JAMAICA’S RESPONSE TO PUBLIC BODIES’ CORPORATE GOVERNANCE CHALLENGES: FROM INNOVATION TO IMPLEMENTATION

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Study Context:
- Jamaica has had a history of several high-profile corporate scandals due to poor governance of public institutions (Kerr 2005)
  - the Financial Sector Melt-down of the 1990s
  - Fat Cat Scandal of 1999; Zinc Scandal, 2000s
  - Student Loan’s Bureau Scandal, 2010
- These scandals have arisen from poor administration, the neglect of legal duties and responsibilities by corporate Directors (Hilton, 1993)
- Many Boards have a disproportionate number of political activists as Directors; of whom a significant number would not meet minimum standard of fit-and-proper criteria

Statement of research questions:
- What are Jamaica’s public bodies’ corporate governance challenges?
- How has Jamaica been addressing these challenges?
Relevance of the Problem

Contextual Realities

- In Jamaica, there are 191 active Public Bodies (PBs). PBs have been at the forefront of their respective countries development for many decades.

- PBs play an integral role through their contribution to the economy and overall competitiveness of the country.

- PBs are further challenged by frequent breaches, including those of procurement guidelines.
Contextual Realities

- The leadership and management of PBs present a distinct experience from private sector enterprises given their unique environment and objectives.

- PBs are held to account for meeting several statutory requirements and to be fully compliant within the development and regulatory requirements of a transforming economy.

- Public-sector organizations sometimes find it hard to comply because they are insulated from the competition that fuels innovation in the private sector.
Relevance of the Problem

Response to the Problem:

- In response to preceding challenges, the GOJ has sought to clarify the governance framework within which Public Bodies must operate by the development and implementation of a Corporate Governance Framework for Public Bodies (2011).

- The objective of the CG Framework is to achieve greater efficiency, effectiveness and economy in resource utilization and service delivery, and critically, to address perennial concerns of poor performance, governance, management, financial irresponsibility and accountability of Government.

- For the purposes of this paper, Corporate Governance embodies processes and systems by which Public Bodies are directed, managed and held to account. CG influences how objectives are set and achieved; how risk is assessed and monitored and how performance is optimised.
The CG Framework
Distinct and Innovative Features

- Distinct means different, separate, discrete and diverse

- Innovation can be perceived as new by an individual or another unit for adoption…an engine for modernisation that increases competitiveness of SOEs by making them more flexible and responsive (Rogers 1993).
The CG Framework
Distinct and Innovative Features

- Genesis or Motivation

- *Pressured Innovation* - IDB due diligence requirement; the nature and number of internal and external influencers

- Methodological approaches consider the institutional, sectoral and cultural realities of Jamaica

- Multi-level and reinforced stakeholder consultations

- Implementation Framework – Structure, Process, Key elements, Promulgation and Monitoring
Research Method - Data Collection & Information Gathering

METHODS/TECHNIQUES

- Identified and select key “First Cut” Corporate Governance Drivers – Desk Review
- Survey utilizing the Likert Scale
- Personal Interviews
- Focus Groups
- Town-hall Meetings
Research Method - Analysis

- Comprehensive scanning of relevant Local & Intl. best practice literature (public sector CG codes, frameworks, guidelines: PBMA Act (Jamaica); Combines Code (2007, UK); King 111 (South Africa); Code of Corp. Governance (Kenya), inter alia

- Isolate key good corporate governance “drivers” based on ranking of importance in response to Jamaica’s needs (Likert Scale)

- Based on respondents’ feedback, CG drivers were either accepted, amended, eliminated or new ones added

- The analysis and discussions of findings and the proffering of recommendations utilize results and observations from across methodological approaches
Findings – General Highlights

- “Too frequent involvement of Board in day-to-day management of the PB”
- “Role & Responsibility of Board vis-à-vis management unresolved hence frequent circumvention of CEO authority by Board, Minister, Ps”
- “Boards are selected oblivious of the need to have a balanced of skill, experience, knowledge & qualifications amongst its members”
- “There is a need for background check and competency profile to determine “fit and properness” of Directors of Public Bodies”
- “There is a lack of a structured and formal Board Induction and Orientation Process”
- “Training and development should be made mandatory; should be extended to Permanent Secretaries and Ministers”
- “Role and authority of Board invitees and ex-officio officers should be codified”
- “There is a need for a policy and strategy of managing stakeholder relations given an existing void in communicating public information, especially in crisis scenarios”
# Findings

## Table 1: Respondents Endorsement and Ranking of Key “First Cut” CG Drivers

How important are the following key corporate governance benchmark drivers? **Rating Scale:** 1 = *not important*; 2 = *of little importance*; 3 = *fairly important*; 4 = *very important*; 5 = *critically important*

<table>
<thead>
<tr>
<th></th>
<th>Average Scores of n=116 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Board Composition</td>
<td>100</td>
</tr>
<tr>
<td>2. Clarifying role and relationship between Board and Management</td>
<td>100</td>
</tr>
<tr>
<td>3. Criteria for Nominating and Selecting Board Members</td>
<td>96.4</td>
</tr>
<tr>
<td>4. Roles and Responsibilities of Board and key fiduciaries</td>
<td>96.4</td>
</tr>
<tr>
<td>5. Internal Audit and Controls</td>
<td>92.8</td>
</tr>
<tr>
<td>6. Board Orientation, training and continual development</td>
<td>89.3</td>
</tr>
<tr>
<td>7. Independence and Powers of Board in decision making</td>
<td>89.3</td>
</tr>
<tr>
<td>8. Board and CEO Accountability: Performance, Monitoring and Eval.</td>
<td>89.3</td>
</tr>
<tr>
<td>9. Code of Ethics for Directors and Officers</td>
<td>89.3</td>
</tr>
<tr>
<td>10. Gender and Equality Issues</td>
<td>88.3</td>
</tr>
</tbody>
</table>
Table 1 (contd.): Respondents Endorsement and Ranking of Key “First Cut” CG Drivers

<table>
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<tr>
<th>How important are the following key corporate governance benchmark drivers? Rating Scale: 1 = not important; 2 = of little importance; 3 = fairly important; 4 = very important; 5 = critically important</th>
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</tr>
</thead>
<tbody>
<tr>
<td>11. External Audit Mechanism</td>
<td>87.3</td>
</tr>
<tr>
<td>12. Public Bodies Information Management and Disclosure</td>
<td>82.0</td>
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<tr>
<td>13. Procedures for Appointing Board Members</td>
<td>79.0</td>
</tr>
<tr>
<td>14. Board Processes: Meeting Management and dynamics</td>
<td>76.0</td>
</tr>
<tr>
<td>15. Role of Co-opted members, invitees and ex-officio officers</td>
<td>57.1</td>
</tr>
</tbody>
</table>
Findings

Respondents suggested the following additional Key CG Drivers:

- Governance of the Board
- Managing Stakeholder Relations
- Monitoring Arrangement of Public Bodies by Line Ministry
- Enterprise Risk Management
- Corporate Social Responsibility
Implementation of the Corporate Governance Framework

• Structure:
  – Organisation
  – Membership
  – Authority
  – Accountability and Process

• Key Elements: What

• Strategy/Tactics (Enforcement): Promulgation and Monitoring
FIGURE 1: CG FRAMEWORK IMPLEMENTATION STRUCTURE

**MF&P Public Enterprise Division**
- Reports to Cabinet once annually on progress
- Liaison with relevant Ministries on advice of the Project Implementation Unit and specifically the Oversight and Implementation Committee’s recommendations

**CG Framework Implementation Oversight Committee**
- Membership represent several stakeholder groups
- Brings external independent and objective judgement to reviewing and providing timely feedback on consultants’ reports
- Provides quality assurance to project outputs
- Evaluates the performance of consultants

**Public Sector Transformation Unit**
- Overall Responsibility for implementing beneficial change management/reforms throughout the entire public service
- Responsible for mobilizing resources
- Initiates and coordinates recruitment of project consultants and subsequently transfers aspects of the administrative project implementation to unit/director

**Director/CG Framework Implementation Unit**
- Provides day-to-day operational leadership
- Liaison with all relevant project implementation internal and external actors
- Proactive in ensuring all parties are kept abreast
- Provides needed support and coordinates resources
- Serves as the first level reviewers of consultants reports
Findings – First phase elements for implementation

- Board Performance Evaluation Instrument
- Managing Stakeholder Comm. & Relationship
- Competency Profile for Directors
- Board selection, Nomintn, Appnt & Termination
- CG Framework For PBs Jamaica
Promulgation and Monitoring

• Critical to the success of any organisational change process is a strategy of promulgation and enforcement
• Key was awareness sensitization of all relevant constituents soon after the CG Framework received the nod of approval from the Cabinet of Jamaica
• There were in excess of 25 sensitization sessions held since 2013 covering all Government Ministries and Boards of Public Bodies:
  – Half-day seminars public seminars; Boardroom sessions; Alerts through mass media, including all Radio Stations, Government control TV Stations, Cable networks and printed media were utilized
• Postings of Cabinet-approved summary of the CG framework at many Ministries and Public Bodies web sites
• Many PBs have been proactive in adapting and amending the CG Framework in shaping their own CG Codes and Board Charters while other have posted the CG Framework at their websites with supporting statements to the effect that they are in compliance with same.
Concluding Remarks

• The CG Framework for Public Bodies of Jamaica remains one-of-a-kind to be initiated by a national economy in the English-speaking Caribbean.

• The CG Framework has been designed to embody best practices, in keeping with international standards.

• It is recognised that some PBs, depending on size, resources and nature of business, may need to adapt or tweak specific recommendations to meet their unique circumstances.

• Bureaucratic paradigm such as governmental institutions presents both challenges and opportunities for achieving beneficial reforms.

• Success in implementing CG reforms will be more likely when there is willingness and commitment by both internal and external influencers to challenge bureaucratic barriers with creativity, flexibility, adaptability and risk-taking as necessary for innovation in contemporary public institutions.
Thank You!