Estacode".

Since 1988, the legal framework of administration has been modified in several important ways, and other changes are planned. The initiatives may be described as follows:

- enactment of the Ministers (Delegation of Functions) Act, 1988;
- amendment of the Interpretation Act (1990);
- Prime Minister's Instruction on Roles and Responsibilities (1990);
- revision of the Public Service Commission Regulations, 1960 (planned);
- revision of the Public Service Commission (Disciplinary Procedure) Regulations, 1977 (planned);
- enactment of a Public Service Act (planned).

The context for change

The Public Service Reform Commission and the Operations Review identified weaknesses in the legal framework of administration which hampered the efficiency of government.

Lacunae included:

- the absence of a clear statement on the roles and responsibilities of ministers, parliamentary secretaries, permanent secretaries and heads of departments, as well as the private offices of ministers (which are perceived to play an influential part in day-to-day administration); and
- the absence of legislation enabling ministers to delegate powers vested in them by law.

Under-used or unused provisions included:

- constitutional provisions permitting the appointment of parliamentary secretaries and permanent secretaries; and

- constitutional provisions enabling the Prime Minister, acting on the recommendation of the Public Service Commission, to delegate authority to make appointments to public office and to exercise disciplinary control over public officers; indeed, delegated powers approved between 1966 and 1970 had been allowed to lapse.

Controversial provisions included:

- Section 6(c) of the Interpretation Act, which assigned to ministers legal authority nominally vested in heads of government departments, and which, for many years, gave rise to complaints of improper ministerial intervention in administrative matters;

- the use of a pre-audit system of financial control, which required Ministry of Finance approval for all but the most trivial expenditures from departmental votes.

Implementing change

The variety of sources of the legal framework of administration raises delicate issues whenever modifications are contemplated.

- Constitutional provisions regarding the Public Service Commission, and the power to appoint, to discipline, and to remove public officers are both restrictive and 'entrenched', i.e. they can only be modified with the approval of a majority of two-thirds of the members of the House of Representatives.

- Delegation of powers vested in the Public Service Commission, though possible, requires the Commission's approval (and the Commission is an independent body), and must be made by *ad hoc* Instruments of Delegation.

- Regulations made by the Public Service Commission may only be modified by a further decision of the Commission.

- Neither the Commission itself, nor its powers and procedures, may be regulated by statute: a Public Service Act could not trespass on these matters.

- Consultations with the Commission over proposed modification of its current role must not appear to infringe its independence. Delicate discussions with permanent secretaries, trade unions representing public employees and with the Parliamentary Opposition may also be necessary before a Bill on the public service is tabled in parliament.

The first modification of the legal framework of administration followed soon after the re-organisation of Cabinet and ministerial portfolios, following the return to office of a new Administration in 1987, when the number of ministers of Cabinet rank was reduced, and one or more parliamentary secretaries were appointed in large portfolios. In order that parliamentary secretaries might effectively assist ministers, it became necessary to provide for formal delegation of selected statutory powers. This was done by means of the Ministers (Delegation of Functions) Act, 1988.

The next modifications followed soon after the approval of recommendations made by the Public Service Reform Commission and the Operations Review Consultant with regard to management in ministries. The traditional model of administration where heads of departments worked direct to ministers was modified by the appointment of permanent secretaries to supervise departments, subject to ministers' overriding direction and control. In 1990, the Prime Minister issued a formal Instruction on Roles and Responsibilities, which defined the respective functions and duties of ministers, parliamentary secretaries, permanent secretaries, heads of government departments and private secretaries to ministers. Moreover, Parliament enacted an amendment to the offending Section 6(c) of the Interpretation Act, to the effect that ministerial directions, relative to the exercise of statutory powers vested in heads of departments, should be given in writing.

Now that structures for the management of the public service are well-defined (central agencies having been remodelled and ministry management structures established: see entries 2.2 and 2.3), Government intends to proceed with delegation of appropriate measures of authority to line managers, particularly in matters relating to human resource management and financial management, as well as modernising current selection, disciplinary and accounting procedures.

This requires, in the first instance, revision of three statutory instruments:

- General Financial Regulations, 1966 (see entry 5.2);
- Public Service Commission Regulations, 1960; and
- Public Service Commission (Disciplinary Procedure) Regulations, 1977.

In addition, in order to supplement the constitutional provisions regarding the public service, a Public Service Act is envisaged. The Act will place those aspects of the management of the public service that are outside the jurisdiction of the Public Service Commission on a statutory footing, and will confer certain powers on the

Prime Minister (as minister responsible for the public service), on the Head of the Public Service, on the Management and Personnel Office, and on permanent secretaries. It is intended to promote managerial accountability, by further clarifying roles and, where necessary, by conferring powers.

There is no overall timetable for modifying the legal framework of administration: each change is occasioned by, and supplements or underpins, substantive changes in the machinery of government or the management of the public service. However, action is also being taken to expedite the revision of regulations on appointments and discipline, and to draft a constitutionally acceptable Public Service Act.

2.2 Establishing central change agencies

The first steps towards implementation of the recommendations of the Public Service Reform Commission were taken between May and August 1990, when three "central change agencies" – the Management and Personnel Office, the Management Systems Unit and the Staff Development Organisation – were established to lead and support administrative reform. The three units replaced the Establishments Division of the Office of the Prime Minister, which had carried out personnel administration, organisation review and training for forty-five years since its inception in 1945.

The 'Establishment' function in the Office of the Prime Minister was restructured into the Management and Personnel Office. The Staff Development Organisation was re-absorbed by the Management and Personnel Office after some time. The Management Systems Unit was established first as an in-house consultancy within the Office of the Prime Minister, then as a wholly-owned limited company. Subsequently, the Management Systems Unit Ltd. was given responsibility as the executive body for information systems in the public service.

The re-organisation of the centre was a prelude to much work described elsewhere in this profile.

A particular initiative in establishing central change agencies: the Management and Personnel Office

The Management and Personnel Office (MPO) was established in 1990 as the central human resource management agency of the public service, and forms part of the Office of the Prime Minister. It emerged from the traditional Establishment Division and is gradually changing its role from one of routine administration and case work to one of policy-making, planning, strategy and standard-setting.

MPO consists of four departments, each managed by a Director on a three-year performance agreement. The departments are:

- Policy and Planning
- Resourcing
- Employee Relations
- Staff Development

MPO has developed a corporate plan for human resource management in the public service. The mission statement of MPO declares that MPO exists:

"to formulate, develop and promote in close collaboration with the line ministries and departments, human resource policies, strategies and management systems in support of the business of government, and to assist and support line ministries/departments to achieve government plans and programmes and to render an effective service to the public."

The emphasis is on:

- development of policies, strategies and systems in collaboration with line ministries/departments;

- leadership and promotion of public service values;

- assistance and support to line ministries/departments.

The framework and strategy for human resource management in the public service is built around six main areas which have the following primary objectives:

(i) Human Resource Policy and Planning

Objective: to ensure that human resource structures and systems are appropriate to corporate goals, to develop modern human resource management principles and practices and to ensure the availability of personnel having the right skills and ability.

(ii) Resourcing

Objective: to ensure expeditious and effective processes and procedures for recruitment and selection (in consultation with the Public Service Commission) and for deployment of staff to meet organisational needs.

(iii) Working Conditions

Objective: to ensure attraction and retention of staff through appropriate pay and conditions.

(iv) Employee Relations

Objective: to maintain harmonious industrial relations in the public service and to foster good working relationships.

(v) Performance Management

Objective: to improve organisation effectiveness and productivity by improving individual performance.

(vi) Human Resource Development

Objective: to improve organisational effectiveness and individual performance through training, education and development.

An important task of MPO is the promotion of key public service values which are a combination of traditional values and of modern management practice.

The key rules in this new ethos are:

- initiative and responsiveness (to government and the public);
- merit (as the basis for recruitment, promotion and reward);
- accountability;
- impartiality;
- transparency;
- continuous improvement.

MPO is also guided by a set of operating principles:

- client orientation;
- process focus;
- open communication and consultation with client ministries/departments;
- proactivity and responsiveness to changing workplace and market environment;
- emphasis on delegation and empowerment;
- support to line ministries/departments.

In each of the main areas indicated above a number of key tasks were identified and a 'Business Plan', covering a three-year period, was drawn up, setting out an action plan with target dates.

In the action plan, priority is given to corporate projects that will have a major impact on the management of human resources, namely:

- development and implementation of a comprehensive computerised "Human Resource Information System" which includes payroll;
- Performance Management Programme: a new system of performance appraisal introduced initially in respect of higher middle management, that will gradually be extended to other executive grades;
- Performance-Related Pay Scheme in respect of permanent secretaries and heads of departments;
- delegation of authority over appointments and discipline: consultations are being held with the Public Service Commission for a revision of current Regulations with the aim of enlarging the delegation of authority to line managers;
- right-sizing exercise: a complementing exercise is being carried out, in consultation with public service unions, to determine personnel requirements in technical and industrial sectors, and to ensure optimum utilisation of existing resources;
- a new Classification and Grading scheme which covers 33,000 employees in a variety of grades;
- a new method of selection for promotion to the grade of Senior Principal; this grade will eventually constitute the field of selection for managerial positions;
- revision of the present Senior Executive Development Programme to turn it into a systematic programme of training aimed at upgrading the competencies of Senior Principals and other senior grades, and preparing them for headship positions.

These priority tasks are expected to be completed during 1995 and there are a number of other measures within the six major areas of the human resource management strategy that will also receive attention during the three-year period of the Business Plan. However, human resource management is a dynamic process and policies, strategies and systems will be evaluated, reviewed and revised, as necessary, on a continuous basis.

Another interesting experiment which MPO is developing is the Human Resource Managers' Forum. This Forum, which holds regular monthly meetings, brings together senior officials of MPO and human resource managers of the various ministries to discuss policies, strategies and current issues. These regular meetings, besides providing very useful feedback to MPO from line management, help to ensure consistency in the application of human resource policies, concepts and service-wide programmes as well as a thorough and common understanding of human resource issues.

This Forum is complemented by an on-going training programme in personnel management which is run by the Staff Development Organisation.

A particular initiative in establishing central change agencies: the Management Systems Unit

The Management Systems Unit (MSU) was established within the Office of the Prime Minister in June 1990, as recommended by the Operations Review and the Public Service Reform Commission. It was incorporated as a limited liability company in November 1990, and is wholly government-owned.

The Unit comprises three operating components:

- the Consultancy Division, which consists of Human Resources, General Management and Financial Management Groups;
- the Information Systems Division, comprising four functional areas, namely, Technical Infrastructure, Information Resource Management, Systems Development and Customer Services (see entry 5.1);
- the Communications Strategy Group (see entry 3.1).

These are supported by two internally focused groups, the Finance and Administration Division and the Human Resources Support Group.

The organisation's mission statement declares that the MSU exists:

> "*to facilitate implementation of the recommendations proposed by the Public Service Reform Commission – in co-operation with central agencies, ministries and departments, and in accordance with government policy – in order to transform the Public Service in respect of its:*

- *leadership*
- *range and quality of services*
- *quality of work life, and*
- *role in contributing to achievement of vision."*

Much of the Unit's activity consists in helping to create appropriate conditions for change, which includes the provision of systems or tools to client organisations in Government. This covers a broad spectrum, ranging from re-organisation of ministries to implementation of computer solutions. The Unit concentrates on the most important resources available to public sector organisations: their people, finances and the information on which they base business decisions.
Three questions are pertinent in this regard:

- Why is the MSU organised as three divisions?

  The Consultancy Division was the first of the Unit's components to be established. It employs on short- and medium-term contracts, a range of specialists – expatriates and Maltese nationals – who furnish the expertise required to diagnose organisational problems, to devise technically sound responses, and to support implementation by the sponsoring ministry, department or statutory corporation.

  The Information Systems Division – the largest component and the most technologically intensive – serves as a base for implementation of Government's Information Systems Strategic Plan (ISSP), as well as being the agency responsible for the provision of on-going systems support and development.

  The Communications Strategy Group initiates and services projects designed to foster, among public servants and defined customer groups, understanding of the purpose and progress of selected initiatives.

- Why is a consulting/servicing organisation employing approximately 300 people required?

  Though far smaller than the public services of large countries, the Maltese public sector provides the full range of welfare, economic, municipal and other services expected of a developed country. As a consequence of the diversity of its constituent organisations and of their respective mandates, administrative organisation and management face severe stresses and complex problems. For this reason, the Operations Review and the Public Service Reform Commission advocated a 'big push', 'broad front' strategy of administrative reform which, in turn, created a demand for a diversity of expertise and high quality of technology to service the programme.

- Why was it necessary to establish the MSU as a limited liability company?

  Current law and practice severely restrict Government's ability to recruit expatriate or non-career specialists into the public service. The MSU's mandate could more expediently be carried out if the organisation were given flexibility in terms of recruitment, finance and procurement, such as that afforded by a trading company. The Unit's current status and self-contained accounting enables Government to identify precisely the operating costs of specific initiatives in its administrative reform programme, and to assess opportunity costs of particular investments in new technology.

The most important decisions at the time of the Unit's establishment concerned:

- the MSU's status vis-à-vis the public service – an early decision was taken to incorporate it as a trading company outside the public service, but reporting directly to the Prime Minister and to a standing Cabinet Committee on Public Service Reform;

- the choice of priority initiatives – these were Service-wide initiatives identified by the Public Service Reform Commission and the Operations Review, and reviewed elsewhere in this profile;

- the range and quality of expertise required to support the Unit's mandate – from the outset, the MSU employed expatriate and local consultants on short- and medium-term (up to three years) contracts, a limited number of career civil servants seconded for specific terms, and a cadre of young management trainees who are eligible for permanent employment in the public service at the close of their two-year traineeship.

Since its inception, the MSU has had a three-fold role:

- first, initiating and supporting service-wide initiatives such as those described elsewhere in this profile; the earliest projects – those dealing with the machinery of government, with the legal framework of administration, with human resource management and financial management, and with information technology – were intended to lay the ground for ministry-specific initiatives intended to improve the quality of decision-making, the efficiency of operations and the responsiveness of ministries and departments to government and public.

- secondly, supporting changes undertaken by other central agencies; the Management & Personnel Office and the Ministry of Finance are both the principal customers of the MSU and its chief collaborators.

- finally, responding to requests from ministries and departments for local initiatives of change and improvement – operations reviews, 'trouble-shooting', pilot projects that may have service-wide benefits; the MSU's last annual report refers to a selection of such projects – a 'migration plan' for the transfer of functions from central government to local councils established for the first time in Malta in 1993; a Department of Information 'helpline'; a database for the national Ship Register maintained by the Malta Maritime Authority; operations reviews of the Department of Education, the Department of Industry and the Housing Authority; development of technical specifications for trenching works; evaluation of a Geographical Information System; upgrading of the public service's corporate image; and a review of the organisational structure of the Ministry for Gozo.

While individual projects work to well-defined time frames, the MSU itself is envisaged as a permanent feature of the machinery of government.

MSU believes a two-pronged approach to change to be most effective:

- working with key players in Government, namely the Office of the Prime Minister and the Ministry of Finance, to provide a basis for a new, dynamic and results-oriented public service; and

- working with individual ministries and departments to address specific issues that will result in cost reduction or service improvement.

The MSU's consultancy activities meet accepted good practice in work of this nature. At every stage of a project, small, multi-disciplinary teams from the Unit operate in conjunction with working parties selected by ministries or departments from among their own staff, guided by terms of reference defined by the commissioning organisation itself. In other words, the MSU influences change in the public service principally by the quality of its advice and of its technical support, rather than from legal or administrative authority vested in it. It works through, rather than supplanting the administrative hierarchy.

A key to the Unit's operations is the programme manager concept. This consists of Programme Managers for each ministry who are responsible for corporate as well as ministry-focused initiatives.

Liaising with permanent secretaries and their delegates, as well as with the other programme managers they are an effective means of assuring congruence of direction and resourcing. Programme managers and permanent secretaries jointly identify, agree and organise the activities required to bring about change within the framework of the objectives of government. These activities are encapsulated within both the ministries' and MSU business plans.

The MSU's operating flexibility is counter-balanced by the close oversight of its plans and initiatives at the highest levels of government. The Unit's Board of Directors, which is chaired by the former Operations Review Consultant, and includes the Secretary to Cabinet and a former member of the Public Service Reform Commission, further ensures that it remains faithful to the mandate envisaged for it by the framers of reform.

The Unit's financial statements for the year ended 30 September 1993 reported a turnover of Lm2,094,750 and operating expenses of Lm2,858,102, exclusive of funds allocated for information technology acquisition.

2.3 Restructuring the senior levels of ministries

The top structures of all thirteen ministries were re-defined between 1992 and 1994. As a result:

- a Permanent Secretary is appointed to supervise each ministry;
- heads of the departments within each ministry are now re-styled Directors-General or Directors, depending on their grade, which is linked to the demands of the position in question;
- each ministry has a Director of Corporate Services, and in a few very large departments (now known as divisions) there are Directors of Finance and Administration;
- Management Committees are introduced at ministry, divisional and departmental level.

Appointment of Permanent Secretary

Whilst at Independence the Constitution provided for the appointment of permanent secretaries, this provision was not brought into effect until 1992.

Subject to the direction and control of their respective ministers, permanent secretaries supervise the departments in a portfolio. In this, they are accountable both to their respective ministers and to the Head of the Public Service (the Permanent Secretary of the Office of the Prime Minister). Full terms of reference are set out in the Prime Minister's Instruction on Roles and Responsibilities.

Each permanent secretary is appointed on a three-year performance contract which is counter-signed by the Permanent Secretary, Office of the Prime Minister, and which links pay to progress measured against stated targets.

No woman has yet been appointed to the post.

Appointment of Directors-General and Directors to head Divisions and Departments

Directors-General are responsible for divisions, while Directors are responsible for departments.

Each division comprises several related departments headed by Directors, but not all departments necessarily fall within a division.

Directors-General and Directors are appointed on a three-year performance agreement which defines targets for achievement. These agreements are linked to the Business Plans for the respective organisation.

Appointment of Directors of Corporate Services and Directors of Finance and Administration

The position of Director of Corporate Services is a novel feature of ministry organisation. Directors of Corporate Services support permanent secretaries by providing ministries with the appropriate support infrastructure, including:

- advice to the permanent secretary on finance, human resources and administrative policies and issues;
- advice on the implementation and interpretation of central policy and directives;
- initiation and co-ordination of the planning process and ensuring that business plans, financial plans and manpower budgets produced by the divisions, departments and parastatal organisations in the ministry's sphere form a coherent whole;
- working with Directors-General and Directors on annual budgets and work plans and, following agreement, ensuring that every manager is provided with budgets and targets together with regular feedback on progress;
- providing human resource management services to departmental managers;
- co-ordinating the ministry's information systems;
- ensuring the provision of other support services as necessary.

In a few large divisions, the financial and administrative tasks mentioned above fall to the Director of Finance and Administration, who is responsible to the Director-General of the division and provides support over the whole range of the division's activities. Even where there is a Director of Finance and Administration, the Director of Corporate Services still retains a co-ordinating role in relation to planning, finance and human resources.

Introduction of Management Committees

Ministry Management Committees are chaired by Ministers, or in their absence, by permanent secretaries. All Directors-General and Directors in the ministry are members of the committee, with the Director of Corporate Services acting as the Committee's secretary.

Divisional Management Committees are chaired by Directors-General and comprise Directors in the Division, with the Director of Finance and Administration acting as the secretary.

The role of the Committees at both levels is to advise the Minister and the Permanent Secretary, or the Director-General (as the case may be) on the exercise of their responsibilities, to consider and advise on major policy developments, to approve Business Plans and Financial Estimates and to monitor progress in respect of them, and to discuss and resolve current management issues.

The context for change

It is believed that this re-organisation of top structures in ministries will create the environment necessary for a well co-ordinated, effective and efficient service. The sharper definition of accountability, the clearer statements of responsibilities, the development of collective management through the work of Management Committees, should allow for more effective leadership and result in a greater readiness to take strategic decisions and to delegate operational responsibilities.

Implementing change

The first step was the re-organisation of ministerial portfolios. This was accomplished following the 1992 elections when the business of government was re-grouped into well-defined policy sectors, which were assigned to coherent portfolios. This was followed, respectively, by the appointment of permanent secretaries, of Directors-General, of Directors, and finally of Directors of Corporate Services and Directors of Finance and Administration.

Each post of Director-General and Director was advertised internally, and was open to serving heads of departments and other officers up to the grade of Principal. Candidates were identified by means of a standing Senior Appointments Advisory Committee chaired by the Head of the Public Service, but appointments were made by the Prime Minister following consultation with the Public Service Commission.

The proposed Public Service Act will give a statutory basis to the terms of reference devised for each component of top structures in ministries, as well as permitting delegation of managerial responsibility within these structures.

The changes were implemented over approximately two years. The direct costs of the re-organisation are not high, though one aspect of the process was directed towards improving the previously depressed level of pay at the top of the Service. All the newly appointed senior officers are involved in central discussions and seminars on a greater scale than hitherto, and management development programmes – both centrally, for specific groups such as the Directors of Corporate Services, and also ministry by ministry, for the top management teams – are in hand.

The key figures in the initiative were the Head of the Public Service, the Director General of the Management and Personnel and the Chairman of the Management Systems Unit. It was they who devised the top structures, which were formally approved by the Cabinet Committee for Reform, under the Prime Minister's chairmanship.

Once the new structures were approved by Cabinet, the Office of the Prime Minister, assisted by the Management Systems Unit, planned and obtained agreement to top structures for each ministry.

Appointments, as mentioned above, then proceeded on a top-down basis. Once the senior officers were in place, they were invited to fine-tune structures in their respective jurisdictions as appropriate and to carry the work on downwards.

2.4 Introducing business planning

An effective public service is concerned with the quality of service that it provides to citizens. Government, therefore, needs to review its operations in order to provide services in the most efficient and cost-effective manner. As financial plans cannot be accomplished in a vacuum they require organisations within the public service to think strategically about their programmes.

Business planning should answer the key questions that an organisation must ask of itself. To achieve this, thought is required; processes put into place for development of the plan; the will to implement it; as well as the need to monitor the plan by evaluating achievements against objectives. A business plan is, above all, time-bound, with adjustments made as times change and events unfold.

A theoretical framework for business planning was articulated in order to enable ministries in the public service to understand the function and associated activities. Briefly stated, a number of questions came to the fore in this exercise:

- Who are we?
- What do we do?
- Where are we heading?
- Whom do we serve?
- What are the client's (the public's) expectations of government?

The answers to these and other related questions are not simple, particularly since the public sector organisation is more complex than its private sector counterpart. Business planning questions are, nevertheless, highly relevant in terms of how a programme is delivered and its cost-effectiveness.

There are five main components: mission, objectives, strategy, implementation and evaluation.

- The 'mission statement' answers the questions: who are we, what is the business that the organisation is in and where is it heading. The statement gives identity and direction. It states what the organisation aims to become, not what it is now.

- The 'objectives' answer the 'what' question. These are high-level objectives that an organisation wishes to fulfil and that translate the mission statement into specific performance targets. Long-term objectives, anything from three to five years, guide managers as to what to do now to have the organisation ready to produce desired results later. Short-term goals – or milestone accomplishments along the way – need to be established in order to ensure that the organisation stays on target and is in a position to evaluate progress. Objectives and goals must be measurable: they should be quantifiable, realistic and achievable.

- The 'strategy' is the 'how' of business planning. It determines the moves required in order to attain the objectives. It addresses the questions: What must be done? When? How should we do it?

  To plan the correct strategy the ministry or department needs to analyse current operations, as well as identifying strengths, weaknesses, opportunities and threats. This analysis is carried out within the context of the stated mission and objectives.

- For a ministry or department to implement its business plan successfully it must provide the relevant mechanisms and infrastructure. The process must be institutionalised through the development of supportive policies and procedures, reporting systems, reward programmes, training programmes and technology. Implementation requires an 'action agenda' which involves listing all relevant steps: stating who is responsible and by when, and then regularly monitoring progress.

- Strategy and objectives need to be periodically reviewed and evaluated to assess whether actions occur according to plans, and to adjust for priority changes caused by changed circumstances. Evaluation is necessary to assess performance. If goals are not reached, either the performance target or the mechanisms used to achieve that target need to be reviewed. Performance measures establish a clear link between results and resources. They foster a results-oriented culture. Performance measures also aid the performance management review process, making it more objective and motivating.

The context for change

The primary objective of business and financial planning in the Government of Malta is to provide Cabinet with accurate information regarding recurrent resource allocations and proposed capital expenditures for each ministry. The outputs of the business planning process improve the decision-making abilities of the Government.

Business planning is applicable whether the service provided is internal to the government, such as central agencies, or externally focused to the public.

This process ensures that ministries are fully aware of the resource costs of their respective portfolios, and the value-added through long- and short-term initiatives. Business planning is also important at the divisional and departmental level. In order to manage a programme effectively, a manager must be fully aware of the operating constraints such as social, economic and policy considerations; financial and human resource concerns; impacts on other departments; trade issues and the external environment.

Benefits arising from business planning include subtle, long-term advantages such as changing and broadening managerial attitudes towards programme responsibility, and tangible, visible benefits such as improved data collection for decision-making.

Implementing change

Business planning was introduced in a pilot ministry and this was geared up to full business and financial planning in 1993. This implementation strategy allowed for measurement of the capacity of the public service to undertake the process. Success was more likely to ensue by phasing-in coverage of the complete business planning approach as against attempting full implementation across the board.

The Ministry for Social Security and the Department of Health respectively were selected to complete business plans in addition to financial plans. The reason they were selected was that Social Security expressed a readiness, and it is also one of the larger spenders in government. The Department of Health was in the process of reviewing its mandate and programme, and was therefore an obvious choice.

By 1993, all ministries had submitted three-year business and financial plans for the period 1994-1996.

Ministries undertook planning at the departmental level and then aggregated it at ministry level. This meant ranking priorities, looking for efficiency and shared resources across the portfolio. All government initiatives at the policy level are directly linked at the micro-level to the programmes of all ministries.

In practice this process has established a number of internal planning activities within each ministry that involve all programme managers. Programme managers examine their programmes as they evolve during a fiscal year rather than at one particular point in the year. For most programme managers this approach has crystallised the business planning outputs including:

- improved Cabinet decision-making;
- smoother Estimates process;
- identifying opportunities;
- increasing government effectiveness;
- increasing policy application consistency; and
- increasing public awareness.

In order to introduce the new approach, managers were required to attend a series of seminars on business planning. With the 'hands on' assistance of external financial consultants, ministries and departments developed their initial three-year business plans following approved guidelines. A sample ministry business plan provided managers with additional information on the 'level of detail' required to substantiate their programme resource requirements.

Business planning in the Maltese Government has been in place for the past three years. The improvements in the quality of input from ministries has been gradual but positive. It has created an acute awareness that Government is a 'business' and as such must operate to a large extent as private sector businesses.

The Government has now clearly set out the planning process and the milestones that have to be met in order to realise its agenda. The process is depicted in 'flow charts' appended overleaf. It is important to note the continuous interactions that occur between the Ministry of Finance and other ministries as business plans evolve.

The success of business planning depends on the following factors:

- *Active, visible support from permanent secretaries and heads of departments.* This means communicating the business planning philosophy to all levels in all programmes, to all functional support units, and to finance officers, human resources officers, operational managers and important inter-ministerial committees. Senior managers must be prepared to help junior managers conduct planning meetings and develop plans. They must also evaluate their subordinate managers on their performance in attaining the stated targets.

- *Permanent secretaries and heads of departments accountable for implementing business planning.* This accountability, however, has to be pushed down the line to the lowest appropriate level by ensuring that an individual is responsible for achieving each goal stated by the organisation. Accountability is secured by placing a high emphasis on business planning in performance agreements and performance review processes.

- *Management assuming ownership of their plans.* This signifies that they are responsible and accountable for content, timeframes and deliverables. Support areas, such as personnel and finance, are responsible for supplying management with the relevant information and analysis.

- *Internal mechanisms for business planning established.* Tools that are used include focus groups with employees, surveys – internal and external, task-forces, action teams, project teams, financial modelling and spreadsheets, analysis of relevant reports and operational plans.

- *Assistance from the Budget Office and Ministry of Finance to ministries in completing their planning submissions.* At each stage in the planning process the Budget Office helps ministries, departments and parastatal organisations to complete stipulated forms.

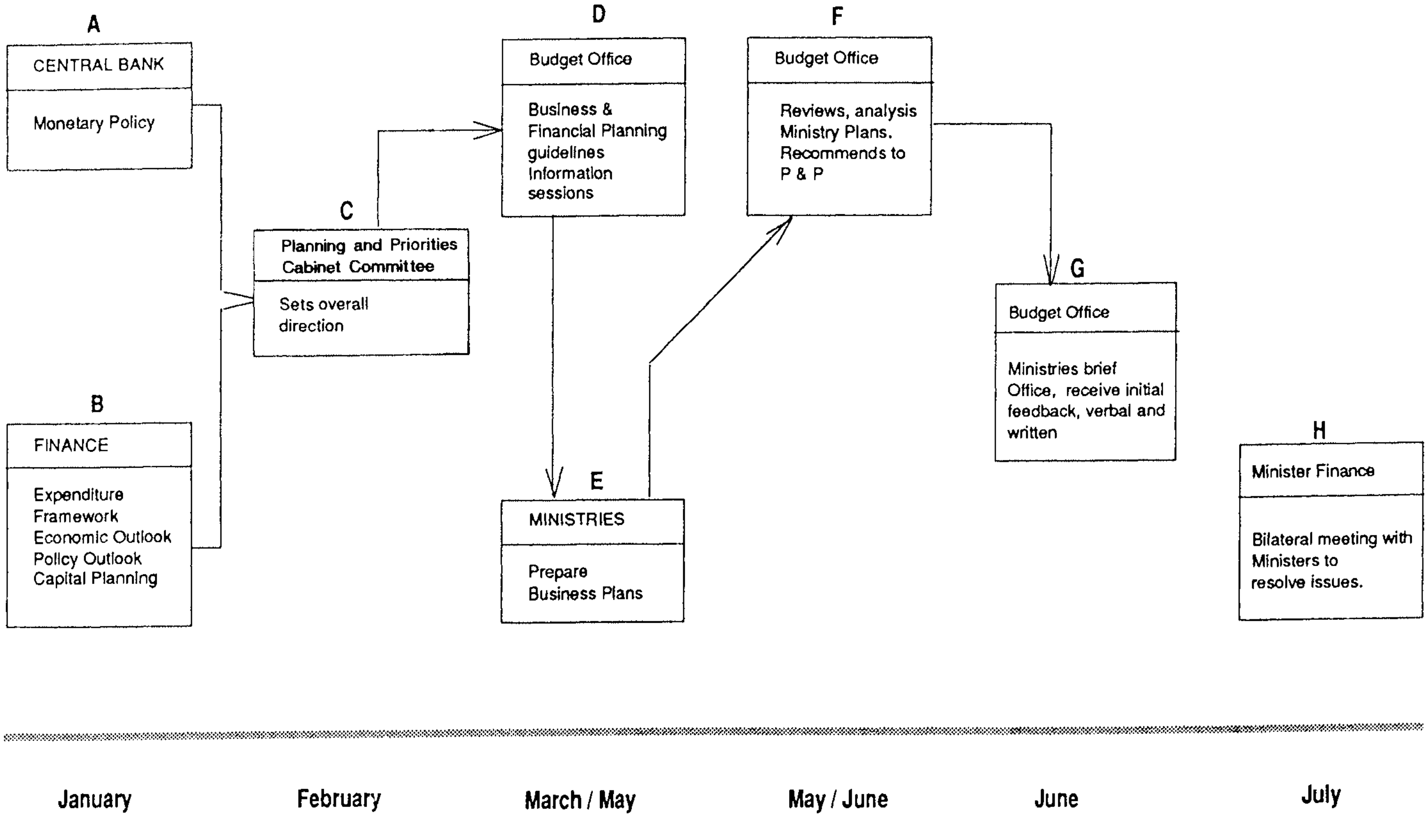
- *Ministries nominating a team of people to complete the planning requirements.* The key individual is the Director of Corporate Services in each ministry who reports directly to the Permanent Secretary who signs the business plan. The Director ensures that the ministry team is representative of functional areas that are integral to the operations of the ministry. Staff who work for the Director of Corporate Services provide co-ordination and analytical support to the planning team. The team consults with, and obtains advice from the Budget Office.

- *Feedback is essential as business planning is iterative.* It can only improve through trial, evaluation and feedback. The Budget Office gives feedback to ministries on their plans.

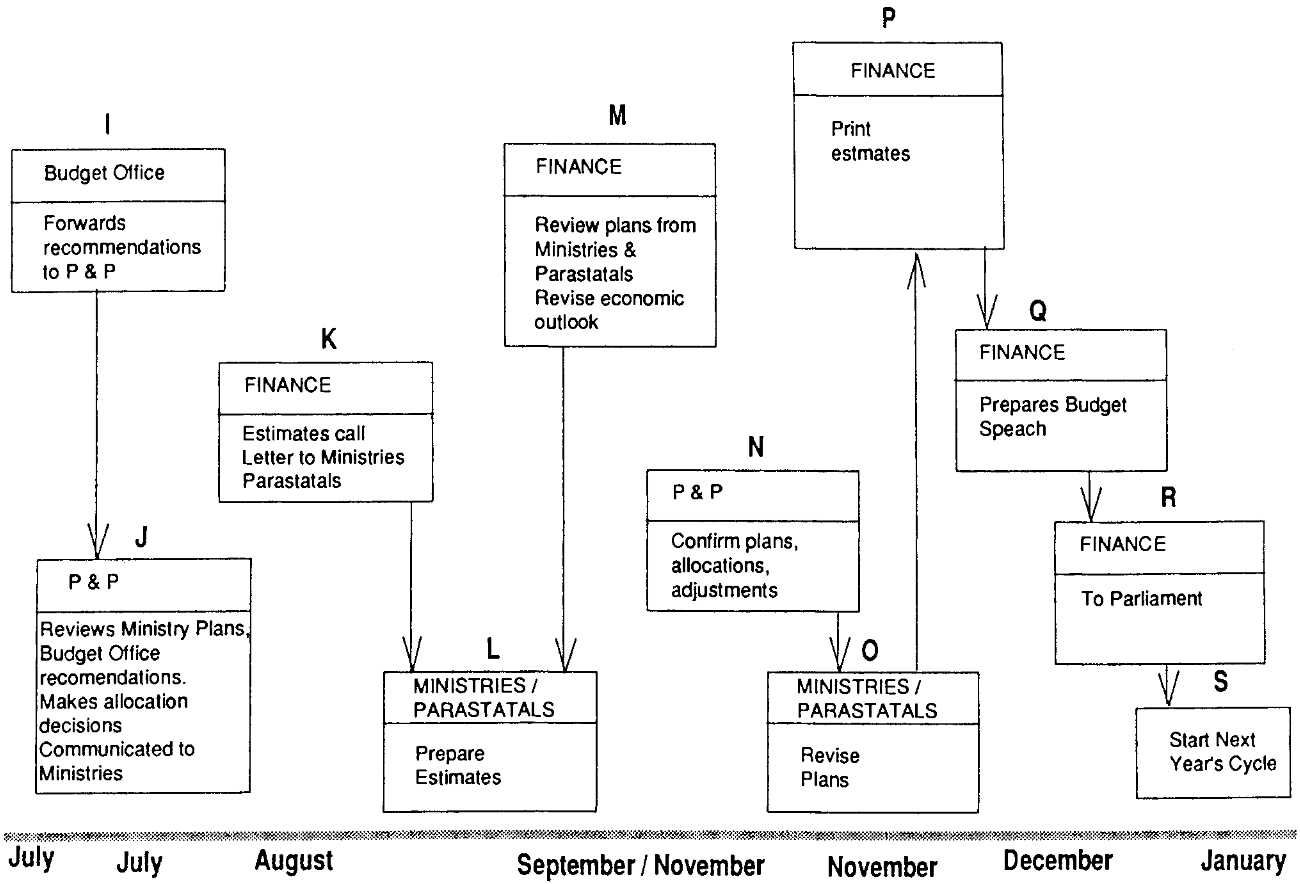
The entries on the development of a Departmental Accounting System and a framework of accountability and delegation, and various training activities directly relate to business planning. Two projects which, in particular, indirectly support business planning are described in the entries on Financial Reporting and Estimates Process Improvements.

The Estimates Improvements Project involved streamlining the process and establishing top-down allocations. It is crucial that yearly allocations of budgetary resources through parliamentary financial estimates are reasonably aligned to the ministries' objectives stated in their annual business plans.

The Financial Reporting Project aimed at improving the quality and accessibility of financial information. It included the introduction of a revised Chart of Accounts providing for standardisation of management information across ministries and departments.



BUSINESS & FINANCIAL PLANNING CYCLE



BUSINESS & FINANCIAL PLANNING CYCLE Continued