

Current Good Practices and New Developments in Public Service Management

A Profile of the Public Service of Malta

The Public Service Country Profile Series: No.6



Commonwealth Secretariat

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FOREWORD

Since 1975, the Management and Training Services Division of the Commonwealth Secretariat, and its predecessor the Management Development Programme, have been providing extensive assistance to Commonwealth governments confronting the challenge of securing administrative and managerial improvements in the public sector. The Division's analyses of major trends and opportunities for public sector reform are complemented by its tailored consultancy and training packages designed in response to national and regional needs.

The current widespread debate concerning the managerial and structural options which will best fit the public service for the challenges of the next century touches the very centre of the questions concerning the role and responsibilities of the governments of the future.

The structure and processes of the overall public sector, that area of national social and economic life which is directly answerable to government, are significant in two ways. They serve to deliver, or to fail to deliver, the policy objectives of government, and they serve as a marker which government unavoidably sets down concerning accountability and transparency in national affairs, and the legal and constitutional framework for development.

As the range of structural options and accountability relationships utilised within the public sector increases, the complexity and diversity of that sector are growing. Assessing the strategic options for the public sector requires a clear understanding of the managerial alternatives and the actual and potential capacities of the core public service. I believe that this publication, and its companion volumes, is a significant contribution towards that understanding.

The Public Service Country Profile Series has grown out of a larger publication series examining current good practices and new developments in public service management. A pan-Commonwealth expert working group met in Kuala Lumpur in early 1993 to discuss the possible development of a policy guide for senior officials, highlighting the key principles underpinning recent managerial developments within the public service. This ground-breaking workshop developed the framework for *The Commonwealth Portfolio*, a distillation and analysis of innovations and best practices in public service management from across the Commonwealth.

The Commonwealth Portfolio is being published in loose-leaf format for easy updating, and its 65 entries will cover the major areas of change within public service management.

I am particularly pleased to note that in constructing the Portfolio the expert editors and compilers have been determined to ensure its relevance to the real challenges faced by senior officials and managers. To ensure that the principles it identifies are firmly grounded in real experiences and genuine achievements within the public service, member governments across the Commonwealth were approached to take part in a unique mapping exercise, identifying the actual changes which had been made in some key areas of public service management. That so many governments unhesitatingly agreed is a tribute to the spirit of co-operation and to the strength of professional networks within the public services of Commonwealth countries.

The Public Service Country Profile Series sets out the results of that mapping exercise, country by country, to provide an unprecedented insight into the real managerial and structural changes underway in the public service. In providing some firm ground on which those public servants, both elected and appointed, who are faced with the challenge of public service reform can stand while assessing the options available, the Country Profile Series marks a milestone in the debate concerning the management of the public service. Reality is informing rhetoric at last.

Dr Mohan Kaul
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ACKNOWLEDGEMENTS

This is one of a series of country profiles commissioned by the Management and Training Services Division of the Commonwealth Secretariat, to complement its Portfolio of Current Good Practice in Administrative and Management Reform in Government. The Malta Country Profile reviews the most important initiatives undertaken to upgrade the national administration. The Profile has been compiled by the Management Systems Unit of the Government of Malta, which was created to lead and support the administrative reform programme and reflects the public service situation as at January 1995.

This profile was compiled by David Spiteri Gingell, currently Director of the Consultancy Division in the Management Systems Unit, with contributions from consultants in the Unit. Joe Curmi, Director General of the Management and Personnel Office, and Charles Polidano of the Staff Development Organisation, made significant contributions to the entries on human resource management. The assistance of Celia Falzon and Alexia Borg Ginger in the preparation of the document is gratefully acknowledged. Edward Warrington edited the profile on behalf of the Commonwealth Secretariat.

Sir Kenneth Stowe provided most valuable suggestions in designing the publication series and concerning the style and content of all the country profiles.

The cover design was provided as a corporate contribution towards Commonwealth co-operation through the kind assistance of Francis Plowden of Coopers and Lybrand, London.

Roy Chalmers and Greg Covington have assisted immeasurably in all aspects of the production of this series.

The Profile begins with an introduction to the Maltese environment, drawing attention to the country's governing institutions, and recounting the inception of the initiatives reviewed in the document. Sections One to Six contain briefs on each major change initiative and deal respectively, with human resource management, the organisation of government, communications between the public service and citizens, relations with the para-governmental sector, information systems and financial management.

Both the nature and the context of Malta's administrative reforms hold considerable interest. Its experience in undertaking an ambitious programme of change and in applying sophisticated management technologies should prove useful to other small states.

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INTRODUCTION

This introduction reviews selected features of the Maltese environment, of Malta's governing institutions, and of the country's current programme of administrative reform. It places the initiatives described later in this country profile in context, and identifies aspects of the Maltese experience of administrative reform that may be of special interest to other states.

The Maltese environment

Malta is a sovereign state consisting of three inhabited islands – Malta, Gozo and Comino – in the central Mediterranean. The archipelago's land area amounts to 316 square kilometres and is home to a population estimated at 362,900 in 1993. The Maltese are a European people, having a distinctive culture that is most evident in the national language, the Roman Catholic faith and the architectural patrimony.

Historically, owing to their strategic location and fine natural harbours, the islands were governed by successive paramount naval powers in the Mediterranean Sea. For most of the past four hundred years they served as a powerful fortress and naval base, first under the Crusader Knights of St John between 1530 and 1798 and more recently, after a brief French occupation, as a British territory between 1800 and 1964. Until the close of the Second World War, the presence of a large expatriate garrison and fleet in Malta was the single most important determinant of the islands' economy, welfare and politics.

Shortly after the end of the Second World War, as Britain's imperial power waned and her overseas forces shrank, the prospect of a future for Malta other than as a fortress colony became the overriding issue of public policy for the islands' expatriate rulers and for Maltese leaders. On one hand, successive defence reviews brought progressive retrenchment of British establishments in Malta and threatened to cause serious economic dislocation in the islands. On the other hand, Maltese leaders sought both to secure the islands' then-existing livelihood and to promote indigenous over imperial interests. In retrospect, the relationship between Britain and Malta between 1943 and 1979 appears as an erratic succession of crises precipitated either by British defence reviews or by Maltese claims on Britain, and a corresponding succession of constitutional-cum-economic formulae intended to satisfy and, where necessary, to reconcile imperial with local interests.

Independence, granted on 21 September 1964, was the last and, at the time, the most doubtful formula to be considered. Britain relinquished sovereignty over the islands, though retaining extensive military facilities in return for financial

assistance to the newly sovereign Maltese Government. The arrangement survived crises in 1967 and 1972, when it was re-negotiated, until 31 March 1979 when, by mutual agreement, military facilities were closed and Britain's armed presence was withdrawn altogether.

Between 1957, when the first significant retrenchment of defence establishments was announced in the wake of the Suez affair, and 1979, when Malta ceased to be a military base, the islands' economic policy-makers faced a two-fold task: first, to meet contingencies associated with British defence retrenchment; secondly, to replace Malta's economic mainstay – the provision of services to the fortress – by diversifying economic activity. The tension between policies required to deal with contingencies such as large-scale redundancies and others required to develop viable alternatives to the fortress economy is evident in successive development plans. A small country, poorly endowed with natural resources, Malta relied on economic assistance from Britain to finance both contingency and development plans.

Notwithstanding the economic limitations associated with a small, dependent economy, Malta has had a remarkable economic record. Throughout the Sixties and Seventies, Maltese governments followed the developmental orthodoxy current at the time, by promoting manufacturing industry, notably in clothing and, latterly, in the assembly of electronic components. More recently, tourism and other market services have outstripped productive activities as the principal economic activities: they now account for approximately 46 per cent of GDP, as against 38 per cent for productive activities and 16 per cent for non-market services. Malta is now classified as a developed country by the World Bank.

Historically, the Island's peculiar circumstances favoured a commanding economic role for Government. Government's civil and defence establishments accounted for a significant proportion of employment. Government employment, the government payroll and government procurement affected living standards, the rhythm of commercial activity and price levels. After industrialisation began in earnest in 1959, Government acquired a large, diverse stake in industrial development, both by direct ownership and indirectly, through its control of investment finance: in the Seventies, the Government's investment portfolio diversified into ownership of tourism-related enterprise, commercial banking and municipal services.

Socially, the most notable features of the decades following the Second World War have been secularisation and the rise in living standards. From 1947, Government replaced the Roman Catholic Church as the pre-eminent social provider, by broadening the reach of education, health care, social security and housing programmes. In fact, government expenditure on health care, education, welfare schemes and pensions became another significant economic variable. Relations between the Maltese Government and the Roman Catholic hierarchy were characterised by periodic crises similar to those marking relations between Malta

and Britain, though contention gravitated around three principal issues, namely, the political influence of the Church hierarchy, Church land-holdings and Church schools. These issues seem now to be definitively resolved, though the social and moral authority of what is, in effect, a state religion, continues to be controversial.

Factors other than the political contributed to the secularisation of Maltese society, among them, universal access to schooling, large-scale migration overseas, the presence in Malta of expatriate military personnel and, lately, of tourists, broadcasting, and the general rise in living standards. Secularisation was accompanied by changes in Maltese demography and the pattern of Maltese settlement. The elderly now constitute a large and growing proportion of the population, and population growth is among the lowest in Europe. General affluence has eroded the traditional sharp distinction between urban and rural lifestyles, as has the spread of suburbs and the growth of regional commercial/industrial centres.

Notwithstanding the economic re-orientation of Malta and the visible changes wrought in Maltese society, significant elements of continuity are discernible. Thus, though the fortress has disappeared, Malta still makes its living as a provider of services. The Roman Catholic faith and the Catholic hierarchy remain a vibrant presence in Maltese life. The growth of towns and villages and the spread of suburbs have not noticeably diminished parochial loyalties. Generally speaking, government policy in every sphere has had to take account of traditional patterns of activity or behaviour and, indeed, sometimes reinforced them: notably in the decision to promote market services as the basis of economic development and, lately, following the creation of a new tier of government – the local council, which has provided a new outlet for the expression of parochial loyalties.

The synthesis of traditional and modern elements in Maltese life is evident in the nation's politics and in the operation of its governing institutions.

Governing institutions

In its forms, Malta's system of government and administration approximates that commonly known as the Westminster/Whitehall model.

The head of state has been styled President of Malta since 1974, when the country became a republic. The President is elected by a simple majority in the House of Representatives and holds office for a single term of five years.

The legislature consists of a single chamber – the House of Representatives – whose sixty-five members representing thirteen electoral divisions are elected by direct universal suffrage at five-yearly intervals, on the proportional representation system.

The judiciary consists of judges and magistrates, who may not be removed from office except on grounds of proved incompetence, misbehaviour or inability to perform the duties of their office, and then only on an address supported by no less than two-thirds of the members of the House of Representatives. Magistrates sit in the Courts of Inferior Jurisdiction, civil, criminal and commercial; while Judges sit in the Superior Courts of First Instance (First Hall Civil, Second Hall Civil, Criminal, Commercial), the Courts of Appeal (civil and criminal), and the Constitutional Court.

Several independent constitutional authorities other than the judiciary and the legislature supervise, scrutinise or themselves exercise executive authority in sensitive areas of public policy: the Broadcasting Authority, the Director of Audit, the Attorney General (in so far as criminal prosecutions are concerned), the Electoral Commission, the Employment Commission and the Public Service Commission.

The direction and control of government is vested in a Cabinet, currently numbering thirteen ministers, who are members of the House of Representatives, appointed and dismissable by the President acting on the recommendation of the Prime Minister. The present Cabinet comprises the portfolios of the Prime Minister; Foreign Affairs; Education and Human Resources; Home Affairs and Social Development; Economic Services; Environment; Food, Agriculture & Fisheries; Gozo; Finance; Social Security; Justice; Youth & the Arts; Transport, Communications & Technology. Eight parliamentary secretaries, who are effectively junior ministers but do not hold Cabinet rank, supervise various policy sectors in six of the thirteen portfolios: Human Resources; Elderly & Special Needs; Health; Housing; Environment; Water & Energy; Economic Planning; Tourism.

The portfolios themselves are composite: their contents are modified to a greater or lesser extent with each ministerial re-shuffle (on average once in the lifetime of a government); the inauguration of a new administration generally means that the portfolios of the outgoing administration are dismantled and re-assembled in entirely new groupings. In the early life of a government, an attempt is made to restrict the number of portfolios, but this almost invariably grows with each reshuffle. The practice of appointing parliamentary secretaries as a regular feature of the Executive began in 1987, though the Constitution made provision for them at the time of Independence. To some extent they mask the dramatic growth in the size of the political executive in three decades – from eight ministerial offices at the time of independence, to twenty-one at the present time, well over fifty per cent of the government benches in the House.

Ministers are bound by the doctrines of collective and individual responsibility, which are recognised by the Constitution of Malta. The Constitution also affirms

the other pillar of the classic Westminster/Whitehall model: a public service bound by the ethic of political neutrality and anonymity.

The public service is staffed by career officials appointed, disciplined and removable by the Prime Minister acting on the recommendation of an independent Public Service Commission. The public service itself is divided into approximately fifteen major occupational classes and organised into sixty-odd departments, of which the largest, the Departments of Health and Education employ in excess of 6,000 each, and the smallest, such as the Office of the Notary to Government, employ under two dozen employees. The public service employs in excess of 30,000 employees; another 2,000 are employed in the Armed Forces. Departments of government are under the executive authority of heads of departments and, since 1992, these have been placed under the supervision of permanent secretaries: Previously, heads of departments worked direct to ministers.

Since Independence, large and important segments of the public service have been re-erected as statutory organisations: among these are the Central Bank of Malta, the Malta Development Corporation, Telemalta Corporation, Enemalta Corporation, the Employment and Training Corporation, the Water Services Corporation, the Malta Maritime Authority and the Planning Authority (which is responsible for land use). The Post Office was re-established as a limited liability company towards the end of 1994, to join a large list of government-owned commercial enterprises which includes a dockyard (the second largest employer after the public service), a shipbuilding yard, national air and shipping lines, a freeport, several construction companies, and the two largest banks in the Island. Another 15,000 or so are employed by this so-called 'parastatal sector'. Privatisation, a contentious political issue which raises the spectre of the population's historic economic insecurity, has been cautious and limited.

Historically, government has been a highly centralised activity. For well over a century, with the exception of a District Court for the island of Gozo, suburban and rural schools, and small branches or area offices of the Departments of Health, Works and Social Security, public administration was transacted in the national capital, Valletta. During the closing years of colonial rule, a limited experiment in local government – the Gozo Civic Council – survived Independence by less than a decade. In 1993, however, under a newly enacted Local Councils Act, 67 local councils covering the territory of all three inhabited islands were established. Councillors are elected by the adult franchise of the locality and hold office for three years. For the present their executive responsibilities are limited to street cleaning and minor maintenance of selected municipal facilities in the locality, but the Act envisages progressive transfer of functions from central to local government over the course of the coming five years. Local Councils are entirely funded by grants from central government. The councils have in a short while become vocal exponents of community interests and issues.

In summary, in the three decades since Independence, the machinery of government has grown steadily in size and complexity, as has the scope of policy, and the volume of government business transacted. Dormant provisions of the Constitution – notably those concerning parliamentary secretaries and permanent secretaries – have had to be brought into effect to cope with the expansion; and two elements of the machinery of government not envisaged in the Constitution – parastatals and local councils – have grown steadily in size and significance.

Finally, the Constitution legitimates the existence of a loyal Opposition, and gives the Leader of the Opposition a consultative role in the appointment of members of certain of the independent authorities referred to earlier.

The actual operation of these governing instruments is different in significant respects from the tenets of the classical Westminster/Whitehall model. Three factors that are to some extent intangible bear upon the Island's political culture and in turn on its administrative sub-culture: the Island's physical and demographic size, its history of economic and political dependence, and its electoral system.

The real power-brokers in the system are two political parties – the Nationalist Party, currently in office, and the Malta Labour Party, currently in Opposition – which have alternated in office, at intervals of approximately ten years, since the grant of internal self-government in 1947. Between them, they dominate parliamentary representation to the virtual exclusion of any other political force. Given, on one hand, the small size of the electorate and, on the other hand, the proportionately large number of MPs and of electoral divisions, electoral margins are generally fine; moreover, proportional representation encourages competition among candidates from the same party. In other words, there is a double incentive for politicians to cultivate networks and to secure sources of patronage. The tendency towards factionalism inherent in the electoral system, is compensated by strong leadership figures and by the growing sophistication of central party organisations.

In office, the parties can count on the formidable legal powers and privileges of an Executive that owes its origins to a fortress administration, as well as dispensing a large, still growing patronage that is nourished by the government's pre-eminent economic role. Out of office, a party finds itself virtually excluded from the business of government, able to influence voters only by means of unremitting, carping criticism, or dramatic gestures such as walkouts, boycotts and demonstrations. The scene is set for political strategies that place a premium on conflict, mobilisation and a 'winner takes all' attitude towards public affairs.

A recent, rather disturbing trend is that the two parties, so often locked in dispute on substantive and symbolic matters (such as the choice of a national day – the outcome being that Malta has *five* national days!) are colluding to carve out

permanent representation in bodies which the Constitution conceived as being independent and above party interests. Thus, there is now *ad hoc* representation of the Nationalist and Labour Parties on the Broadcasting, Employment and Electoral Commissions as well as on the Commission for the Administration of Justice which, *inter alia*, plays a role in selecting and disciplining members of the judiciary. While to some extent this has settled recurring acrimonious disputes about appointments of members of these authorities, the price has been an acknowledgement that there is little room for independent views, and that partisan loyalty is valued more highly than national loyalty among the state's guardians and servants. As might be expected, the parties have yielded to the temptation to factor the public service into the strategies of power politics.¹

Both parties have systematically extended government patronage by multiplying boards and committees, as well as by placing parastatals outside the constitutional safeguards for an impartial, merit-based public service. Complaints about nepotism and irregular appointments are common, though some attempt has been made to provide official avenues for redress of grievances, notably by means of the Commission for Investigation of Injustices and the Permanent Commission Against Corruption.

Administrative reform and developments in public service management

The Maltese environment and Malta's governing institutions have produced a style and substance of governance that is best expressed as a set of apparent paradoxes: underlying economic vulnerability coupled with visible and generalised affluence; a parochial outlook and a distinct national identity, coupled with a readiness to assimilate cultural imports; a functioning democracy that is yet intensely partisan and intolerant of dissent. The relationship between governors and governed is unequal and uneasy: the scope of government is all-pervasive, yet its authority is weak; an authoritarian note in administration is tempered by benign paternalism; government armed with draconian powers confronts the inordinate ability of individuals living in a small society to mould groups, influence decisions or circumvent inconvenient administrative routines; policy-making is overshadowed on one hand by the Island's economic vulnerability and, on the other hand, by marginalia and symbolic issues.

¹ Public Service Reform Commission: *A New Public Service for Malta: A Report on the Organisation of the Public Service* July 1989, p.1

Two great forces have acted upon the development of Malta's public administration during the past fifty years: the tasks associated with the Island's great enterprise in economic development and social modernisation; and the stresses arising from the establishment of democratic institutions in an independent state. Within the public service itself, competition for status and influence among different professions which all derive a great measure of their livelihood from a single employer (government) also played a decisive part in shaping the Service.²

By the late Eighties, the impressive record of general affluence and universal welfare provision was giving way to signs of severe distress across government: endemic delays in most spheres of public business; poor quality services; serious deterioration of municipal infrastructure; a general feeling that corruption, nepotism and abuse of administrative discretion had taken firm hold. It was in this context that the administrative reforms described later in this survey were commissioned. In mid-1988, a year after being returned to office following sixteen years in Opposition, the Nationalist Administration commissioned two closely related initiatives, christened respectively the Public Service Reform Commission and the Operations Review, which would review the role, organisation and operation of the entire machinery of government. This was the first such review to be commissioned after an abortive attempt fifteen years previously, and in that respect marked a departure from the pattern of public service 'reorganisations' which take place every few years in Malta, but are largely confined to pay and classification issues. The Public Service Reform Commission (PSRC) was directed to *'examine the organisation of the public service and to recommend means by which the Service can efficiently respond to the changing needs for effective government.'* Secondary terms of reference required it to review pay and classification and, not unexpectedly, these were given prominence by the heavily unionised public workforce, restive after several years of rigorous pay restraint.

Alongside the five-member Commission, an expatriate Maltese consultant carried out an Operations Review (OR) *'to evaluate existing organisational structures in light of the government's policy objectives and to recommend appropriate delineations, organisational structures and mandates; and to develop a suitable Information Technology plan which will identify needs, opportunities and cost/benefits for the application of computer technology.'* The two initiatives shared a small secretariat. The Review gave further 'depth' to the Commission's brief, and

² Warrington, E: *The Making and Un-making of a Great Estate: An Essay on the Malta Civil Service from War to Self-Government* (Malta: Staff Development Organisation, 1994) p.53

the two exercises together acquired a 'critical mass' that made it more difficult for policy-makers and for the civil service to ignore them.³

Within two years, both exercises had been concluded and detailed recommendations presented to Government. In so far as the public service was concerned, recommendations made respectively by the Commission and the Operations Review Consultant tended to converge. They are encapsulated in eleven goals proposed by the PSRC's first report⁴:

- (i) Win public confidence in the Service
- (ii) Create a culture of excellence and integrity
- (iii) Define the role of the public service
- (iv) Develop administrative structures and management systems
- (v) Define and develop employee competence
- (vi) Select and retain the brightest and ablest
- (vii) Improve the quality of management
- (viii) Invest in technology and plant
- (ix) Increase planning and audit capabilities
- (x) Define and contain executive discretion
- (xi) Institutionalise change.

The Commission had this to say about its recommendations:

"In essence, the changes being proposed should:

(i) restore the institutional fabric of the public service

The public service is part of the institutional framework of government; it has a distinct identity and value system which has been obscured. The Commission wishes to see the distinction made once more, with the public service recognised and respected as an institution in its own right.

(ii) build its organisational capacity

Measures are needed to enable the service to meet the targets that are set for it and to help it adapt to new needs and circumstances.

³ Warrington, E: 'A Review of the Reports of the Public Service Reform Commission' in *Economic & Social Studies*, University of Malta 1992/1993, p.13

⁴ Public Service Reform Commission: *A New Public Service for Malta: A Report on the Organisation of the Public Service*, July 1989, pp.5-7

(iii) safeguard employee rights

The exercise is premised on fair treatment of staff, which goes beyond the adoption of fair standards of selection, compensation and reward; it includes staff development, and the establishment of mechanisms to settle matters affecting individual and collective rights of employees.

These over-arching objectives are inseparable and must be recognised as such. Progress towards the attainment of each depends on progress towards the attainment of the others." ⁵

In the orientation of its recommendations, the PSRC/OR review not only departed from the pattern of past reviews of the Maltese public service; it also differed in some significant respects from contemporary public management reforms undertaken in other countries. In brief, the exercise sought both to *restore* the deteriorating fabric of the public service and to *refashion* the institution: to remedy past deficiencies and to plan for anticipated needs. The most pressing item on the future agenda was, and is still, membership for Malta in the European Union, which will alter the role, organisation and operation of Malta's governing institutions.

Not long after the review, Government took the first steps towards substantive implementation of the PSRC/OR recommendations. The Prime Minister gave administrative reform a high political profile, committing his influence as head of government and party leader firmly behind the initiative. It is significant that public service reform rates a standing Cabinet Committee, one of only two policy sectors known to do so, the other being relations with the European Union. While the Prime Minister has made administrative reform a mainstay of his political platform, the direction of policy in the field is firmly institutionalised in Cabinet.⁶ As a result, institutional and public management questions appear as recurring themes across the spectrum of government policy. This is a notable feature of Malta's current experience of administrative reform.

Progress towards implementation of the PSRC/OR recommendations appears to be determined by two imperatives:

- to make as much progress on as many matters as possible; and

⁵ PSRC, op cit: p.5

⁶ Warrington, E. "Three Years Later – The Record of Implementation" in Economic and Social Studies, op cit: pp. 154-155

- to avoid industrial confrontation.

The first imperative would account for the decision to establish the Management Systems Unit described in section 2.3, and to face down vociferous criticism about the ‘extravagance’ of recruiting numbers of expatriate consultants earning international rates to the Unit. Such criticism was perhaps a natural consequence of the parochialism characteristic of small, insular societies; expected, too, of Malta’s sharply partisan political discourse; and, finally, expected of a public service emerging from almost two decades of pay restraint and operational austerity. The Unit has since been servicing a ‘broad front’, ‘big push’, ‘top-down’ strategy of reform.

The second imperative would account for government’s negotiating stance with trade unions representing the public service workforce. An agreement signed by government, General Workers’ Union and *Union Haddiema Maghqudin* in December 1990 opened the way to reclassification of government employees in accordance with the pattern proposed by the Public Service Reform Commission, i.e. a classification scheme comprising four ‘categories’ which define broad levels of skill and competence (A – top management; B – administrative and professional; C – junior executive and technical; D – clerical and industrial), and ‘classes’ which identify occupational groups. The agreement consisted of a significant interim pay settlement, which took the edge off trade union restiveness and improved the competitiveness of the public service as an employer of at least some categories of labour though not, significantly, of professionals. It incorporated some novel features, notably, a declaration to the effect that government reserved the right to withhold, suspend or postpone the full implementation of salary awards if it were not satisfied with progress in implementing other changes contemplated in the agreement. In the event, neither did government invoke the provision, nor, for the most part, did the trade unions call out their members.

Though a full evaluation of subsequent agreements on the pay, grading and assimilation of individual occupational groups has yet to be made, it does not appear that restrictive work and promotion practices have been traded in for competitive salaries and benefits to the extent envisaged by the PSRC: with a workforce the size of the Malta Government’s and central pay bargaining, the law of averages works to depress salary/wage differentials, favours the interests of serving employees and generally reaffirms the status quo. That said, the benefits of a long period of industrial stability, though not readily calculable, ought not to be discounted. In weighing the Government’s position, an analyst does well to remember that for the past fifty years, the public service has been debilitated by lengthy, acrimonious and often recurring trade disputes.

In summary, the context for the initiatives described later in this survey is a complex of tensions and ambiguities, opportunities and constraints; a compound of

an ambitious agenda for change and the lurking threat of political or industrial controversy. Two questions arise at this point. What has been achieved? What, if any, are the lessons of Malta's experience for other small states?

Biases and orientations of the administrative reform programme

The contents of this portfolio, though not exhaustive, represent the most important initiatives completed, in hand or planned. A first reading appears to confirm the 'broad front', 'big push', 'top-down' strategy referred to earlier, but the appearance of consistent progress on all fronts is deceptive. Section One – Making the Most of Staff – and Section Two – Making Government More Efficient – present nine initiatives on which substantial progress has been registered.

The four initiatives outlined in Section Two are now substantially complete. Their common focus is the machinery of government and government business, and they were concerned with developing, refining and, where necessary, re-fashioning government capacity to make policies that are relevant, coherent and, ultimately, effective. Two objectives deserve attention: first, the effort to complete the Executive framework contemplated in the Constitution; secondly, the attempt to refine, develop and consolidate the historically difficult relationship between ministers and civil servants.

The five initiatives outlined in Section One are in the course of implementation. The progress that has been made in implementing them is a reflection of nationwide concern about the utilisation and productivity of the public workforce which represents about thirty-five per cent of the national workforce. The public service's investment in human resource development is as significant as its investment in information technology, described in section 5.1. Together, they attempt to remedy five decades of neglected 'housekeeping'; five decades during which the public service, busily engaged in the great enterprise of national development, discounted the necessity of investing in its own infrastructure and eventually exhausted its human and technological capital.

The record on other fronts is less substantial.

Section Three – Improving the Quality of Services – includes a single entry, the so-called 'communications strategy'. While it could be argued that the ultimate purpose of administrative reform is improvement of public services, the record suggests that persistent criticism to the effect that Maltese citizens have seen few improvements in economic, municipal and social services, may not be altogether groundless. As stated earlier, for sound reasons, the thrust of the administrative reform effort has clearly been towards upgrading the machinery of government. Nonetheless, the question whether, five years after implementation began,

administrative reform is yielding value for money, remains unanswered. *Political* support for reform cannot rest indefinitely on an eroding base of *popular* support or, at best, quiescence.

Section Four – Improving Partnerships with Organisations Outside of Central Government – outlines a single initiative which appears still in its infancy, namely, parastatal accountability. There may be many implications of this scanty record. It could be that the reformers who penned the entries in this portfolio may have discounted partnerships between Government and Malta’s thriving voluntary sector in a variety of social services. Another possibility may be that such partnerships as may exist are not accorded importance by officials. The initiative that is recorded in this portfolio is so tentative as to imply Government’s reluctance to address institutional and managerial issues associated with a principal source of patronage and ministerial discretion.

Section Five – Making Management More Effective – and Section Six – Improving the Management of Finance – present an uneven record: significant progress towards implementing an ambitious Information Systems Strategic Plan, but nothing more than preliminary steps towards delegation of managerial authority over staff and expenditure. In other words, changes in the machinery of government appear not to be matched by changes to the mindset of Maltese officialdom, which continues to value central direction and control. Much criticism has been levelled at the Public Service Commission over its alleged reluctance to delegate authority over appointments and discipline, but there can be little doubt that ministers themselves would be reluctant to share their considerable powers with career officials. Ironically, by adopting a ‘top-down’ approach, the administrative reform programme itself re-affirmed centralisation. Lack of progress in this matter is symptomatic of the persistence of mistrust in the Maltese polity – the reluctance of the power holders to admit the good faith of both their opponents and their subordinates.

Features of interest to small states

Malta’s administrative reforms may hold lessons that are relevant to other small states.

First, they suggest that a small state with modest means, such as Malta, need not shy away from pursuing excellence, nor be content with picturesque mendicancy. Expensive though they undoubtedly are, the reforms have proved affordable, while investment in state-of-the-art technology has paid rapid dividends by, for example, enabling the country to establish itself in a short while as a financial centre.

Secondly, while the rhetoric of reform is bold and uncompromising, the strategists of administrative reform have assiduously avoided anything that could aggravate the Island's economic vulnerability or disturb the political and industrial landscape. No doubt the fact that, as mistress in her own household, Malta initiated the reforms of her own accord has helped to make even the more controversial measures acceptable, if not palatable. A small state's government may, like Malta's, have to err on the side of caution before it contemplates substantial privatisation and other structural adjustment policies. For a greater or lesser time span, public employment may have to be one of the safety nets offered to the populations of small states.

Finally, while innovation is valued, promoted and nurtured, the programme has implicitly sought to consolidate the fabric of Maltese public administration, retaining a fine tension between continuity and change. If several practices inherited from the past now give cause for concern, other traditions furnish a strong foundation for renewing and restoring the public service. Reformers everywhere, but perhaps especially in small states, ignore at their peril the tenacity and the value of tradition in their governing institutions.

The programme documented in this profile might be assessed in these terms: the agenda is ambitious and the approach is sufficiently unconventional (by the standards of past reforms) to arouse comment and, at times, controversy; political support has been consistent and not averse to courting controversy, though confrontation has been judiciously avoided; viewed in their entirety, the initiatives favour consolidation of the framework and ethic of Maltese public administration, while selectively accelerating the application of technology and managerial disciplines, and employing the rhetoric of change.

This assessment is no less tentative than some of the experiments currently under way in Malta's public service. It cannot, for the moment, be fuller because more data is required on the costs and benefits associated with each initiative – financial, economic, human and political. Having made steady progress on several important fronts, the Maltese public service remains vulnerable to events and developments outside its control. Whether the ambitious programme of administrative reform will survive a change of administration, or a setback in Malta's aspirations for membership of the European Union, or what some observers see as growing popular disenchantment with traditional politics, or, indeed, a change in the leadership of the public service, remain open questions. Whatever the future may hold, however, there can be little doubt that the inception and progress of the programme represents an astonishing achievement for a small state and, to that extent, is a model of good practice in the field.

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- SECTION 1: MAKING THE MOST OF STAFF**
- 1.1 Reviewing pay and classification, and grading
 - 1.2 Improving strategic human resources planning
 - 1.3 Improving performance management
 - 1.4 Introducing a performance-related pay scheme
 - 1.5 Enhancing staff training and development

1.1 Reviewing pay and classification, and regrading

This exercise involved:

- introduction of a new salary structure consisting of twenty pay scales for the public service;
- classification of employees into a number of classes which constitute a career stream;
- a review of salary and wage relativities on the basis of job evaluation; and
- establishment of recruitment requirements for each grade, and career progression within each class.

The exercise, including negotiations with trade unions representing public employees, was carried out by the Management and Personnel Office (MPO) in the Office of the Prime Minister.

The context of change

The salary and wage structure existing prior to January 1991, when this exercise began, consisted of over one hundred pay scales and no less than five hundred grades, in which approximately 30,000 employees were classified. Given the multiplicity of grades and scales, pay differentials between adjacent grades were small or marginal, and therefore insufficient inducement for ambitious employees. Flat rate increases applied over several years also compressed vertical relativities to such an extent that the public service began experiencing difficulties with recruitment and retention in middle and senior grades. The difficulties were further compounded by poorly defined career paths and entry requirements. Many grades lacked relevant and up-to-date job descriptions.

The public service sought, through the *pay review*:

- to simplify the pay structure by reducing the multiplicity of overlapping scales;
- to increase the ability of the Service to compete with other employers in the national labour market, especially for well qualified technical and managerial personnel; and

- to satisfy the expectations of long serving employees with regard to pay and other benefits.

The intentions behind the *classification and re-grading exercise* were:

- to create attractive career paths that would also enhance the capacity of the public service to develop the skills and ability of its employees;
- to accord enhanced status and prospects to newly established professions and occupational groups; and
- to improve manpower planning and deployment.

A highly important aspect of this exercise was to move away from the then-existing schemes for recruitment and promotion. These schemes laid too much emphasis on promotion on the basis of seniority; the main task was therefore to establish the principle of promotion by selection on the basis of merit.

However, most of these schemes were regulated by collective agreements to which government and trade unions representing particular occupational categories were signatories at the time of the last major reorganisation of the public service (1974-1980). It was therefore necessary to renegotiate these agreements comprehensively.

Implementing change

Government and unions have concluded separate collective agreements on each occupational category, as a result of which employees are now classified as follows:

- Administrative Class
- Executive Class
- Clerical Class
- Education Class
- Medical Class
- Scientific Class
- Engineering Class
- Legal Class
- Nursing/Paramedical Class
- Pharmacist Class
- Agriculture Class
- Environment Class
- Technical Class
- Industrial/Supervisory Class

Each Agreement stipulates:

- a salary structure for the relevant class;
- entry requirements for each grade;
- career progression;
- additional benefits/allowances; and
- other special arrangements, such as concessions in matters of selection for employees in service on the respective dates of signing of the agreement.

Job descriptions in respect of each grade also form part of the Agreements.

The most important long-term result of this exercise is that there is now a much clearer understanding of the career path and range of duties in each class and a greater emphasis on selection by merit.

The negotiation of fresh collective agreements on the basis of the new pay structure and of new selection criteria entailed painstaking and laborious negotiations with no less than ten different trade unions which represent the various occupational categories in the public service.

In view of the anticipated duration of negotiations with the trade unions, the first step was to enter into a preliminary agreement with all the unions: this laid down the framework and terms of reference of the exercise, the approach and criteria to be used and an interim assimilation of existing grades into the new pay structure of twenty scales. By virtue of this interim salary and wage assimilation, Government also addressed some of the long-standing grievances over pay levels.

In the knowledge that this exercise was bound to take a few years to complete it was also agreed that the final Agreements reached and the definitive assimilation of employees would be retroactive to 1 January 1991.

The 'Preliminary Agreement' signed in December 1990 was also a breakthrough for government employees, in the sense that for the first time ever the Government of Malta bound itself to review the salary structures and other conditions of service of its employees every five years.

After each union representing public service employees had signed the preliminary agreement, and the revised pay scales came into force, the Management and Personnel Office formulated proposals for definitive reclassification of all public

employees. The proposals, and the submissions of trade unions, then became the subject of fresh negotiations dealing with individual occupational categories.

The regrading exercise began in mid-1991 and up to December 1994 about 90 per cent of all employees (i.e. about 29,000) were covered. It is expected that the exercise will be completed by June 1995.

The regrading and reclassification placed a heavy burden on the Management and Personnel Office. Its most immediately visible cost is the additional expenditure on personal emoluments, of the order of several million Maltese Liri annually. The exercise is, however, also notable for having been undertaken without any serious disturbance in public sector industrial relations. For this reason, it provides greater assurance that the changes introduced will prove lasting.

1.2 Improving strategic human resources planning

Strategic Human Resources Planning (SHRP) is a process which allows an organisation to ensure that it has, and continues to have, the appropriate number of employees with the skills required to deliver its programmes and services. The SHRP programme helps to ensure that the Maltese public service is able to retain the 'brightest and the best' of its staff.

In the strategically planned workforce:

- the current supply and distribution of staff resources is continually reviewed against current and future needs of the organisation;
- redeployment of staff resources is planned to meet changing needs of the organisation;
- plans for staff reductions and increases are made by each business unit in the context of the needs of the whole organisation;
- staff are recruited, trained and developed to meet current and future needs of each business unit;
- business unit organisational changes support the agenda, strategies and business plans of each business unit and of the organisation as a whole;
- each element of the organisation's business plan is supported by an analysis of associated human resource implications.

The context for change

The public service is under pressure to provide an efficient and effective service. Concurrently, there are pressures for financial restraint and staff retrenchment.

An effective allocation and utilisation of staff will contribute towards meeting these potentially conflicting goals. A number of major obstacles must be overcome in order for this issue to be addressed. Included in these are an absence of:

- well-ordered and valid information regarding staff, their roles and the structure of the organisation in which they work;
- techniques to redeploy staff effectively;

- training programmes to equip staff with new skills to perform more effectively their current or future work;
- developmental opportunities for staff;
- opportunities for promotion for the 'best and brightest'.

Additional human resources and organisational issues will come forward as Malta pursues its interest in European Union membership. EU employment policies and laws which encourage fair pay, adequate protection from risks (including employee health and safety) and support for vulnerable groups, have implications which Malta must anticipate and accommodate.

Through SHRP, senior civil servants will be provided with well ordered, current and valid information regarding their staff, the roles of those staff, and the nature and structure of the organisation within which they work. Through analysis of this information, management will be able to more effectively develop, deploy and utilise staff.

Implementing change

The full SHRP programme for the Malta Public Service is designed with three interrelated phases:

Review and Redesign

Phase One consists of the development of a complete and accurate picture of the organisation. The resultant picture is the starting point for development of new and changed organisational structures, and actions required to implement them.

The database initiative builds on a number of previous initiatives. The Top Structures project identified the new senior management positions of government. This project set in place the revised organisational structure of the Service. In addition, a complementary exercise proposed new organisational structures for the General Service middle management group. A good deal of employee data was already available on an older Payroll/Personnel System.

As part of this Phase of the programme, ministries and departments reviewed the work they produce, the procedures employed and any organisational changes which may be necessary to promote more efficient and effective operations.

As a result of the analysis of ministry reports carried out by the Management and Personnel Office, the next phases of SHRP will be developed in consultation with permanent secretaries. These phases will be designed to enable permanent secretaries and heads of departments to more effectively restructure their organisations, and to better develop, deploy and utilise their staff.

Most of the work in Phase One of SHRP has been performed by staff of the Human Resources Branches which are still under development in each ministry. These are assisted by published guidelines and procedures, and through direct training and assistance which is provided by the Management and Personnel Office, and the Management Systems Unit. The role of the local Human Resources Branch is critical to this and to later phases of SHRP.

Reallocate

The second phase of the programme will build on the review stage by identifying strategies to assist ministries and departments in reshaping their structure to meet operational requirements. Techniques which will match and align existing staff to the requirements of the organisation will be employed, including planned recruitment, staff development, staff redeployment and out-placement, as well as arrangements for alternative working hours.

Where necessary, requirements will be met through the use of information technology, or the use of service contracts.

Revitalise

In the third phase, strategies will be developed and implemented to foster and facilitate opportunities for promotion and development for public officers across the public service, and to promote alternative and more effective types of employment relationships. Examples of techniques to be considered include retirement incentives for senior staff, training and developmental assignments, and recruitment and promotion techniques.

Extensive consultations with trade unions representing public employees will be required regarding many of the initiatives and policies proposed in later phases of the project. An employee communication plan is also essential to the proper introduction and operation of the plan.

A pilot project incorporating all phases of the SHRP programme was initiated in the Ministry for Transport, Communications and Technology early in 1994, with

full support from the Management Systems Unit and the Management and Personnel Office.

Linkages will be established between SHRP, and the already established business and financial planning and decision-making processes of government. These various initiatives will be co-ordinated to ensure that each is mutually supportive of the others. Human resource managers in ministries will become more involved in advising heads of departments on the human resource implications of planned business initiatives.

Links will also be established with change initiatives relating to human resources management, including the establishment of fully functioning Human Resources Branches in each ministry, delegation of disciplinary control and recruitment, delegation of authority to approve leaves of absence, promotion on merit, pay for performance, performance management and succession planning.

SHRP database collection, maintenance and reporting requirements will be supported by a new Payroll/Personnel System which is under development (See Section 5.1). The new software will offer a central database with decentralised input of all new and changed employee information including:

- grade and position history;
- performance management results;
- qualifications;
- courses taken;
- discipline;
- leaves of absence; and
- languages.

An organisational record of units of the public service down to the level of individual positions will also be included. The system will offer a wide range of flexible 'standard' reports, plus a sophisticated *ad hoc* reporting capability. An Executive Information System feature is planned to be added to the system during the first year of operation.

One influence of the decentralised data input feature of the system is to encourage the Management and Personnel Office, as the central human resources management agency, to monitor detailed activities on the system only on an exceptional basis.

It will focus more on trends and patterns in the HR function and in the public service, rather than on individual transactions.

The data collection/review process (phase one of the programme) which began in the summer of 1993, took 18 months to complete. The programme hereafter will focus on maintenance of the database, and on-going one-year cycles of planning and review.

1.3 Improving performance management

The Management & Personnel Office (MPO) has taken steps to implement a system of employee appraisal among executive and administrative staff in 'Category B' grades, as well as among 'Category A' officers who are not on a performance agreement. The target population of 2,000 staff excludes approximately 3,200 others in corresponding grades in the Police Force, teaching, medical services and other professional services. The appraisal system adopted is known as 'performance management'.

Performance management:

- provides a formal structure for establishing work expectations, evaluating performance and planning action which links with organisational goals;
- ensures that both supervisor and employee have a clear understanding of what is expected;
- emphasises honest, frank, two-way communication between supervisor and employee;
- ensures that employees receive regular feedback which is specific, constructive and job-related;
- allows for the identification of skills and knowledge that need to be developed so that employees can perform more effectively;
- enables employees to develop in their jobs through coaching, counselling and training.

This programme endeavours to promote appraisal with a different outlook from traditional appraisal systems. It views employees as a resource to be nurtured and sustained in order to enhance performance. Hence, managers are seen as coaches, rather than judges of employee performance.

The context for change

Performance appraisal in the Maltese public service dates back to pre-independence years. The system nominally in force is intended to carry out a retrospective review of the performance, qualities, abilities and promotability of every employee by supervisors and heads of departments. Reports were initially confidential, but the

scheme subsequently became 'open appraisal': employees are asked to endorse the report and, if they dissent from ratings given, are entitled to appeal to a Reviewing Panel. 'Open appraisal' in a small society, and the link between performance appraisal and judgements on promotability are cited as reasons why the system gradually fell into disuse.

The introduction of revised systems for the appraisal of public service employees is now a major objective of the MPO.

Implementing change

Following a period of development by a project group comprising representatives from the Management & Personnel Office, the Staff Development Organisation (SDO) and the Management Systems Unit (MSU), agreement was reached in September 1992 to implement a 'pilot' trial across the public service to test the application of the proposals to 'Category B' staff employed in different working environments.

The 'pilot' ran for a period of six months, from January to June 1993. It involved approximately fifty staff at the level of Scale 10 (Principal Officer) and above, who were located in eleven of the thirteen ministries. Of the staff involved, eleven were co-opted as co-ordinators whose role was to provide support and guidance to participants during the trial, as well as to provide feedback to the project group on the progress and problems of the system. A training workshop on procedures for co-ordinators preceded the 'pilot'; and during the course of the trial, another workshop offered training on individual feedback and review skills.

On completion of the trial, participants and co-ordinators were invited to complete an evaluation of the system and of their own experiences; over 85 per cent responded. The data was analysed and used to support recommendations for the full Performance Management Programme. As a result, procedures and forms were redesigned to simplify the appraisal process, and to provide clearer direction to assist in developing training plans.

A factor making for the success of the 'pilot' trial was the involvement of departmental co-ordinators. The implementation of performance management envisages this continued participation being linked to the establishment of Human Resources Branches in ministries.

One question raised regularly during the 'pilot' was "*What's in it for me?*". There are, currently in operation, many reward practices, such as overseas training, overseas visits and educational sabbaticals, that can be linked to the application of the Programme, and there was agreement to the effect that performance

management should reinforce the merit principle. Where the system is applied, increments will only be awarded to those that merit them, this is, employees whose performance ranks as *"Exceeds job expectations"* or *"Meets job expectations"*. The same criteria would normally be used when considering promotions and study awards.

In the longer term, the Performance Management Programme will be linked to mechanisms for succession planning and career management.

Approximately one year was required to devise and test the programme. This has now been approved in principle, but a decision is required to implement it among the selected group. An implementation plan drawn up for this purpose envisages a time-scale of six months.

No firm timetable has been drawn up either to revise the approved programme for application within excluded staff groups in 'Category B', or to develop a system for application within grades in 'Category C' and 'Category D'.

The implementation of the Performance Management Programme throughout the public service could vary considerably, according to the size and complexity of ministries and departments. It is likely that one set of procedures will not apply across the entire public service, as the focus of appraisal and development will vary in accordance with the level and complexity of an employee's position and relationship with management.

An MPO directive on the programme stipulates mandatory requirements in respect of each scheme that may eventually be employed:

- The performance of employees must be formally planned and reviewed at least once each year.
- Performance expectations will be defined jointly between supervisor and employee.
- Performance expectations will be based on the employee's normal, on-going duties and responsibilities.
- Training and development will be provided to employees where such assistance is required to allow an employee to perform satisfactorily.
- Employees will be provided with a written assessment of their performance which will clearly indicate whether their performance has exceeded, met or not met job requirements.

Besides the officer being reported on, the programme involves:

- supervising officers;
- Human Resources Branches in ministries;
- heads of departments and permanent secretaries;
- the Management and Personnel Office.

The heavy demands made on supervisors' time by the programme, and the corresponding tendency to carry out superficial assessments at the eleventh hour, were among the concerns expressed by participants in the 'pilot' scheme. Care will be taken to obviate these risks at the time of full-scale implementation.

To date, the trade unions have only received informal notification on the project. As implementation draws near, it will be necessary to notify them formally of management's intention to introduce the system. An extensive communication exercise will also be required to explain the working of the programme and the cost/benefits for departmental management and employees respectively.

The public service must be seen to take full responsibility for implementation and maintenance of the Performance Management Programme. This is a joint responsibility to be shared between each ministry and MPO, both of which must allocate resources of the requisite quality and in sufficient quantity to the programme. Because of the numbers involved and the management levels, it may be necessary to adopt a phased approach to implementation in some ministries.

The project group, constituted as at present with representatives from MPO, SDO and MSU, will continue to operate with the following remit:

- to provide help and guidance to both MPO and ministry Human Resources Branch staff in the implementation and running of the programme;
- to review the operation of the appraisal system at the end of the first year and to report on its effectiveness;
- to prepare for eventual extension of the programme to other groups of staff.

1.4 Introducing a performance-related pay scheme

Pay for performance is based on the simple premise that pay should be tied clearly to results. Staff to whom this system applies know exactly what is expected of them, how well they are doing – and are paid accordingly.

The pay for performance scheme approved for the Malta Public Service provides incentives for individual excellence while fostering a more results-oriented style of management. It promises a more challenging work environment, higher departmental productivity and better service to the public.

The scheme applies to officers appointed to "Top Structures, Category A" posts, i.e. all Permanent Secretaries, Directors General and Directors.

The success of this new pay plan depends on the contribution and participation of each officer in Top Structure, Category A. As key members of the government management team, they can help realise the potential of this approach which has as its basis the management of human resources.

The context for change

The objectives of the introduction of performance-related pay are:

- to increase the effectiveness of senior public servants;
- to foster dialogue among senior officers about organisational goals, strategies and personal effectiveness;
- to ensure that government receives consistent value for allocated finance and human resources.

Six fundamental principles underlie the pay for performance programme:

- increasing productivity, i.e. delivery of results and quality service;
- pay based on performance, i.e. rewarding excellence;
- a participative leadership style;
- the linking of individual and organisational objectives;

- a climate of openness and trust;
- fairness and consistency.

It should be stressed that pay for performance is not an end in itself, but a management technique designed to advance the objectives of the Government of Malta as a whole. The scheme has been designed to be simple, easily communicated and readily understood.

Implementing change

The scheme was initiated in July 1992, and was timed to coincide with the rationalisation of top structures in ministerial portfolios. Officers serving in these positions were offered appointment in the grades of Permanent Secretary, Director General and Director, linked to a three-year performance contract. The terms of the contract included payment of a substantive salary (Scales 1 to 4) attached to the post, standard benefits, and a graduated performance-related bonus.

Orientation and training sessions were held to explain the concept and ensure understanding. The scheme operates on a financial year basis (which is a January to December cycle) and therefore ties in with business planning objectives. Reviews are held at mid-term and a formal assessment takes place at the end of the annual assessment period.

Process

The Pay for Performance Scheme includes two crucial processes:

- performance appraisal; and
- individual pay determination.

Performance appraisal

The foundation of the pay for performance programme, and the key to its success, is the performance appraisal process. To be understood and accepted, a performance appraisal process must be carried out in an open and credible manner by people who understand the nature of the task assigned and the results that can be expected.

Every effort was made to alleviate concern about the objectivity of appraisal.

Performance agreement

The Performance Agreement approach has been selected as the appraisal method. This is a participative process in which individual officers, their supervising officers and, where appropriate (as in the case of permanent secretaries), their respective ministers, agree upon job objectives in keeping with approved business plans, and then jointly assess performance against these standards.

The Performance Agreement approach includes four distinct stages:

- negotiation;
- formulating objectives;
- continuing review;
- annual review.

Format of agreement

Each participating officer is responsible for drafting a Performance Agreement in accordance with approved guidelines as to content and form. This document must be reviewed with the appropriate supervising officer (to whom the officer is immediately responsible, or the minister if appropriate), to ensure that departmental as well as government and ministry objectives are addressed.

The content sets out goals and targets which reflect:

- government priorities as stated by the Prime Minister;
- ministry priorities and operational objectives (business plans);
- personal goals for development; and
- key leadership thrusts which are applicable to all participating officers.

Two-level review

The Scheme provides for two levels of review. The first level review occurs between the officer and his supervising officer, with the outcome of this review being monitored by the supervising officer's superior. This is a fundamental policy which assures the person being appraised that a fair and consistent approach is being taken.

Supervising officer functions

Each supervising officer has several key activities which are scheduled in advance for each participating officer throughout the pay for performance cycle. These can be detailed as follows:

- Within first month of cycle negotiate new objectives and standards of performance for the year.
- From beginning of month 1 to the end of the cycle, informal continuing reviews of performance agreement, *plus* formal review at six months.
- Within last month of cycle meet with other supervising officers and other officials, such as the Secretary to Cabinet, the Permanent Secretary for Finance and the Director General MPO, who can provide input to the review of the officer; meet with officer to discuss past performance relative to objectives; obtain concurrence of final supervising authority regarding performance rating; inform officer of performance-related bonus payment when final approval is obtained.

Individual pay determination

The basic principle of the scheme is that it is linked to an individual's achievements. The programme will succeed in motivating officers only if they are fully confident of its effectiveness and fairness; confidence depends on each individual's understanding of, and experience with, the system. All participants are therefore briefed about the principles, policies and procedures which shape their salary adjustment. In particular the allocation of **bonus pay** should be well understood.

The performance rating

The overall contribution and performance of participating officers is recommended by each supervising officer, reviewed at the next level of supervision and the final result co-ordinated and approved by the Permanent Secretary, Office of the Prime Minister.

Performance pay in the scheme is categorised and awarded thus: Commendable performance (five per cent), Superior performance (ten per cent) and Exceptional performance (15 per cent), subject to an approved overall distribution curve which ensures service-wide equity and consistency.

In introducing the concept of performance pay for senior public officers, care was taken to obtain acceptance of the principle and of its mechanics at political and top management levels. The scheme was approved by Cabinet, and designed in close consultation with the Head of the Public Service (the Permanent Secretary, Office of the Prime Minister) as well as senior management and personnel office staff.

There is no intention to implement pay for performance beyond the top structures of the public service. Nevertheless, performance pay schemes can, in addition to the above, be designed to cover group or team-working situations. In organisations which suffer high labour turnover such schemes may be introduced as a further incentive to retain staff: one such scheme has been approved for Correctional Services Officers. Performance pay strategies can give a clear message about behaviour that is consistent with the direction and values of an organisation.

The preparation and acceptance of the Pay for Performance Scheme took over a year. The planning stage:

- examined options and selected the most appropriate programme;
- prepared detailed procedures and supplementary guidelines;
- identified target groups;
- projected cost;
- prepared a communications strategy.

The scheme is designed to operate on an annual review basis. An evaluation of the scheme took place on completion of the first year of operation, as a result of which the scheme now operates as described above.

1.5 Enhancing staff training and development

Training is recognised as a key component of Malta's public service reform. Accordingly, the Staff Development Organisation (SDO) was established in 1990 as the Service's 'home' for training. The SDO's mission statement is:

"to foster and, where appropriate, provide training and development activities and approaches which help the public service to deliver economically, equitably, efficiently and effectively, policies and programmes which meet the requirements of the Government and citizens of Malta."

Training activities currently undertaken by the public service fall into three broad categories: central training, overseas training, and departmental training.

Central Training

The Staff Development Organisation directly undertakes training relating to skills that are applicable service-wide, as well as more specific needs common to a number of departments.

The SDO's current range of training programmes covers a wide variety of fields including:

- leadership and supervision;
- change management;
- personnel and financial management;
- European Union policy and organisation;
- language training;
- use of IT applications;
- induction and refresher courses for administrative and clerical staff.

The number of trainees per year has increased from 2,300 in 1991 – SDO's first full year of operations – to 6,000 in 1994.

Overseas Training

Malta is at a stage of development where its educational and training infrastructure can cater for most training needs up to and including university graduate level, except for highly specialised areas. Accordingly, most public servants sent for training abroad at government expense attend either specialised short courses or postgraduate degree programmes not available locally.

Some 600 officers are sent for training abroad each year. Of those who take postgraduate courses, the majority – sixty-four per cent – are medical or paramedical staff, and another twenty per cent are in education.

Departmental Training

Departments also train their own staff – this in the form of either on-the-job training for new entrants or else formal courses in specific fields. Such courses are often carried out in conjunction with SDO.

No exact figures are available for departmental training. However, the development by a number of departments – including Social Security, Works, Customs, Public Registry, Education and Public Lotto – of their own fully equipped in-house training facilities, is a clear indication of departmental commitment to training.

The context for change

The Public Service Reform Commission identified training as a priority need for renewal of the public service. While the service was no newcomer to training, having a history of activity in this field dating back at least four decades, training had been severely scaled back in the recent past owing to budget constraints.

Broadly speaking, training is considered as having three main roles to play in public service reform:

- Cultural change: that is, to motivate public servants, make them more receptive to reform, and overcome what the Public Service Reform Commission termed "*an organisational culture inimical to change*".
- To impart skills in areas such as management, information technology and other fields where expertise is absent or where the Commission found management competencies to be particularly lacking in the service.

- To ease the introduction of reform initiatives by providing specific information and skills to enable public servants to operate new systems and follow changing requirements.

Implementing change

In any country a decision needs to be taken on whether to assess training needs for the public service as a whole or on a department-by-department basis. For the Malta public service, the SDO attempted to reconcile both perspectives in the first year of its operations, when training needs identified by the Public Service Reform Commission were followed up. A detailed questionnaire addressed to each department in the public service, and lengthy interviews with respondents, served the dual purpose of encouraging departments to identify training needs, while furnishing data for a Service-wide training plan.

Following this exercise, the SDO formulated terms of reference for Departmental Training Officers, and organised a small unit to furnish technical support and advice for departmental training initiatives. Concurrently, the SDO circulated its initial training plan to inform departments of services provided centrally in response to service-wide training needs.

Six priority areas were identified:

- Senior Executive Development. This comprises three strands, namely, role conferences for permanent secretaries and heads of department meeting under the chairmanship of the Head of the Public Service; training for the management of change; and developmental programmes for officers who are about to be promoted to top posts.
- Human Resource Management. This programme is intended to facilitate the introduction of new human resource management policies in the public service, and to support the human resource management organisation provided throughout the public service through ministerial Directorates of Corporate Services.
- Financial Management. This programme focuses on the training needs arising from the introduction of business planning, new format of financial estimates and internal audit.
- Information Technology. Quantitatively, this is the largest programme: its scale matches Government's investment in information technology for the public service. Training is carried out jointly by the SDO and the Information Systems Division of the Management Systems Unit.

- Continuous Development. Large numbers of public employees, particularly those in clerical, junior executive, technical and supervisory grades, had not been exposed to formal training in relevant skills. The Continuous Development Programme therefore offers a range of induction, refresher and remedial training experiences.
- European Union. This programme, which is closely associated with Malta's preparation for membership of the European Union, sponsors language training, supports a network of EU Desk Officers, and offers briefings on EU policy, law and administrative procedure.

The SDO's staff is organised as small teams (two to five members) which carry out needs assessment, provide, sponsor or sub-contract training in respect of each programme.

Closely linked to training needs assessment and the provision of training is the choice of mechanism by which officers are selected for courses; by central nomination, or call for nominations (SDO); or according to departmental or individual initiative, with central training organisations servicing demand on a cost recovery basis.

Which of these mechanisms is chosen depends on each country's circumstances and the stage of its reform programme. As the Maltese public service remains highly centralised, and the terms and pace of reform are set centrally, the SDO has opted to lead departments. However, it may move closer to the cost recovery model once decentralisation of human resource management takes place, and departments take the lead in initiating their own agenda for change.

The provision of public service training on a large scale naturally requires the existence of a well-developed national training infrastructure. A public service may itself develop part of this infrastructure out of its own resources. Shortly after the SDO was established, work began on fitting out a small central training centre, and on establishing a network of Departmental Training Officers who assist the SDO in assessing training needs, and promote training within their departments. In Malta's case the public service could also draw upon three other sources:

- expatriate consulting expertise recruited for reform initiatives through the Management Systems Unit;
- a fast-developing private sector training industry; and
- a relatively well-developed national education system.

If staff development is taken to mean identifying those having potential and ensuring that this potential is developed and used to the full, training is only part of the process. The other part is moving people both laterally and upwards within the public service in order to maximise their contribution. This is invariably a more challenging undertaking than the provision of training.

However, a number of initiatives are under way which should address difficulties in this area:

- introduction of a Public Service Act;
- delegation of appointments and discipline;
- performance management programme;
- business planning.

Training is not a time-bound activity. Changes in policy, procedures and technology present an on-going requirement to update skills and knowledge. However, the Staff Development Organisation has been able to observe and assess the outcome of its training effort over the last four years. Its experience serves to confirm the importance of training to reform, but also cautions against exaggerating the benefits achievable:

- Training is not necessarily an effective means of changing organisational culture. Cultural change through training is a difficult undertaking in which small gain is bought at great effort. Care must be taken to avoid the naive assumption that people with inconvenient ideas can simply be re-educated.
- Training is most effective when it focuses on imparting specific skills that are applicable in the short term, and when trainees have an *incentive* to use their new skills and a *context* in which to apply them. Because these conditions were present – people were given equipment, encouragement, and technical support – information technology training has helped disseminate the use of personal computers throughout Malta's public service.
- It follows that unless training is part of a wider drive for change, its value will be lost. Trainees will simply revert to their old ways the moment they resume work. The idea of training as a catalyst – that if you train enough people, change for the better will follow on its own – is not tenable in reality.

Finally, it should be said that, when change encounters obstacles and hard decisions have to be taken, it may become tempting to fall back on training as a painless route to change. However, reform cannot stay on course unless there is determination to overcome the inevitable resistance to change, and a clear vision to avoid getting side-tracked into futile byways.

SECTION 2: MAKING GOVERNMENT MORE EFFICIENT

- 2.1 Amending the legal framework of administration
- 2.2 Establishing central change agencies
- 2.3 Restructuring the senior levels of ministries
- 2.4 Introducing business planning

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

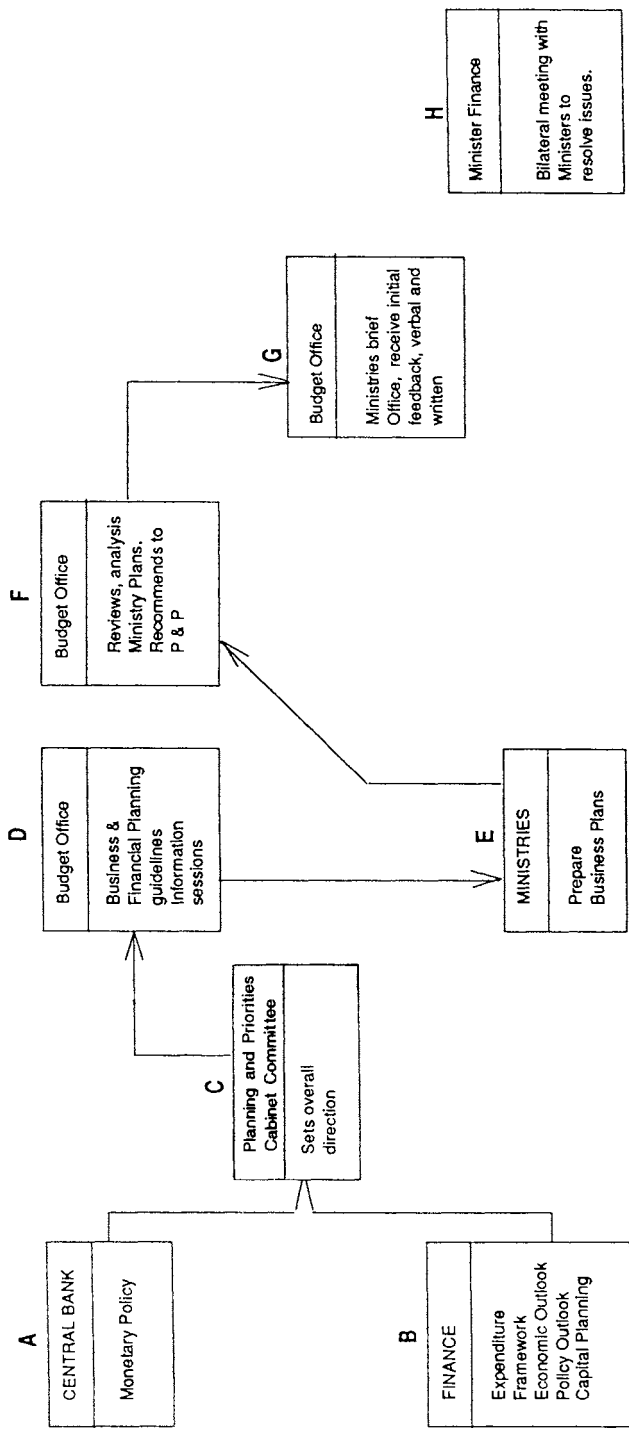
individual is responsible for achieving each goal stated by the organisation. Accountability is secured by placing a high emphasis on business planning in performance agreements and performance review processes.

- *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.

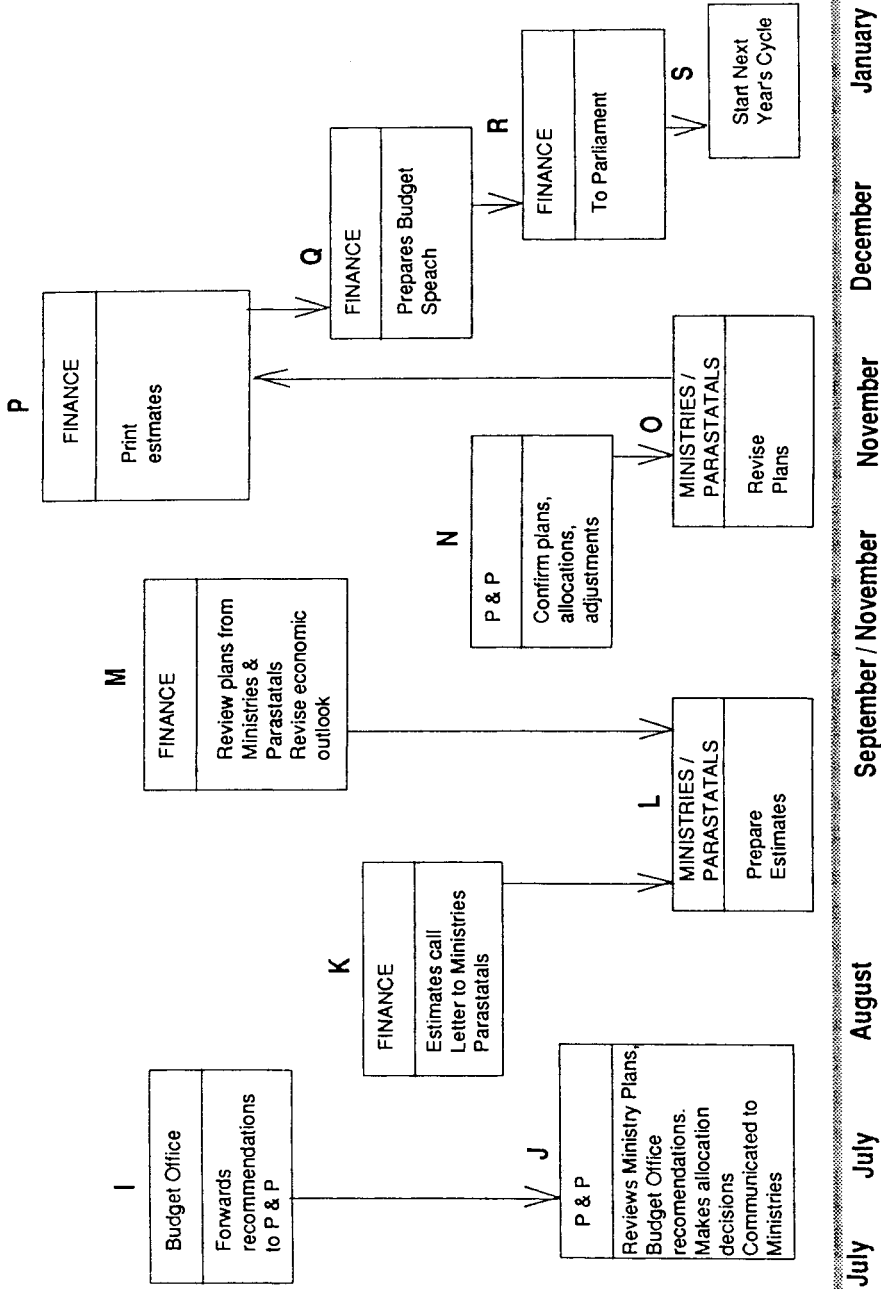
The Estimates Improvements Project involved streamlining the process and establishing top-down allocations. It is crucial that yearly allocations of budgetary resources through parliamentary financial estimates are reasonably aligned to the ministries' objectives stated in their annual business plans.

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.



January February March / May May / June June July

BUSINESS & FINANCIAL PLANNING CYCLE



BUSINESS & FINANCIAL PLANNING CYCLE Continued

SECTION 3: IMPROVING THE QUALITY OF SERVICES

3.1 Developing a communications strategy

3.1 Developing a communications strategy

The Communications Strategy is a varied set of initiatives devised to complement and facilitate the implementation of substantive changes in the public service by:

- promoting a positive image of the public service, particularly of departments or units that provide licensing and similar certification services either to the general public, or to well-defined customer groups, or that provide welfare or municipal services;
- implementing minor but highly visible measures aimed at securing immediate improvements in commonly used services
- promoting understanding of specific initiatives among employees that are affected by them; and
- communicating the plans and progress of public service reforms as they unfold.

The Strategy is directed by a functional Group within the Management Systems Unit, reporting directly to the Chairman.

The Communications Strategy is not a conventional public relations exercise: it does not supplement or replace either the public relations officers employed by ministers, or the official press and public information service, which is handled by the Department of Information. Its task is primarily that of addressing a longstanding legacy of grievance, mistrust or misunderstanding as between citizens and the public authorities that are meant to serve them.

The context for change

Two principal reasons account for the existence of the Communications Strategy.

The first is that public interest in the operation of Malta's governmental services is both keen and highly critical. Both the Public Service Reform Commission and the Operations Review commented on the origins and effects of this scrutiny, identifying widespread popular anger at delayed or poor quality service, and a concomitant feeling of helplessness in regard to the ordinary citizen's dealings with government authorities. They recommended not only ongoing, well-targeted communication of policies and procedures for transacting business with government organisations, but also measures intended to alleviate quickly the most irritating

shortcomings at the interface between selected public authorities and the citizens served by them.

The second reason is that within the public service itself, mechanisms for communicating human resource management policies to members of staff were rudimentary, or relied on the intermediation of trade unions. The leadership of the public service required up-to-date and multiple channels of communication to inform, explain, motivate.

Implementing change

The outlines of a communications strategy were first sketched out by the Operations Review Consultant in 1989. A communications consultant was commissioned the following year to develop the strategy at the time that the three new central change agencies were being established, and *ad hoc* provision was made in the Financial Estimates for that year, independently of the allocations for existing information services. The Communications Strategy Group which came together to implement the early initiatives was then incorporated into the Management Systems Unit.

Two major initiatives launched the Group's activities:

- founding of *Il-Holqa (The Link)*, a monthly newspaper that is circulated to every public officer, and is the principal vehicle for informing government employees of the aims, plans and progress of administrative reforms; the newspaper has tempered its earlier sober tone, by incorporating 'human interest' items, such as profiles of selected employees and interviews with high-ranking civil servants, as well as entertaining items.
- re-organisation and refurbishing of the Parcel Post Office, a leading cause of complaints from both the business community and the general public; the interface between officials and customers was given particular attention, so that improvements were made to procedures for the examination and release of parcels, facilities for release of parcels at district post offices enhanced, and training in customer relations given to staff at the Office.

These two initiatives – one corporate, the other local – are examples of the types of projects undertaken by the Communications Strategy Group, and served as models for subsequent initiatives.

The Communications Strategy is complemented by two closely related types of communication initiative.

First, each project plan dealing with substantive policy, managerial or administrative reform must factor a communications strategy for that particular project: responsibility for communicating the benefits arising from that initiative lies with the MSU project manager, and with the public officers involved in that project.

Secondly, as the 'owner' and principal beneficiary of substantive policy or management innovations within its jurisdiction, each ministry carries ultimate responsibility for communicating change under way within it. In order to help ministries attain this objective, the creation of Ministry Communication Branches reporting to permanent secretaries is under consideration.

The Communications Strategy is not bound by a finite timescale: as change is ongoing, its communication is also, of necessity, ongoing. Certain projects, notably those of a corporate nature such as *Il-Holqa*, are also open-ended. However, other projects, especially those linked with implementation of substantive policy and managerial changes, work to a timeframe determined by that of the substantive project.

The Strategy targets a number of audiences and initiatives vary accordingly:

- The public service is both the major customer for corporate projects, as well as the principal audience. The leading corporate projects include *Il-Holqa* as well as on-going development, production and distribution of theme posters to ministries and departments. Past poster campaigns have dealt with the public service's mission statement, cleanliness in government offices, health and safety, and customer service.
- Numerous briefings, conferences and meetings with constituted bodies or public officers are organised, in conjunction with the Staff Development Organisation, to explain change initiatives under way, and to respond to questions, criticism or suggestions.
- Information leaflets promoting and communicating services offered by ministries and departments have also been designed and circulated. Services targeted for the dissemination of information included social benefits, housing benefits, consumer protection and Customs.
- Projects addressing customers' first impressions have been undertaken at the Parcel Post Office, Police Licensing Office, Passport Office, Public Registry and the Hospital Out-Patients Dispensary. Activities included simplification of procedures to reduce waiting time; refurbishment of offices and waiting rooms; and specifically designed training to improve switchboard and reception skills. Telephone training has been extended to all ministries and departments to ensure better frontline customer services.

- The Information Service System was introduced to provide the public with a twelve-hour telephone service allowing them to obtain information on services provided by government. This has since been complemented by fully-automated booths in towns and villages.
- The community is addressed through projects which focus on service-oriented organisations such as civic centres, social security district offices and police stations. The projects attempt to improve the quality of the working environment and the service provided; pilot studies are frequently undertaken to set standards for larger initiatives. There are also ongoing educational campaigns over the broadcasting media to promote safe driving and environmental awareness. Overhead directional road signage and conventional signage that meets European Union standards is being introduced on highways and main traffic arteries.

While all of these projects are led or serviced by the Communications Strategy Group, each would be directed by a working party that comprises representatives of the client organisation. In the case of *Il-Holqa*, an editorial board, chaired by a public officer approved by the Cabinet Committee for Reform, directs the initiative.

**SECTION 4: IMPROVING PARTNERSHIPS WITH
ORGANISATIONS OUTSIDE
CENTRAL GOVERNMENT**

4.1 Improving parastatal accountability

4.1 Improving parastatal accountability

Government commissioned a study of the accountability of what are loosely termed ‘parastatal organisations’. This category comprises all government-owned or controlled organisations that do not belong either to the public service or to local authorities, but are nonetheless subject to ministerial oversight. In general, these may be classified either as statutory corporations or as trading companies established under the Commercial Partnerships Ordinance.

The study examined existing mechanisms for regulating the policies and activities of parastatals, and addressed the relationships between ministers and parastatals over which they have oversight. Particular attention focused on the role of Chairmen of Boards of Directors.

Proposals emerging from the study address:

- criteria and guidelines for exercising more consistent control over and for achieving greater accountability from parastatals;
- practical working relationships between chairmen of parastatals and responsible ministers; between chairmen and permanent secretaries of the sponsor ministries; and between parastatals and central agencies, notably the Ministry of Finance.

The study’s findings and proposals now constitute an internal discussion paper, awaiting consideration and decision by Cabinet.

The context for change

The sixty-four parastatals play a significant role in Malta’s society generally and in its economy specifically. The largest are monopolies providing essential municipal or economic services such as water, electricity, petrol, telecommunications, air travel. They are also empowered to set and levy charges for such services.

The number of parastatals increased rapidly over the past thirty years and as a result of this time span and of changing philosophies of the governments of the day there are significant inconsistencies among the respective founding statutes. This is further complicated by the fact that some of these parastatals were also given regulatory functions to perform. This dual role may compromise the enterprise’s objectivity in the performance of its regulatory function.

There is some concern about the accountability of these organisations as:

- their actions have a substantial impact on the society of which they form part;
- the electorate views the Government as being ultimately responsible for shortcomings in the delivery of services by parastatals;
- they spend significant amounts of public money each year and they own assets which formerly belonged to Government or were acquired with public funds.

Implementing change

The accountability of parastatals raises delicate political issues. Not only will a firm lead from Cabinet be required as to the principles and mechanisms for securing accountability; but individual ministers, each of whom is responsible for several parastatals, must conform to Cabinet policy in the matter. Before implementing changes to the framework of accountability in their portfolios, ministers will need to ensure the willingness of candidates for directorships to comply with Cabinet policy.

Written directives would need to be complemented by informal understandings, which will only be forged by means of ongoing consultation with the key stakeholders, including the chairmen of the state-owned enterprises, the responsible ministers, their permanent secretaries, the finance ministry and the public auditor.

Parastatal accountability is linked with the Financial Delegation and Accountability initiative and specifically this entry is a companion document to the entry on the financial delegation framework (see entry 5.3). The latter deals with delegation of financial responsibility from the Ministry of Finance to the operating ministries and departments.

Another complementary initiative is the Financial Policy Manual (see entry 6.4) which is a basic support tool for senior administrative and financial officials who are expected to operate in a decentralised environment in which they are required to make consistent decisions with a minimum of external guidance.

The amount of time required to effect the changes recommended in the discussion paper will depend on a number of factors that range from issues such as the political will to achieve greater accountability from state-owned enterprises, to answers to questions such as whether the state-owned enterprises should be

considered as legislative creations or as limited liability companies with government as the principal shareholder.

It may be argued that more time will be required to effect reform of the limited liability companies due to the scant availability of tools for the job. In this context, it is reasonable to anticipate that some of the chairmen of the limited liability companies may choose to resign rather than continue under a system which requires them to be more accountable. Government may therefore require a shortlist of new candidates for positions of chairmen, so as to reduce the time required to fill vacancies which arise in the process of implementing new policies.

The general principles which have emerged from experience in Malta are:

- Where such enterprises were established by ad hoc legislation, a thorough review of each statute is a necessary first step. Particular attention should be paid to sections of the Act which deal with annual funding of the enterprise and the manner and form of reporting to ministers and to parliament. Any sections which impose a regulatory function on the enterprise should be noted for further investigation as to the appropriateness of that function.
- Interviews with senior public servants of both the central agencies and the host ministries and with the chairmen of state-owned enterprises are essential in order to understand their perspectives and problems. These interviews should be focused on the autonomy/accountability issue in order to provide the required information and insights.
- Legislative changes will place additional demands on the parliamentary schedule as well as calling for legal drafting skills of a high order. Public debate on the issues may be expected to focus on political, rather than on technical, issues.
- Once approved, statutory modifications of the management structures of parastatals will set in train internal reviews which may need further assistance from central change industries within government.

Section 5: MAKING MANAGEMENT MORE EFFECTIVE

- 5.1 Strengthening information systems
- 5.2 Delegating authority for appointments and discipline
- 5.3 Delegating financial management responsibilities

5.1 Strengthening information systems

A particular initiative in strengthening information systems: The Information Systems Strategic Plan

A technology plan is a document which charts the course of an organisation from where it is at present to where it would like to go, based on a sound understanding of the business needs that are driving it. Such business needs may have to do with needs of information for critical decision-making, large volume information processing requirements, streamlining operations, or simply providing tools that will better equip people to deliver services more cost effectively. Government is the most complex and largest business enterprise in Malta, and thus technology becomes an even more critical tool to render it more accountable and effective.

The preparation of an Information Systems Strategic Plan (ISSP) brought the Operations Review to a conclusion in July 1990. The Plan identified the information needs of government and the opportunities for application of computer technology, as well as proposing a strategy for addressing these.

The Plan was confined to addressing the information needs and technology application opportunities within ministries and departments of the public service. Thus, application needs of parastatal organisations were not included, though the Plan did point to some information sharing opportunities for future consideration.

Background to the initiative

The business of government comprises policy formulation, executive activities and the management of resources. The lifeblood of these business activities is information, rendered useful and made available through organised systems, i.e. information systems. Information is a vital resource. Like similar corporate resources, such as people and money, it requires careful planning to ensure the resource is best applied to meet business aims and objectives.

The Government of Malta came into computerisation rather late. A Government Computer Centre was established in 1981 to consolidate the limited available computer system expertise. However, economic and technical limitations constrained management in the processing and development methodologies that were adopted. These factors coupled with the absence of a suitable mechanism such as a Strategic Plan or a User Committee to determine priorities among an immense backlog of applications served to exacerbate the strains on the organisation.

In commissioning the Information Systems Strategic Plan, the Government of Malta recognised the relevance of information technology in today's complex public administration. The strategy itself addressed a wide range of technology and information management issues, among them sound analysis of business needs; the locus of responsibility for technology plans; standards for hardware, software, LAN, telecommunications and methodologies for development of information systems; feasibility studies; data ownership and protection; the role of users in development of computer systems; and the role and status of advisory and executive IT committees.

Preparing the plan

Preparation of the ISSP began with a structured needs survey through which ministries were surveyed to:

- obtain a function-by-function identification of information needs;
- define and quantify these requirements;
- assess the frequency and type of reference to such information;
- define functional activities suitable for computerisation, including the inputs and outputs of these;
- establish the amount of resources presently dedicated to these;
- assess the benefits that could be derived from computerisation;
- assess the amount and type of technology needed to support the various application areas; and
- assess the cost of meeting an identified need.

Following the needs survey, the Plan itself was drafted. The contents of the document comprise:

- a review of issues that the ISSP needs to address;
- a review of the various application areas;
- an examination of the options for application of computer technology, the cost/benefits of several approaches and the implications of these, organisational and otherwise;

- strategies for implementation – technical, organisational, training, management or contingency;
- an attempt at computing the costs of implementation and proposing a strategy for meeting these;
- a description of the organisation that needs to be in place to realise successful implementation;
- an implementation plan.

Training

The key to successful implementation of the ISSP is education and training at all levels. In the first place ministers and senior civil servants needed to understand and accept its broad concepts, its contents and the benefits to their respective organisations of subscribing to it. Secondly, in today's milieu it is virtually impossible for any manager to function without some information technology literacy, to include its capabilities and limitations. From time to time, therefore, beginning in April 1990, i.e. several months before the Plan was finalised, IT awareness sessions have been organised for top government officials, ranging from Cabinet ministers to heads of departments.

After the Information Systems Division was established within the Management Systems Unit, IT awareness sessions were complemented by an ambitious training programme, the nature and scope of which is described earlier in entry 1.5.

Timescale

The needs survey was carried out and the Plan drafted in approximately one year ending in July 1990. Immediately after, work began to select a core group of IT experts to establish the Information Systems Division within the MSU, which was itself coming into being at the time. The Division arrived at its full complement during 1993. A significant proportion of this expertise is expatriate, and engaged on short- or medium-term contracts: it tides over what is hoped to be a temporary national shortage of IT expertise that the training and development effort is intended to address.

The Plan envisaged a total capital disbursement of approximately Lm25m over the five-year period 1991-1995. The plan, however, is perceived as a rolling plan and it is updated every year to account for changing needs and technology demands. Furthermore, a new five-year plan is under way for the period 1996- 2001. Annual

capital budget allocations for this purpose have been consistent with the planned projections.

An implementation strategy

Through the ISSP, Government now has a good picture of its range of informational needs. The picture may be daunting in some respects, but with one major redeeming feature: this overview enables Government to come to grips with the need for a fresh start on all application fronts. This is a marvellous opportunity for a small country to execute implementation in a cohesive, comprehensive and integrated fashion, one that should realise a good return on what is a significant investment.

The Plan was the last component of the Operations Review to be completed, because it was hoped that the necessary re-structuring of ministries and departments would have taken place by the time it was drafted. While information needs may not change materially as a result of re-organisation, information flow can be greatly affected. To reap the benefits of new technology, new organisations, doing new things in new ways, must be created. That means questioning the traditions of decades of doing business. More daunting than the technical obstacles to successful automation, therefore, are the organisational ones.

With this in mind the strategy proposed that a central information systems (services) group should lay down a corporate 'architecture' to ensure that, where viable, each ministry's new information system will work in complementary fashion with systems of the same or other ministries. Furthermore, skilled manpower shortages dictate that development should be centrally co-ordinated. As against this, it is anticipated that 75 per cent of the systems needs identified in the ISSP could be met by desk-top, stand-alone personal computers or linked through Local Area Networks.

The ISSP is underpinned by a strategic approach to *information resource management* and by the development of an *integrated communications network*. Both initiatives are described below.

The Plan identified over two hundred applications across government that need to be introduced. These are grouped into several categories.

"National applications" are directly related to a key government programme having national importance. This is considered as a number one development priority. The *Geographic Information System* described below is an example of one national application that is under incremental development in Malta. An important national application currently under development is the *Social Security Computerisation*

Project (see below) for managing the collection of NI contributions and the delivery of benefits.

"Corporate applications" systems are required for effective administration of corporate financial and human resources. *E-mail Services for Government* and *Payroll/Personnel Management System* are two such corporate applications also reviewed below.

"Major application systems" support one key programme. A lower developmental priority is presently attached to these systems. The ISSP envisages, *inter alia*, a *Court System* for scheduling court sittings and managing judicial case loads, and a *Students' Administration System* for developing student records, report generation, class schedules and teacher schedules.

"Standard local systems" have utility in several places and share a standard functionality. It is much more cost effective to develop these as common systems than as custom applications for each user group. Examples include local inventory management, scheduling systems and local computerised files/databases.

"Specialised systems" partially automate one or more functions as against managing a programme. A completed system – *Government Information Service* – is explained below.

A particular initiative in strengthening information systems: information resource management

The information resource management (IRM) approach is based on recognising information as a valuable corporate resource, and focuses on maximising the value of information. In practical terms it leads to:

- data driven design where application systems designs are based on inherent information needs rather than processing procedures – systems designs based on data relationships tend to be more stable and adaptable than those based on processing procedures;
- shareable databases where only one set of data is shared among all users - this leads to improved data quality and integrity;
- top-down planning where system designs on long-term information needs are built in stages – this ensures that systems that are developed meet business needs.

A corollary to IRM is the principle of a corporate data architecture that is based on the concept of shareable databases where only one set of data is to be shared among all its users. This ensures currency, consistency and integrity of data with due regard to maintaining confidentiality where necessary.

Sharing data

To understand the desirability of sharing data there is no better example than an individual's basic 'tombstone' data: name, surname, address, identification number, date of birth. This data is required by almost every ministry or department: for pensions, children's allowances, income tax assessments, registering patients, for the issue of birth or death certificates. The list indicates the extent to which data may be shared. By making this relatively small set of data widely available across the public service, and by implementing systems which utilise the shared data, IRM can offer real benefits to citizens.

There are direct savings to be achieved since today each department typically keeps its own name and address file. This information rapidly becomes inconsistent and makes life difficult and expensive for all concerned: citizens seeking a government service as well as public officers seeking to provide the service. The re-engineering of government procedures can offer greater benefits by building new applications on the shared data facility.

Introducing information resource management

The first objective is the design of an overall data architecture, usually expressed as a high level data and process model. This provides an initial scoping model for each application that ensures clear definition of project boundaries and thus clearly defines interfaces between systems. Consistent data definition is the next objective typically through a process of co-ordination of the various developments to:

- extend and refine the canonical model whilst ensuring that the required views of data are obtainable to meet project information needs; and
- build an overall data dictionary defining all of the data elements needed by the information systems.

In the case of packaged applications whilst integration is frequently represented by the definition of interfaces at the physical level, an understanding of the data model used helps to avoid implementation problems.

Linkages

Information resource management is closely linked with other aspects of information systems development.

First, three main stakeholder groups have an interest in the management of information resources:

- the user community;
- systems development projects;
- the IRM team.

The user community are stewards of Government's information; systems development projects successively refine the meaning of the information and extend its scope; whereas the IRM team provides standards, technical services and infrastructure required to make the information available to the user community and to systems development projects.

The IRM team undertakes data analysis, design and construction tasks to obtain the desired performance criteria by translation of the definitions provided by systems development project teams into suitable physical database definitions. The definition of such steps is necessary in order to ensure the required availability of systems and data, and to exercise appropriate recovery procedures as required.

Second, security measures are implemented within an overall security plan, which includes assessments of the impact of loss of use of a system, loss of data, corruption of data, sensitive aspects of system or data, and high security requirements. Implementation is followed by continuous monitoring of the performance of database systems and by the design and introduction of database structures and procedures to enhance system performance as necessary. Data protection legislation is currently being drafted.

Third, the shared data approach identifies responsibilities for all members of the user community and for the information systems support services. It is important that all parties are involved in defining the way that new procedures will operate in regard to data and data access.

Finally, the policy definitions which direct the implementation of information resource management are set by an IRM Policy Committee chaired by the Permanent Secretary, Office of the Prime Minister. An important policy issue concerns the use of unique ID numbers for citizen identification. For this purpose a National Identification Number is used as the personal identifier and the Department of Civil Registration is identified as the corporate database owner.

Timescale

IRM is a long-term activity. In the short-term, benefits have been achieved and progress demonstrated. The IRM team which consists of four persons produced an overall architectural model in a relatively short period. Methods and tools in support of the IRM activities are available and provide considerable personal productivity gains to the IRM group. At the development co-ordination activity adequate resources are deployed to ensure that data analysis problems are dealt with at an early stage and that the results of analysis work immediately contribute to the construction of the data dictionary. Technical specialists are at hand to provide support in the detailed construction and maintenance of databases.

The scope of Information Resource Management

The policy definitions under development, or established by the IRM Policy Committee, address:

- data stewardship role definition;
- data management;
- data security, retention and archiving;

- access controls.

Mechanisms for co-ordinating systems development projects with regard to their information needs have been established with responsibilities for:

- developing data models at corporate and project level;
- developing physical database definitions and ensuring their establishment in the technical environment;
- monitoring of the performance of the database system;
- designing database structures and procedures to enhance system performance.

Procedures to ensure the security of client systems and data are under design and will be implemented:

- designing authorisation and denial of access rights to data;
- ensuring that the ability to recover data is tested at regular intervals;
- ensuring that only production databases contain secret, confidential, or personal data;
- maintaining a register of information system assets.

The mechanisms used to control access to government systems and data are being established and include:

- defining user ID name standards and allocation procedures;
- maintaining a log of all system accesses;
- enforcing time out of inactive users;
- enforcing terminal/line disablement after nominated number of unsuccessful attempts to log in;
- implementing access controls;
- introducing document security policies at departmental level;
- ensuring compliance with security policies;

- promoting awareness of security policies;
- monitoring transfers of data;
- erasing procedures for files held on magnetic media.

A particular initiative in strengthening information systems: an integrated communications network

The implementation of on-line applications systems will necessitate inter-connections between computer systems and work stations served by them. The development of this communications network is based on the following strategy:

- a single network to support all applications as against one network per application – this will improve cost effectiveness by eliminating multiplicity of data links, modems and controllers;
- the ability to inter-connect both mini- and micro-computers as well as terminals;
- allowing any terminals to access any application – this means that a person will need only one terminal to access any number of applications;
- providing support for all potential users;
- support for international standards wherever feasible.

In order to achieve this, a three-tier infrastructure architecture is being put into place:

- at the corporate or national level, the architecture provides for a repository for corporate-wide applications and databases which are shared amongst all ministries and departments – the central point of systems and network management;
- at ministry levels, the architecture provides for a repository for ministry-wide applications and databases which are shared amongst all departments within the ministry;
- at departmental levels, the architecture recognises the need for departmental applications and databases residing on local area networks.

The three tiers allow a physical separation between computer systems for purposes of implementation, management and administration. Logically, however, all systems are inter-connected via a wide area network thus allowing a seamless and transparent view for users.

To provide the network capacity necessary to meet current and future requirements of government, a fibre optic network is planned for implementation. This high

speed network will inter-connect all offices which are geographically highly concentrated in the country's capital and will allow imaging and other leading edge technology.

As part of the Government's goal to join the European Union, plans for extensive international data communications are in the course of implementation. The long-term objective is to allow any user on the government network with the appropriate privileges to exchange electronic mail elsewhere outside the shores of Malta. Early investigations point to extensive traffic between Malta and its foreign embassies, the European Union, off-shore vendors, foreign consultancy bodies, and electronic data banks.

A defined architecture serves as the framework for the planning of all systems and networks. Standards supply the guidelines which aid in mapping out plans. Ultimately, the infrastructure provides the tools and building blocks for implementation of computer systems.

The need for integration

The infrastructure under construction is the basis for inter-connection and communications between information systems. This allows government to maximise the value of information. Without the underlying infrastructure, isolated information systems would become islands of information providing no real value.

By defining and promoting the systems and network architecture, the integration of all systems and networks within the whole is achieved. A major part of this process results from the use of standards. The architecture which is currently being introduced is, primarily, built upon European and international standards. This minimises changes that may result from Malta's prospective inclusion in the European Union.

Technical and human resources

From a technical infrastructure point of view, the preconditions for success are a strong, reliable communications backbone as well as a highly skilled workforce.

The planned fibre optic network provides a high performance network. On-going research and investment will ensure the availability of enhanced and expanded services.

Although the workforce is highly educated, the experience necessary to implement some of the larger projects dictates the need for foreign expertise. Expatriate

consultants are contracted to aid in implementation as well as to provide skills transfer to local personnel.

The future

Malta is being transformed into a hub that provides financial, maritime, telecommunications and other services to countries on the Mediterranean rim and beyond. Within the context of this goal, the Management Systems Unit is working closely with the country's telecommunications provider, Telemalta Corporation, to ensure that the Government's Information Technology initiatives integrate and strengthen that vision.

Considerable progress is being made at departmental level with the installation of local area networks linking dozens of users. As the needs of departments are gathered, specialised systems are installed along with general applications such as word processing, spreadsheets, planning tools and electronic mail.

The installation of the wide area network is also progressing at a steady rate as new ministries and departments are brought on-line. The network rate of growth is correlated to the rate by which individual ministries and departments are computerised and linked into it.

The fibre optic network is planned for completion in 1996, while international connectivity is envisioned by 1995.

A particular initiative in strengthening information systems: a Geographical Information System

Geographical Information System (GIS) is a corporate or national IT application and is included in government's corporate information technology strategy to:

- provide a common medium through which various government ministries and departments will access, share and distribute geographical related data;
- add another functional dimension to government's corporate information technology strategy by incorporating spatial query and analysis capabilities;
- implement a complete geo-coding functionality at a corporate level, based on the street network of the country, which will allow the translation of a textual address to a geographic location and vice versa. Apart from creating an address database that can be used by all government departments, this functionality will also allow data sets to be merged geographically for statistical and demographic analysis.

The benefits

One of the benefits offered by GIS is the graphical front end through which data sets and analyses results are displayed pictorially. GIS offers a simple and effective way of combining data from various sources and displaying such data in a variety of easily understood graphical formats such as layered thematic maps or pin maps.

GIS also gives the ability to relate seemingly unconnected data sets through attributes of geographical position. Given that around 90 per cent of all Government data may be geographically referenced, GIS will help to establish the necessary links between various departmental data sets.

In this context, the benefits offered by GIS through improved data presentation and improved communication between departments are considered as critical. The widespread use of query-only low-end GIS packages is envisaged at a corporate-wide level, once certain headway is made in implementation.

Digital maps

The digital base maps which serve as the common ground on which the GIS data sets are built are already available. In a national context, digital maps may be required at a scale of 1/2500 for a national level, while more detailed maps at a

scale of 1/1000 may be more suited for some of the urban areas.

Linkages

GIS is closely linked with other aspects of information systems development. In essence, GIS will share and make use of data kept at various levels within the corporate data model.

Distributed GIS applications will place heavier demands on the communication network in terms of network traffic volumes as vaster amounts of graphic data would need to be exchanged. The physical communication network will thus dictate how GIS is implemented and adopted across government.

Timescale

GIS is a long-term activity. In the short-term, however, benefits have been achieved and progress demonstrated by the implementation of individual projects which readily lend themselves to GIS concepts and technology. Such projects include a land registration system using a GIS core to relate property and ownership details to parcel boundaries drawn over digital base maps, scenario configurations for the development of local councils, new postal beats, and new school transport routes.

GIS may also create spin-offs from such short-term projects. The land registration project, for example, apart from demonstrating GIS functional capabilities has helped to set up the mechanisms for creating and maintaining land assets registers.

Preconditions

In order to draw up an effective GIS implementation plan, the policy definitions which direct the way in which GIS is phased in have to be established. In particular, it is necessary to identify the data sets for whose capture and updating government organisations should be responsible, and subsequently to integrate such data into the corporate data model.

Policies on data management also need to be specified and implemented. Such policies should handle issues arising from data access and security, infringements of citizens' rights and of intellectual and other property rights.

A particular initiative in strengthening information systems: the social security computerisation project

The Department of Social Security embarked on this national level computerisation project in order to business re-engineer its information and administrative systems. The new system is constructed around the personal 'tombstone' data lodged at the Department of Civil Registration. It provides comprehensive social security benefit claim and payment facilities as well as integrating the collection of national insurance contributions.

The development of the system conforms to traditional development and implementation procedures. The strategy primarily focuses on incremental delivery by means of module development. The priority is that of establishing a solid base of data upon which future functionalities can be built.

The computerisation project is directly linked with an organisational operations review.

The potential gains

Information relating to social security collections and benefits is cumbersome to collate and, invariably, unreliable. The volume of payments – over one million cheques are generated annually – provides ample opportunities for direct benefits to derive from this project. These include:

- improved customer service as all social security administration information will be available on-line in District/Area Offices for enquiry purposes – this will eliminate the need for citizens living at the other end of Malta to call at the Department of Social Security (which is sited in the capital city, Valletta) for information;
- faster turnaround of benefit claims and anticipation of public requirements/entitlements;
- ability to enforce national insurance payments and therefore collect outstanding revenue faster;
- exchange of information with other government organisations, in particular the Inland Revenue Division;
- improved and accurate information on financial status and trends, thereby allowing for better formulation of policy.

The first phase

The first phase of the computerisation project concentrated on integrating all benefits and contributions information into one system. Once this conversion work is completed (the data is currently manually processed) the data will then be manipulated, consolidated and rationalised.

The most visible aspect of the project rests on the turnaround time for social security claims as well as the accuracy and timeliness of payments. The strategy focuses on the payments side of the project in order to demonstrate to the public an improved service level. An example is that of consolidating all social security payments to an individual within one cheque with an accompanying statement showing the relevant breakdown. This will not only save money by cutting down mailing and processing costs but will also achieve the by-product benefit of encouraging direct credits to bank accounts.

Concurrent with this part of the project is work directed towards aligning personal 'tombstone' data with that of the Department of Civil Registration. The objective is to minimise the public's interaction with government departments by allowing for sharing of data. One spin-off resulting from this is that it provides more accurate information to the Inland Revenue Division and thereby minimises fraud.

High profile

The Department of Social Security has the unique traits of being both a revenue collector and a distributor with a social conscience and therefore attracts public attention. This has given the social security project a priority ranking.

Timescale

The first payments of social security benefits by the new system were to be made at the end of 1994. 1995 will see conversion of other benefits with work being directed towards improving the revenue part of the business process as well as establishing links with other ministries. Implementation progress is ultimately determined by how long it takes to capture and validate existing data.

A particular initiative in strengthening information systems: the introduction of electronic mail services

One of the major objectives of the Information Systems Strategic Plan is to assist the public service to improve its communications and sharing of information. Concurrently, office systems are being implemented across government in order to ensure the shifting of office papers (correspondence, reports, documents, other) onto electronic media. The electronic mail service for government, a corporate IT application, will allow for effective sharing of those documents as well as providing an interface with other business applications which should enhance day-to-day communications.

Objectives

The main objectives for introducing electronic mail service within government include:

- encouraging communications at a more informal level and thus helping to break down some of the barriers of rank;
- broadening communications horizons amongst ministries, departments and generally across government;
- saving time and avoiding duplication by sharing information developed at the office level – such as regular procedures or guidelines;
- enhancing document/report production by sharing knowledge, input, editing;
- providing mechanisms to allow for more information on a more timely basis to support managers in making more informed decisions quicker;
- encouraging the seeking of information from other sources available in electronic media, even those external to government;
- providing a link to distributed business applications.

The electronic mail service is the first step towards introducing new practices with regard to communications and information-sharing within the public service. The ability to assimilate information quickly, deal with it, move on to the next piece of information, is becoming increasingly critical for the public service to maintain its

effectiveness and to sustain large volumes of day-to-day activities.

Other technology such as Executive Information Systems (EIS), electronic data interchange, work flow management, and work group computing is under consideration and will soon become the standard tool set for public officers. Electronic mail is easy to use and is a rather subtle way to introduce better communication practices.

Pilot testing

The necessary communication infrastructure and hardware must be in place. Concurrent with the introduction of the necessary architecture and infrastructure, an electronic mail package has to be identified. The implementation strategy consists of the selection of a package and testing it within a pilot area. The pilot phase of the strategy is under way.

Timescale

It is expected that completion of the project – from initiation of preparatory work, to introduction of electronic mail across government and user training – will take approximately four years. The introduction of electronic mail will be phased, with initial introduction taking place in the more strategically oriented ministries. In ministries where electronic mail is introduced, the impact on the speed and efficiency of communication will be immediate.

An integrated approach

The implementation of new technology is universally considered as a progressive approach to a more efficient operation. Whilst the success of electronic mail technology speaks for itself, the full investment can only be realised and benefits maximised if the introduction of procedures and practices is an integral component of the implementation strategy. The following critical objectives have to be achieved:

- understanding the communications and information sharing requirements of government today;
- examining other potential communication and information sharing opportunities;
- examining the hierarchical boundaries and determining communications/

information-sharing barriers;

- procuring the best-fitting electronic mail product for both today and tomorrow's requirements.

Good practices

It is important to prepare the organisation for new technology. The dissemination of good practices will prepare the ground for successful implementation.

The following are examples of initiatives required to ensure good practice:

- educating the user – the user must understand the benefits in order to be able to exploit the technology to advantage;
- extensive training is critical – new skills to maximise the benefits of the technology are necessary;
- encouraging the user to recognise and champion changes that bring about a better and more effective business environment;
- ensuring that the user assumes ownership and assumes pride in its success.

Once the user is prepared, the specific protocols and practices of an electronic mail environment will evolve naturally. However, a foundation of good practices must be introduced within an electronic mail environment. In particular:

- an electronic mail account management system must be introduced as users should understand clearly what entitles them to an electronic mail account and the responsibility attached to it;
- since an electronic mail environment allows for the sharing of all kinds of information, the discipline of good discretion and judgement has to be inculcated in order to ensure that the tool is not abused and that other users are not inundated with 'useless' or 'junk' mail;
- general information which is of interest to some but not others should be communicated through bulletin board technology as opposed to specific individual mail boxes;
- requests for a receipt should be used only in instances where it is critical that the sender should be assured that the reader has seen the information in the message in a specific time period;

- the benefits of communication and the breaking down of hierarchical barriers should be promoted whilst maintaining appropriate protocols;
- good practices regarding privacy and censorship should be introduced.

A particular initiative in strengthening information systems: the pay-roll/personnel management system

This corporate application is an integrated pay-roll/personnel system that will provide for effective and improved financial and human resource management within the public service. The pay-roll/personnel system will integrate with other information systems to reduce maintenance overheads and eliminate redundancy of information.

The steps to be followed involve traditional development and simple implementation strategies. The strategy, primarily, focuses on incremental delivery by means of module development. The priority is that of establishing a solid base upon which future functionalities can be built.

The background

Information relating to employee skills as well as the skills required to efficiently staff work positions is currently not available. Promotion has, traditionally, been based on seniority. Consequently skills are not matched to jobs, and younger, more able employees are held back from achieving potential. The introduction of a computerised pay-roll/personnel system will enable skills to be recorded for employees and positions, and allow these to be optimally matched. The system will support succession planning by enabling the identification of training required in order to achieve the necessary skill set for positions within the service.

Information relating to employees is, primarily, paper-based. Inevitably, this engenders duplication of information which results in unnecessary work and increases opportunities for error. The pay-roll/personnel system will maintain a single information set to be accessible to authorised employees.

The costs of paying and administering employees are currently high as the process is extensively manual, with an enormous duplication of effort and information throughout the system. A fully functioning pay-roll/personnel system will eliminate repetitive clerical tasks, increase work productivity and allow for critical human resources to be deployed in other areas of activity.

Preconditions and benefits

The introduction of the pay-roll/personnel system is not an end in itself but rather a support to the changes currently under way in the financial and human

management spheres respectively.

The essential precondition for attaining change is to modify the attitudes and behaviour of the public service workforce which has been exposed only to a centralised mode of operations. As mentioned earlier in this profile, it is only now that modern concepts of financial management and human resource management are being introduced.

The primary objective of the pay-roll component of the system is that of ensuring that public officers are accurately paid what they are due on time. This, however, offers an opportunity to accurately capture employee information, current as well as historical, thereby increasing potential benefits.

In order for the system to support the early stages of change it must be designed in a fashion that enables utmost flexibility. This requirement is critical because the system must allow for the dissemination of control from centre to line departments, and to encompass employees' increasing awareness of the possibilities of work rationalisation. This flexibility increases the cost of systems development by a factor of up to twenty per cent.

The matching of employees' skills with available jobs to provide efficient service, and rewarding employees for ability, is the most potentially beneficial result of the personnel component of the system. Other financial management measures (i.e. more accurate employee pay due to later cut-off times) are less important in the long-term, but will quickly reduce clerical effort in correcting errors.

Timescale

It is anticipated that the system will take five years to develop and implement. Development and implementation is two pronged: the development and introduction of a short-term system to address immediate needs, and concurrent development of the full system.

The short-term system has been designed and is currently implemented in a number of pilot areas.

A particular initiative in strengthening information systems: the Government Information Service

The Government Information Service is a computerised telephone enquiry service which processes any queries from the general public related to government and the public service. The primary objective of this project is to provide a quality customer service by:

- creating an efficient point of reference that effects an immediate response to any possible query from the public;
- assisting citizens to avoid bureaucratic difficulties in dealing with government.

It is anticipated that this system will help to improve the public's perception of the service.

The need for change

It was felt that the service must become more client-conscious and therefore more accessible to the user. A 'We Care' culture has to be inculcated. In this context, a situation analysis, carried out as an initial phase of the project, revealed major deficiencies in the methods by which information was conveyed to users of public services.

The Department of Information's role in dealing with queries was solely that of directing enquirer to the relevant government departments. This could become a time-consuming affair where the client ended up embroiled in lengthy correspondence with and possible non-co-operation from the department concerned.

First steps

The first major requirement was a commitment from senior public officers to the introduction of the service. Constant and direct liaison with all staff directly or indirectly involved with the project was considered as a priority and communication sessions were held at every stage of development.

Co-ordination with other departments was continuously maintained in order to acquire the necessary information and ensure that the database once in place is regularly updated. Costs included:

- site development;
- software design;
- hardware selection and acquisition;
- training of staff.

The following were the main stages in the project's cycle:

- obtaining the commitment of the Department of Information;
- carrying out a situation analysis to identify the objectives and the project plan;
- carrying out an information technology assessment to analyse the system required and identify hardware, followed by commissioning of development of the system;
- carrying out of fieldwork which included a public survey to identify key data that had to be included in the database;
- selecting and training staff to run the system;
- collating, inputting and validating data;
- communicating and launching of the service (including publicity).

Future developments

It is intended to expand this service into a complaints service, based on the same computerised system in which all complaints would be addressed to a central point.

The introduction of a computerised information data bank to be located within each of the 67 Local Councils has been pioneered as an extension of the system.

The campaign to create a more customer-focused public service is supplemented by other initiatives such as the publication of information leaflets relating to various government bodies and procedures; TV campaigns ranging from selected advertisement campaigns to programmes on government services.

Timescale

The project spanned two years from design to implementation. Upon completion the impact was immediate and pervasive:

- this centralised service greatly reduced the time and effort previously spent by public officers in various departments processing enquiries from the public.
- the service was widely accepted and used by the public.

5.2 Delegating authority for appointments and discipline

The Constitution of Malta vests the appointment (including promotion) and disciplining of public officers in the Prime Minister, acting on the advice of the Public Service Commission (PSC) – subject to certain exceptions.

The Constitution permits the Prime Minister, acting on the recommendation of the PSC, to delegate such of these powers as he chooses, and under such conditions as may be specified. These powers of delegation, however, have rarely been used. This has inevitably, resulted in a highly centralised system of appointments and of discipline.

In order to decentralise, a study undertaken by the Management Systems Unit proposed that the PSC should move from controlling the detail of each case to monitoring principles and procedures. The study recommends that the PSC advises the Prime Minister to delegate this power of appointment and discipline in the public service. The basis of delegation proposed that:

- the power of appointment be entrusted to the Permanent Secretary of each ministry, with further delegation as may be necessary to the Director-General or Director responsible for each division or department (or to the Director of Corporate Services or a similar officer acting on behalf of the Permanent Secretary, Director-General or Director);
- improvements in disciplinary procedures be introduced together with further delegation of disciplinary authority to lower levels of management.

The limits of delegated authority have not been defined, but the proposals envisage that:

- for appointments:
 - clear procedural requirements would be laid down;
 - the appointing authority would have full discretion as to the choice of person, provided that the prescribed procedures had been followed;
 - appeal would be allowed only where it could be shown that there had been a clear breach of prescribed procedures;

- for discipline:
 - every disciplinary authority would have access to a wide range of penalties;
 - only the Permanent Secretary would have the power of dismissal;
 - there would be an appeal procedure under the supervision of the Public Service Commission.

The recommendations propose that the Permanent Secretary of the Office of the Prime Minister arranges for the Management and Personnel Office to:

- issue directives on appointments and discipline;
- publish a recommended scale of penalties for the guidance of disciplinary authorities;
- provide advice and support to permanent secretaries and other officers exercising delegated powers;
- monitor their activities and report periodically to the PSC about the exercise of those powers.

The role of the Public Service Commission would be:

- to satisfy itself on an on-going basis, that procedures in use where delegation of appointments and discipline existed were based on sound principles and would result in freedom from improper bias;
- to satisfy itself on an on-going basis, by post hoc audit, that approved procedures were being properly implemented in all areas where delegation existed, and to recommend withdrawal of delegation if necessary;
- to supervise a system of appeals against appointments and discipline;
- to issue an annual report on the exercise of delegated powers.

The context for change

The study identifies three main issues:

- The systems of appointments and of discipline are highly centralised and

make excessive demands on the time of senior people; these result in delay, inefficiency and abdication of responsibilities.

- The current systems do not achieve the results intended; appointments are not free from bias and improper interference, and unnecessary posts are created to accommodate favoured candidates; complaints about lack of discipline in the Service are frequent, and it is rare to find a first-line supervisor or a more senior manager being disciplined for tolerating poor standards.
- The extent to which permanent secretaries, heads of departments and their subordinates are held accountable for results in the areas of their responsibilities is limited by the fact that they have limited control over human resources.

Implementing change

The first requirement is a decision in principle by the PSC to change its approach from controlling the detail of each case to monitoring principles and procedures, implementing this decision in stages as appropriate changes can be made in the public service to make it.

If the PSC accepts this basic premise, the way ahead would be for it to seek the approval of the Prime Minister and the Cabinet Committee on Reform. The PSC would advise the Prime Minister to make one or more instruments of delegation regarding powers of appointment and discipline in the public service under the terms of Section 110 of the Constitution, with:

- the phased introduction of a system of delegation of appointment based on:
 - delegation to the permanent secretary of each ministry, with a further delegation from the permanent secretary to heads of department;
- the phased introduction of a system of delegation of discipline based on:
 - improvements in procedures, further delegation to lower levels of management and an educational campaign to explain that higher standards are to be demanded;
- a requirement that persons exercising delegated powers comply with regulations to be made by the PSC with the consent of the Prime Minister;

- a requirement that delegated powers be introduced in ministries or parts thereof only when the MPO has confirmed to the PSC that the work can be performed to standards set up by the PSC;
- a requirement that the exercise of delegated powers be monitored by the MPO on behalf of the PSC, under arrangements approved by the PSC;
- a requirement that the MPO report to the PSC on the manner in which delegated powers are being exercised and on the monitoring thereof, as and when requested;
- a provision that delegated powers may at any time be withdrawn by the PSC from an individual or a group of officers or in a specified part of the service.

The PSC would also seek the approval of the Prime Minister for changes in the *Public Service Commission Regulations 1960* and the *Public Service Commission (Disciplinary Procedure) Regulations 1977* which would bring these provisions into effect.

Subsequent steps would be:

- the PSC and the MPO would issue more detailed information within the public service setting out the changes in regard to appointments and discipline in the wider context of increased managerial accountability and emphasis on the merit principle;
- the MPO would give the unions advance warning of the above steps and consult with them about the proposed changes;
- the MPO would make appropriate changes to its training programmes and the educational material to be used in ministries publicising the changes of discipline;
- the instrument of delegation would be signed and *Regulations* amended;
- the necessary organisational changes would be made:
 - the MPO would bring together a small group of staff who would work under the supervision of the PSC to develop the procedures required for the new approach to appointments;
 - that group would carry out a phased programme of work with the MPO and the MSU to prepare selected ministries or parts thereof to exercise delegated powers of appointment, to standards set by

the PSC;

- the group would gradually take on the new duties assigned to the MPO under the new system of appointments;
- the phased programme of preparing parts of the Service to exercise delegated powers of appointment would continue, under the supervision of the PSC, until the process was completed.
- the new system of appointments would be brought into effect in any ministry or part thereof when the permanent secretary was able to demonstrate to the MPO that the powers could be exercised to the standards set by the PSC;
- similarly, the new Regulations regarding discipline would be brought into effect in any ministry or part thereof when the permanent secretary was able to demonstrate to the MPO that the powers could be exercised to the standards set up by the PSC.

It is believed that an immediate and demonstrable impact on the operation of the service will arise within months of the delegation of appointments and discipline.

5.3 Delegating financial management responsibilities

The tenor of managerial reform in the Maltese public service favours giving managers – notably heads of executive departments – effective control over the resources required to carry out their respective organisations’ substantive functions, by giving them a wide measure of discretion in using information, people and funds.

The changes contemplated or in hand in the field of financial management are designated by the generic heading of *Financial Delegation and Accountability Initiative*. The *Financial Delegation Framework* is one such change.

Recommendations on financial delegation are the subject of a policy document that has been approved in principle and now awaits implementation. The document stipulates the financial duties and responsibilities of the Minister of Finance, other ministers, parliamentary secretaries, permanent secretaries, heads of departments, Directors of Corporate Services and Directors of Finance and Administration. In other words, it envisages considerable re-distribution, by means of formal delegation, of the statutory authority which is presently vested in and exercised by the Minister of Finance and the Permanent Secretary for Finance, among the top structures of ministries and departments.

The context for change

The highly centralised financial administration and management of the public service no longer meets the needs of a modern government’s diverse and complex operations and functions. It focuses on processes and policies rather than on outputs and results, and operates on a pre-audit system. The delayed and, to some extent, arbitrary decisions that result from over-centralisation are not conducive to responsible and accountable departmental management. The view that the supposed safeguards against over-spending are less effective than they purport to be, is widespread.

Delegation of authority in financial administration will accelerate the development of more accountable financial management by giving ministries and their managers the freedom to manage in pursuit of set objectives without having to seek authorisation for each transaction from the Ministry of Finance.

The most important prerequisite for successful action is a firm legislative and regulatory foundation upon which to build a framework for financial delegation. This requires substantive amendment of the *Financial Administration and Audit Act*,

1962 and the General Financial Regulations, 1966.

The necessary amendments were prepared by a project team led by the Management Systems Unit's Financial Management Group, and including representatives of various divisions of the Ministry of Finance.

Financial delegation is complemented by substantive improvements in the accounting policies, accounting systems, tendering procedures and internal audit employed in the Maltese public service, which are explained in Section Six of this Profile.

Financial delegation relates closely to the proposals on parastatal accountability (see entry 4.1).

In devising the framework of financial delegation, technical, organisational and attitudinal issues were given attention.

The most important *technical* consideration was that delegation of authority requires that the appropriate balance be struck between the Minister of Finance's need for control in order to satisfy Parliament, and the operating ministries' freedom to manage within limits established by government as embodied in legislation, business plans and annual budgetary allocations approved by Parliament. In the process of transition from a highly centralised administration to a decentralised one, the focus must be on the delegation and not the abdication of financial responsibility. Thus ministries and departments must first be fully equipped to receive such delegation and all the necessary safeguards must be in place to ensure that financial control is strengthened and not weakened by such delegation. This meant:

- defining financial management policies;
- devising or re-vamping accounting and tendering procedures;
- introducing internal audit, as a first line of defence against improper financial administration; and
- developing a training plan and appropriate curricula.

These measures are explained in Section Six of this Profile.

The principal *organisational* consideration is to secure a good 'fit' between delegated authority and top structures, as well as providing a well-defined repository for the expertise required to support ministers and heads of department in the exercise of delegated authority. This meant examining each ministry's organisation, identifying positions within it to which financial authority could be

delegated and agreeing how extensive such delegation could be. It was not possible to design one 'model' organisational structure which met the needs of all ministries, and therefore there was some tailoring of the general pattern in order to suit ministries of different sizes and those with complex and varied programmes. The scheme spells out in some detail the functions and organisation of Directorates of Corporate Services in ministries, which will play a leading role in supporting the exercise of delegated authority and securing accountability.

Attitudinal considerations stem from the long tradition of centralised administration. It is difficult to overstate the importance of frequent consultations with the Ministry of Finance and with senior public servants who will be required to operate in this changed environment, both to benefit from their advice and to ensure their understanding, and if possible their support, for the measures being proposed. This process of consultation offers many opportunities to assure Ministry of Finance officials that their responsibilities are not being diminished and the members of operating ministries that they are not being overburdened with responsibility.

Approximately one year was required to devise the framework of delegation, comprising not only amendments to the principal law and regulations, but also specifying the measure of authority to be exercised at each level and by each component of the top structures.

The parliamentary timetable for passage of the proposed legislation is less certain: much depends on the priority assigned to the amendments among other government business in the House of Representatives.

Beyond these first steps, full and effective implementation of the new provisions in legislation will be influenced by the pace of wider decentralisation in the public service – in matters such as human resource management, reviewed earlier in the Profile, as well as in the operational business of ministries. The Ministry of Finance may view itself as the loser in the process of decentralisation and may require frequent reassurance on the subject of the different but still central role which it will continue to play in a public service which is decentralised. It is also reasonable to expect that some appointees to new and unfamiliar responsibilities will need intensive training in the financial operations of government and that, even after receiving such training, will be reluctant to assume the full responsibilities of their positions. All of these factors will combine to increase the time required to secure fully decentralised financial administration.

SECTION 6: IMPROVING THE MANAGEMENT OF FINANCE

- 6.1 Restructuring the classification of accounts and organisations
- 6.2 Strengthening internal audit
- 6.3 Improving procurement and tendering systems
- 6.4 Preparing a financial policy manual

6.1 Restructuring the classification of accounts and organisations

In accounting systems, the classification of accounts determines the manner in which financial data are identified, accumulated and reported for planning, resource allocation, management control and results evaluation. In government accounting, the development of a classification of accounts is dictated by two requirements:

- the need to provide data in the form required for presentation of the Financial Estimates to the House of Representatives; and
- the need to provide detailed information necessary at ministry/department level for management purposes.

The project endeavoured to define a framework for the government's chart of accounts that would include expenditures, revenues, assets, liabilities and off-set accounts, and that would reflect the recording/reporting requirements for all levels: Public Accounts, Treasury, ministries and departments. The project did not examine the underlying accounting principles, but defined a common framework for classification of government's financial transactions. The objective was to define an operationally simple structure to enable financial transactions to be coded on a consistent basis, at the initial point of information capture, and with the necessary relational information to serve all significant reporting requirements. In parallel with the chart of accounts, an organisational coding structure was developed to record transactions by organisational units at different levels of aggregation i.e. responsibility centre, cost centre, department, ministry, etc.

The context for change

The accounting classifications in use in Malta's public service had been modified to the point where there was no longer an underlying accounting structure that addressed the reporting needs of the operating departments, ministries, Treasury or the House of Representatives. The accounting coding conventions were not well understood, nor applied consistently. The resulting financial records were generally unreliable for management information purposes, in all but their aggregate form. The Government published standard objects of expenditure, but they were not generally applied across all departments.

Financial transactions appeared to be classified or reported as per local departmental requirements and numerous non-standard classifications occurred in the Estimates for 1992 and for previous years. The classification practices appeared to lack an

underlying structure with organisational and accounting relationships inter-mixed. The lack of a common expenditure classification system created difficulty when there was a need for government-wide consolidations and comparisons of administrative costs among departments.

Most transfer payments within Malta (programme disbursements to third parties) were reported as discrete *Operational and Maintenance Expense* items. Lack of a clear distinction between payments to third parties and the operational expenses of a department made it difficult to establish a basis for assessing a programme's direct costs and benefits on one hand and the operational efficiency of departments on the other.

There were few consistent classification definitions. The boundaries between major types of expenditures also appeared to depend upon local circumstances. The decision to identify a particular financial transaction as *Operational and Maintenance*, *Special Expenditure*, or *Capital Expenditure* was flexible. The lack of consistency in the classification as between recurrent and capital expenditures severely compromised the comparability of Government's financial statements from one fiscal year to another. There was little consistency in the application of the commonly used *Operational and Maintenance* classifications, e.g. transport-related expenditures.

Standard classification of financial information is indispensable for effective management as well as for economic analysis. The purpose of the project was to identify an appropriate method of classifying financial transactions to ensure consistent and effective financial recording and reporting across organisational units within the Government of Malta, and over time.

Implementing change

The first step following formal approval of the terms of reference of the project by the Ministry of Finance was the establishment of a committee of advisers from the public service to represent the accounting interests of operating departments, the control concerns of the Treasury and Public Accounts/Estimates processes in the Ministry of Finance. Examination of the current information structure was followed by redefinition of the existing accounting conventions/practices in Malta. This redefinition was based on the experiences of other jurisdictions and assistance from the advisory committee.

Since no single classification system can provide for all coding requirements, a multiple classification system with multiple levels of detail within each classification was developed. The effectiveness of this system depended on individual transactions being properly identified. This two-fold classification was

linked by an integrated coding system which required each transaction to be identified both by nature and by source, thus facilitating analysis of the financial aspects of government activities.

The first breakdown of accounts is two-fold:

- *Chart of accounts classification* to identify the *nature* of transactions

The chart of accounts classification provided a breakdown of the transactions of each ministry and department and each cost centre to the level of basic line objects where the operations, processes, services, projects, tasks, etc. were identified. These all identify, at various levels of accumulation, the purposes for which funds were spent to achieve their objectives or the sources of revenues received.

The chart of accounts is a coded listing of accounts which is used to record revenue, recurrent expenditure, capital expenditure and below the line transactions. Each of these account types is divided into categories and these are further divided into standard objects. Each standard object consists of a number of line objects which are the lowest level at which all expenditures are coded and are therefore the building blocks of the standard object and category classification.

- *Organisational classification* to identify *responsibility* for transactions

The organisational classification ranges from the highest level of managerial responsibility to progressively lower levels of responsibility and thus identifies who is responsible and accountable for spending public funds. The organisational classification culminates in a ministry/departmental vote, which provides the basis for the vote structure by which the House of Representatives appropriates funds.

At the top of the structure is the ministry/department which is identified in the Estimates by means of a recurrent vote and which is divided into a number of cost centres. A cost centre is defined as a major programme or activity of a ministry/department and it is further divided into responsibility centres. A responsibility centre is a sub-section or division within a major programme or activity where there is a manager who is accountable for a budget.

The adequacy of instructions in a sample department was tested prior to implementation. Information in the 1993 Estimates was structured according to the new Chart of Accounts and organisational codes. In order to accommodate the new

information structure modifications to the *Treasury Accounting System* were carried out.

Training sessions on the use of the new Chart of Accounts and organisational codes were attended by approximately 200 departmental accounting officers. The approved accounting conventions were documented in a coding manual and a booklet with explanatory notes. Copies of these documents were distributed to all ministries and departments.

The management reporting format based on the new Chart of Accounts was developed and made available as from February 1993.

The development of a comprehensive recording and reporting structure and its consistent application is a prerequisite for reliable and informative financial reports. The provision of such reports, in turn, is closely related to other projects in the ambit of public service change in Malta. In particular, it supports directly the implementation of business and financial planning in Government, the estimates process and ministerial reviews of expenditure and revenue against approved amounts which take place on a quarterly basis. The codes for recording and reporting transactions according to the new chart of accounts and organisational codes will be used in the *Departmental Accounting System* to be implemented across the public service.

The development of a chart of accounts and the organisational coding was carried out over a period of four months in 1992. These were followed by the preparation of supporting documentation and the preparation and delivery of training seminars for staff from the central agencies and line departments.

6.2 Strengthening internal audit

The *Internal Audit Project* was launched following identification of the need to establish a standardised internal audit function for ministries and departments in support of increased delegation levels and the introduction of decentralised accountability structures.

The context for change

One of the deficiencies identified in the area of financial management and administration is the lack of accountability for overall performance. Moreover, the limited internal auditing conducted by ministries was weak, restricted in scope and thus ineffective. Furthermore, the limited resources of the Department of Audit (i.e. the national audit office) constrain it to concentrate on monetary control while there is virtually no evaluation of the overall performance of ministries.

Concurrent with other change initiatives the need was felt to provide management with a ‘monitoring’ mechanism that provides effective and objective reports on ongoing infrastructural changes and the management of allocated resources.

Implementing change

The introduction of the internal audit function required a specific project methodology. The methodology pursued consisted of a conventional data gathering phase undertaken mostly through extensive consultation with the major stakeholders in the service. This was followed by a data analysis and assessment phase. The diagnosis resulting from these two phases was instrumental in providing a report to government on the advisability, feasibility and timeframe required for the introduction of internal audit for all government operations.

An implementation strategy based on this report was developed, covering observed internal audit needs as well as organisation structures to support the provision of internal audit across the public service. This strategy was further validated with potential users of internal audit in government by means of a series of extensive consultations, including information seminars. It focused on a strong training programme, an effective central audit policy monitoring unit and the association of auditors with a professional body (Institute of Internal Auditors of the U.K.).

As noted previously the timetable for implementation was set at two to four years. Three key markers in the programme of implementation are:

- the preparation and promulgation of a Government Internal Audit Policy;
- the creation of Ministry Internal Audit Committees;
- the creation of a Central Audit Policy and Monitoring Unit in the Ministry of Finance.

In an effort to build a partnership with the future users of the internal audit function a Steering Committee composed of senior civil servants was constituted to advise on and monitor implementation.

The implementation strategy focused on three critical ingredients:

- Government should proceed with gradual introduction of internal audit in major ministries. The inherent complexities in the implementation of this initiative coupled with the lack of knowledge of the subject matter dictated a prudent and gradual approach. The introduction is to be phased over a period of two to four years.
- Government should proceed according to an implementation blueprint.
- In order to ensure successful implementation, all partners to the implementation plan must provide an active and fully committed role in their particular area of responsibility. The collective and public endorsement of the introduction of the internal audit function was the first step in recognising the importance of the function.

The framework for the introduction of internal audit was endorsed and the implementation plan launched in April 1991.

The Internal Audit Blueprint and Implementation Plan has since been updated and includes a separate report on the achievements of the programme to date and several recommendations for enhancing the sustainability of the internal audit function in the long-term.

To date, the audit results can be measured by the increasing request for their services, and the growing confidence of management in their new function. Progress has been incremental but positive: for example, audit reports have been instrumental in the re-evaluation of, and changes to, procedures that strengthen financial control over revenue disbursements from social programmes.

Complementing these steps is a public information awareness communications strategy, the development of linkages with the local professional Institutes of

Management and Accounting and the formation of a Malta Chapter of the Institute of Internal Auditors.

Important items in the implementation strategy have been realised.

The first year of the training programme was completed on schedule, and in mid-July 1993 the first teams of internal auditors were deployed in four ministries.

By September of the same year, the Ministry of Finance had established a Central Audit Policy Unit, and the Ministry and MSU had drafted Audit Standards.

There is ongoing review, by permanent secretaries and the MSU, of the work of functioning Ministry Internal Audit Units, against their respective Long-Term Audit Plans.

The basic training programme, devised and co-ordinated by the Management Systems Unit and the Staff Development Organisation, comprised the following:

- selection of an international training organisation (Institute of Internal Auditors) to conduct formal classroom training in three modules amounting to ten weeks over a period of nine months;
- recruitment of respected senior audit practitioners from the Government of Canada to provide practical training through pilot audits within ministries;
- It was decided that it would be cost effective to hold the training in Malta as this allows trainees to apply their new skills in pilot audits across the Service. This approach is, over a period of time, invaluable in the general education of the audit client community vis à vis the public and the Service.

The Internal Audit function requires time to mature as part of and in concert with the new management culture that is being fostered under the change programme. In the short-term its success can be measured by the degree of confidence that one hopes is forthcoming from the organisation and people it serves.

6.3 Improving procurement and tendering systems

A major policy objective of the Government of Malta is to ensure that the public procurement process is executed in a transparent, expeditious and cost effective manner, leading to best value for money purchases. Following recommendations made by the Operations Review, the Government established as one of its priorities the review of procurement and tendering policy and procedures.

During 1993, the *Procurement and Tendering Project* was initiated. The project consisted of two phases:

- the first phase reviewed recent reports and studies on the subject, with a view to obtaining government approval for fast-track implementation of particular recommendations;
- the second phase of the project involves the development of a comprehensive manual which will serve as a sole source of reference on the subject of government procurement and tendering.

The context for change

Stakeholders of the public procurement process, including constituted bodies, have raised concerns about the length of contract adjudication procedures, the prevalence of contract awards on the basis of price differentials and the scarcity of expertise among members of adjudicating bodies. While some aspects of transparency of the process have been improved (e.g. tender bids are now opened in public), there is still a lack of clarity about roles and responsibilities of the official adjudication boards and about evaluation criteria.

Several of the issues raised by contractors related to tender documentation, and included lack of differentiation in the forms to be used for a specific type of tender (i.e. supplies, works, services). Concerns were also voiced about the length of the period between publication of a call for tenders and the deadline for submission of bids, as well as the uneven distribution of calls for tenders during a year. Other minor concerns related to access to tender documents, the lack of standardised document presentation or uniform terminology.

The recommended increase in delegated authority for ministers, permanent secretaries and heads of departments as regards procurement by tender is in line with Government's policy of decentralisation of responsibility and is intended to expedite the tendering process. Greater delegation of authority giving ministers,

permanent secretaries and heads of departments more freedom to manage the resources they have been entrusted with, implies increased accountability for performance and decisions.

Other recommended changes support the delegation of authority to departments. For example, availability of a comprehensive procurement and tendering manual is necessary for decentralisation of procurement authority, as well as the change of the function of the Director of Contracts from pre-audit to post-audit.

To carry out this project and related activities, a project team was established. Officials from central agencies (Ministry of Finance, Treasury and Department of Audit) and line departments which are major purchasers were represented on the team, in addition to Management Systems Unit consultants and an expert on European Union (EU) matters. The team devised a two-phase schedule.

Phase I involved the following two steps:

- review recent reports and studies with a view to obtaining government approval for fast-track implementation of certain recommendations;
- make changes, where warranted, to the *General Financial Regulations* and policies in order to permit these recommendations to be implemented.

Phase II will involve the following discrete steps:

- review current EU tendering policies and procedures, and any procedures current in other jurisdictions which are relevant;
- review the existing legal framework in Malta, recommend necessary changes and a timetable for implementation;
- draft and publish a tendering manual.

At present the procurement and tendering system operating in the public service is two-tier: tenders with an estimated value below a certain ceiling are awarded by departments issuing their own calls for tenders while tenders above those ceilings are adjudicated by the Contracts Committee at the Ministry of Finance. Members of this committee are appointed by the Prime Minister.

In the first phase of the project an analysis of the implications of increasing ceilings for departmental tenders was carried out. Using data available for 1992, the numbers and values of tenders which would be taken over by departments (thus not requiring approval by the Contracts Committee) were estimated for various options for departmental expenditure ceilings. Changes to *Regulations* and policy sufficient

to enable these recommendations to be implemented were drafted. The changes, when implemented, will result in at least halving the number of tenders which have to be referred to the Contracts Committee for approval.

The distinctions which already exist as between calls for tenders and direct orders will be perpetuated. While it is being proposed that the departmental tendering ceilings be doubled, there is no ceiling on direct orders which are a ministerial prerogative and subject only to the availability of funds within the approved Estimates of the ministry and to the approval of the Ministry of Finance.

Procurement procedures will be altered in other material respects, e.g. to ensure greater transparency of the whole process.

A number of amendments were suggested after consulting European Union directives on specific topics. Given that Malta aspires to full membership of the European Union, the project team looked at the compatibility of the Government's current tendering procedures with EU tendering regulations. The project team recommended that even though current EU tendering value thresholds above which EU directives are applicable, are quite high by Maltese standards, the Government should endeavour to make its tendering regulations as compatible as possible with EU directives in specific subject areas, while giving due consideration to the structure of the Maltese economy.

The recommendations which emerged from Phase I of the Tendering Process Study included:

- increase the limits which require a bid bond to be posted to Lm25,000 for tenders for supplies and services and to Lm50,000 for tenders for works, i.e. bid bonds would not be required for tenders for supplies and services costing less than Lm25,000 and for tenders for works costing less than Lm50,000;
- identify, in the light of EU regulations, which 'contracting authorities' must comply with the Government's tendering regulations and thus determine what are their respective tendering limits;
- strengthen the Contracts Committee by appointing members for periods of two years and by selecting them on the basis of their skills, experiences and of the contribution which they can make to the Committee's work;
- modify the conditions for blacklisting tenderers so that such conditions are compatible with EU regulations;

- increase the amounts of penalties which may be remitted by heads of departments to Lm250, by the Director of Contracts to Lm1,000, with penalties above Lm1,000 being referred to Ministry of Finance;
- double the tendering ceiling of all contracting authorities which must comply with regulations affecting tendering; this would result in the 'ceiling' being increased from Lm5,000 to Lm10,000 and would result in ministries being able to effect more purchases by tender in significantly less time than is required when the tender is awarded by the Treasury.

During the second phase of the project, work on the procurement and tendering manual will involve examination of Ministry of Finance and Treasury circulars on the subject to ensure that all current provisions are included in the manual, or amended as necessary. Foreign sources, including EU directives, will be used to develop instructions on matters about which the present *Regulations* and circulars are silent. In parallel, terms of reference which clearly define and distinguish roles for all officials in the government procurement process will be written.

Publication of the manual and implementation of its provisions will be preceded by a series of seminars to familiarise officials in charge of procurement and tendering with the manual's provisions.

This project is consistent with the *Financial Delegation and Accountability Initiative*.

Two related projects have also been undertaken. The first was a project for the Ministry of the Environment that was referred to as *Standards Rates and Costs*. This was undertaken to assist the quantity survey section of the Building and Engineering Department to produce better budgets for government construction projects and to evaluate tender responses more comprehensively. It became operational at the end of January 1994 and has been operating without problems.

The second was a corporate project called *Stores Management* which is ultimately intended for application in all ministries and departments. It will provide stores data in a uniform format across the public service and thus better stock control. It has been implemented at Inland Revenue, Pollution Control, the General Stores of the Department of Health, and the two main Works Stores. The Armed Forces of Malta has been chosen as the next site for implementation.

6.4 Preparing a financial policy manual

The Ministry of Finance is to prepare and circulate a *Financial Policy Manual* which includes financial policies, the *Financial Administration and Audit Act*, the *General Financial Regulations* made under that Act, and directives on financial planning, including business planning and the annual preparation of expenditure estimates. A section divider is to be included to permit the individual manual holder to keep official circulars of particular interest issued by the Ministry of Finance, the Treasury and the Management and Personnel Office.

Other sections on closely related subjects will be added as they are approved for publication.

This manual will be a comprehensive authority and reference on all matters pertaining to financial management and is intended to be one of the primary support tools for Directors of Corporate Services, Directors of Finance and Administration, finance managers and administrators and all public service managers.

The context for change

This manual is the vehicle which government will use to communicate its corporate financial policies and circulars throughout a decentralised service in order to ensure the requisite uniformity and consistency in delegated financial management.

Since the information required for effective financial administration is scattered over a variety of sources, many of which are dated, there was a demonstrable need to provide one source of clear guidance which serves as a tool for decentralisation of financial accountability.

In addition, many of the scattered sources of information are written in a legal style and format which is not easily readable by most of the users for whom this manual is intended. By contrast, the policies contained in this manual each deal with a separate subject, are organised generically by subject – expenditures/payments/revenue/receipts and internal control – and are written in a readable style.

Implementing change

The Ministry of Finance must make an unqualified commitment to the principle of decentralisation of financial administration as an essential first step in the process of writing and publishing a *Financial Policy Manual*.

Given that commitment, the preparation of the manual will be undertaken by a drafting committee comprising experienced employees from several ministries and departments, including the Ministry of Finance, which is given clear guidance as to its responsibilities. This may need to be monitored by a senior official of the Ministry of Finance.

It is difficult to prepare a useful *Financial Policy Manual* if the legislation on which it is based is grossly out of date. Thus, the *Financial Administration and Audit Act* and the *General Financial Regulations* must be reviewed to determine their currency and amended where necessary to reflect present circumstances and practices. In sequential terms, the Act should be amended first, and then the Regulations should be amended to reflect the revised Act. These will form the essential basis for the preparation of the *Financial Policy Manual*.

The probable costs of preparing such a manual are a function of its scope and complexity as well as being directly related to the number of copies which are needed for distribution. The time of those directly involved in drafting, reviewing and approving the policies in particular and the other contents in general will need to be included in any calculation of costs. There are also the continuing costs of maintaining the manual to ensure that it is current.

The skills required include an understanding of the broad legislative framework within which the Ministry of Finance operates, the ability to write in a readable, concise and unambiguous style and the ability to perceive how the various policies are interrelated so as to avoid logical inconsistencies among the policies themselves and other parts of the manual.

The key stakeholders whose commitment is essential for success in drafting such a manual are the Permanent Secretary of the Ministry of Finance, senior Finance and Treasury staff and committee members entrusted with responsibility for reviewing and revising proposed contents including policies and finally those charged with the responsibility for the actual drafting of the manual.

The *Financial Policy Manual* constitutes an essential part of the support mechanisms for the *Financial Delegation and Accountability Initiative* which envisages the decentralisation of financial administration throughout government.

The time required to prepare this manual depends on the point of departure. If all the legislation is up to date, the process can be completed much more expeditiously than if the legislation is being amended while the manual is being written. However, the commitment which the Ministry of Finance is prepared to make in terms of human and other necessary resources will clearly have the most significant impact on the length of time required to complete this manual. The management

of these resources is also a critical element in determining the amount of time required.

Further information on Maltese Public Administration and Public Management

A. Papers, Journals and Conference Proceedings

Requests for copies of the documents listed in this section of the bibliography should be addressed in the first instance to Edward Warrington at the Department of Public Policy, University of Malta, Msida MSD06.

Busuttill, Anne Marie: *Improving Managerial Effectiveness in the Maltese Public Service* (Manchester: Institute for Development Policy and Management, 1993 – unpublished dissertation)

Institute of Public Policy and Administration: *Administrative Review* (Malta, Spring 1992, Summer 1992)

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von Brockdorff, Philip: *Privatisation in Malta – Opting for the Middle Road* (Presented at the Annual Conference of the International Association of Schools and Institutes of Administration, Hong Kong, July 1994)

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Warrington, Edward (ed.): *Towards a New Public Service for Malta: An Assessment of Contemporary Administrative Initiatives in Economic and Social Studies* – Journal of the Faculty of Economics, Management and Accountancy, University of Malta, Volume 6, 1991/1992

B. Reports and studies

Requests for copies of the documents listed in this section of the bibliography should be addressed to the organisation under which they are listed.

Management Systems Unit Ltd. (Chairman, Villa Portelli, Kalkara CSP10)

Annual Report 1991/1992

Annual Report 1992/1993

Business Plan 1993

Business Plan 1994

Business Plan 1995

Business Planning Guide

Directive and Guidelines on Performance Management Programme

Financial Delegation Framework: Working Paper

Office of the Prime Minister (Permanent Secretary, Auberge de Castille, Valletta)

Category 'A' Officers: Performance Agreement – Assessment Guidelines for 1994

Top Structures: Papers on Structures, Responsibilities and Performance Agreements, June 1992

Information Systems Strategic Plan for the Government of Malta, July 1990 (2 volumes)

A New Public Service for Malta: A Report on the Organisation of the Public Service – July 1989

Further Proposals on Administrative Structures, Grading, Staff Development, Selection and Compensation – February 1990

Supplementary Papers – January 1990

Staff Development Organisation (Director, 3 Castille Place, Valletta CMR02)

Training Activity Plan September 1991 – December 1992

Training for a Better Service – Training Review 1991

Towards Better Performance – Training Review 1992

Towards a Safe Haven – Training Review 1993

C. Official Publications

Obtainable from the Government Bookshop, Department of Information, Castille Place, Valletta CMR02.

Economic Survey (annual)

Financial Estimates (annual)

Report of the Director of Audit (annual)

Reports on the Working of Government Departments (annual, one volume)

The Change continues ... White Paper, November 1993

D. Legislation, Regulations and Manuals of Procedure

Obtainable from the Government Bookshop, Department of Information, Castille Place, Valletta CMR02.

Constitution of Malta

Public Service Commission Regulations, 1960

Public Service Commission (Disciplinary Procedure) Regulations,
1977

Interpretation. Act VII.1975 (Cap. 249)

Ministers (Delegation of Functions), Act XVI.1988

Financial Administration and Audit, Act I.1962 (Cap.174)

General Financial Regulations, 1966

Estacode

Manual on Office Management

Code of Ethics for Employees in the Public Sector (Cabinet Office, 1994)

Contact addresses

This country profile was compiled by the Management Systems Unit Ltd. of the Government of Malta. Enquiries should be addressed to:

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Further publications from the Management and Training Services Division

Management of the Privatisation Process

A guide to policy making and implementation, 1994

Capacity Building for Management of Privatisation

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Choices in Decentralisation

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Mayuri Odedra and Shirin Madon, edited by G Harindranath and Jonathan Liebenau, 1993

price £8.00

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Proceedings of a Commonwealth Roundtable held in Sydney, February 1992

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edited by Randall Baker, 1992

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Proceedings of a Roundtable held in Male, December 1992

Performance Contracts: A Handbook for Practitioners

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Commonwealth Network of Information Technology for Development: Computer Networking Primer, 1994

Other forthcoming publications include:

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