

**STATEMENT BY THE HONOURABLE MINISTER FOR FINANCE,
RATU JONE KUBUABOLA, ON**

“INSTITUTIONAL REFORM”

**AT THE FORUM ECONOMIC MINISTERS MEETING (FEMM)
2004 IN ROTORUA, NEW ZEALAND.**

The Chairman, Honourable Dr. Michael Cullen, Deputy Prime Minister of New Zealand and Minister for Finance,

The Secretary General, Pacific Island Forum Secretariat, Mr. Greg Urwin,
Honourable Colleagues,

Introduction

I have agreed to speak this morning on the Meeting's theme of ***'Institutional Reform'*** and, in particular, Fiji's experience in this area. I should like to point out, and make very clear at the outset, that my statement today will be confined to *'institutional reform'* as in the *'reform of institutions that direct economic management'*, rather than the wider view being considered at this meeting. So, *'institutional reform'* in the Fijian context, concerns the reform of our ***public service*** as the *'institution'* that administers Government policy. The Fiji Government also believes that successful public service reform can provide the ***catalyst***, or indeed ***leverage***, by which other institutions that have been defined this morning, are strengthened in turn. The efficiency of the public sector has both a direct and indirect bearing on how effective other institutions can be, hence the focus of my statement this morning.

My statement will also consider how Fiji's public sector may best be '*enabled*' to respond more effectively to the demands that global challenges, which have increasingly become more concerted of late, have placed on our policies to sustain economic growth into the long term and secure prosperity and stability for our people.

Colleagues, I would hope that my statement this morning provides, firstly, a useful backdrop for your own efforts in the broad '*institutional reform*' area, if not specifically in the area of public service reform and, secondly, augments the platform for open and frank discussions on where these development processes are taking us, as peoples of unique and diverse Pacific cultures and traditions and, far more sweeping in implication, as sovereign nations established on the basis of self-determination.

Fiji's Public Service Reforms

Fiji's past efforts in the area of public sector reform have been erratic to say the least. The real '*push*' in this regard was made in the late '90s by the then Government, was '*rolled back*' soon after by the next Government and then re-activated, for lack of a better word, when the present Government came into power in 2001. Overall, I would say that these setbacks, rather than deterring us from moving forward, have served to strengthen our resolve. This renewed commitment is enunciated in our ***Strategic Development Plan for 2003-2005***, which sets out our vision of a "*Peaceful and Prosperous Fiji*". Moreover, an unexpected '*silver lining*' has been the clarity in which we now view the implementation of our reforms and the incremental steps that we now realise need to be taken to ensure their success.

Reforming our public service; improving efficiency in the management of funds, manpower and other resources; improving efficacy in the provision of public goods and services; has been at the forefront of the Fiji Government's development agenda. Our reform efforts continue to underpin our quest for sustaining economic growth into the future and ensuring that the benefits of this growth reaches everyone and especially, the disadvantaged groups in our midst. Moreover, these efforts also underpin our desire to inculcate good governance principles into the public service, into the way it is run and into the way Government policy is implemented. Clearly, economic growth can only be said to be productive and life enhancing if all benefit from it.

On a more sobering note, the window of protectionism that once '*underwrote*' the development of our economies is closing with looming rapidity and the challenge is how well we respond to this new global '*landscape*', if we are able to respond at all.

Let me now turn to the first of our reform measures, the ***civil service reform programme***.

Civil Service Reform

Fiji's Public Service Act and Public Service Regulations were revised in 1999 to promote improvement in the performance and accountability of state institutions and to uphold the Public Service Values and the Public Service Code of Conduct, which provide the basis on which the principles of good governance are promoted in Ministries and Departments.

Briefly, the Public Service Act 1999:

- Established the accountability and the relationship framework between CEOs, Ministers and the Public Service Commission;

- ❑ Established the requirement for CEOs to produce Annual Corporate Plans that include detailed information on human resource management;
- ❑ Placed emphasis on the submission of Annual Reports;
- ❑ Required the Public Service Commission to submit a report to the Prime Minister on the *“state of the public service”*, which would then be subsequently tabled in Parliament;
- ❑ Established the Senior Executive Service Scheme; and
- ❑ Outlined the Fiji Public Service Values and the Public Service Code of Conduct.

The current focus of the reform programme is the establishment of the **Senior Executive Service Scheme** which is targeted at identifying and recruiting, through a competitive selection process, public service leaders who will then drive and implement the reform objectives and initiatives at ministry and department level. The Public Service (Senior Executive Service) Regulations 2003 provides the legal framework for this initiative.

The ultimate goal of the scheme is the contracting of the Senior Executive Service, which began with the contracting of Chief Executive Officers on 1st January 2004 and which will gradually move to other Senior Executive levels in due course.

Another important development has been the use of the **corporate planning process** to ensure that ministries are more accountable for the management of their resources and the delivery of their services. CEOs are expected to directly link output delivery with their budget appropriation for the year, together with a clear implementation framework that also links the achievement of the ministry's corporate goals and objectives to Government's Strategic Development Plan.

So, you can see that this framework tries to capture a holistic perspective of the planning machinery, beginning with the broad policies of Government at the macro-level and linking them through the total machinery down to the individual officer level. This framework also forms the basis for performance targets at individual and organisational level that are necessary components of a planned **Performance Management System** and the assessment of the CEO's performance contracts.

Underlying all of these steps are some major challenges, which we are dealing with as we progress.

First and foremost, the contracting of CEOs in January 2004 means a major shift in the workplace culture and environment and demands a corresponding shift in mind-sets to ensure that reform objectives are fully realised.

Second, the various public service reform programmes need to be more effectively coordinated by Government central agencies and the Public Service Act, the Finance Management Act and Public Enterprise Act need to be harmonised to ensure clear policy direction and decision-making.

Third, a partnership needs to be forged with Fiji's public sector unions to advance the reforms and ensure their sustainability.

Lastly, the containment of the size and cost of Fiji's public service and gradually reducing this to a level that does not unnecessarily hinder the provision of public goods and services, needs to be seriously addressed.

Colleagues, let me now turn to the second of Fiji's reform measures, the **financial management reform programme**.

Our objectives in this area are geared towards putting in place a better performing budget and financial management framework that, firstly, adopts a performance focus, and secondly, strengthens accountability.

As with other members, key problems identified with the current financial management framework include:

- Poor linkages between government policy decisions and their implementation;
- A focus on *'inputs'* rather than *'performance'*;
- Centralised controls; and
- Poor financial management and budget accountability.

Colleagues, a slower paced and sequenced approach with a longer time-span, of five to ten years, is seen as pragmatic for the implementation of this reform. The speed of implementation will depend on how well CEOs and managers are able to operate in a more devolved environment, as well as the capacity of financial and non-financial officers to understand and maintain the new system.

A broad implementation strategy has been developed and can be briefly described as follows:

- **2004** will see the enactment of a new legislation and corresponding Finance Instructions; the implementation of performance budgeting and reporting on a pilot basis; the implementation of a new Financial Management Information System on a pilot basis; and the start of major capacity building programs for all levels of the public service.
- **2005** will see performance budgeting and reporting being implemented in the smaller agencies; the implementation of the Financial Management Information System being rolled out to the other agencies; and the continuation of the capacity building programs.

- ❑ **2006** will see performance budgeting and reporting fully implemented in agencies and supported by a new Financial Management Information System. There will also be regular upgrading on the level of reporting on assets and liabilities by agencies.

Overall, the implementation of Fiji's Financial Management Reforms is on track. The greatest challenge for us now is to ensure that the whole of public sector remains committed to its successful implementation.

The last of Fiji's public reform measures is our ***public enterprise reform programme***.

The programme is based on the belief that when Government organisations are reorganised and commercially focused, they will be in a better position to give the people of Fiji a better return for the funds invested in them. The Public Enterprise Act 1996 provides the legal framework for the reform programme.

The Fiji Government has invested close to \$1 billion in public enterprises, most of which have been channelled into the electricity, telecommunications, airlines, port, forestry and agro-based industries. Although the performance of some public enterprises have improved since the reforms began about a decade ago, their overall performance is still very weak. Some of the factors that have contributed to this poor performance include:

- ❑ Multiple and conflicting objectives;
- ❑ Lack of commercial focus;
- ❑ Lack of accountability;
- ❑ Government interference;
- ❑ Reliance on Government financial support;
- ❑ Protection from competition; and,

- Lack of experience and expertise at Board level.

These problems have constrained the overall efficiency of the economy and resulted in a significant '*drain*' on the Government budget over the years.

Conclusion

Colleagues, I deliberately concluded with our progress in the area of public enterprises reform because it is important to understand that, in any reform process, our failures are just as important as our successes; the challenges that remain just as important as those that have been overcome; the opportunities lost equally as important as those secured.

Perhaps Fiji's experience will be of use to you, perhaps not. What's important to understand, to appreciate, is that there is a wealth of experience around this table and there are lessons to be learnt despite, or perhaps in spite of, the dissimilarities. More importantly, that the reforms ***must continue***. Underlying all these experiences is the stark realisation that either we adapt or we '*die*'. Moreover, the message remains the same however one interprets '*institutional reform*', - the new global landscape recognises neither culture, nor tradition; taboos nor custom; traditional sanctions nor codes of conduct. It is underpinned by the creation of conditions where capital can maximise its profits and face the fewest possible barriers domestically and abroad. Our futures depend on how we respond to this challenge.

I thank you all for bearing with me this morning.

Vinaka.