

*Is the size of the government
of Curaçao too big?*

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Abstract

The purpose of this research is to conduct an independent inquiry into whether the “size of government” of Curaçao is too big compared to regional and/or international norms. At the time of the research, there are assumptions that the size of government is “too big” and that this has a detrimental effect on the broader economy¹. The inquiry is conducted at the request of the Ministry of Planning dated May 19, 2020 (case number 2020/014891) based on a set of questions determined as key foci to the inquiry.

The inquiry is to determine if, by comparison to other small island nations and to international norms, an independent analysis will offer clarity. The parameters of the inquiry include comparisons based on population size, global representations, regional representations and government forms. The research recognizes that some small island nation structures are more autonomous, some independent and some territorial. This provides the opportunity to see if those relations or “devolved dependencies” influence size of government, and if so, in what ways. Eleven countries and Curaçao have been selected for inclusion for qualitative comparison purposes in this study. Of these twelve countries, based on the available quantitative data, 6 countries have been included for quantitative comparison.

The guiding questions were:

Focus of Inquiry:

Is the size of the Curaçao government and the number of public servants too big?

Guiding questions:

- How does Curaçao’s government structure compare to other islands of similar size? (Number of ministries, organization of ministries)
- How do the functions that must be performed compare?
- How do other islands that are connected to a Kingdom or Commonwealth compare?
- How do the other island nations address the Sustainable Development Goals (SDGs)?
- What is the high, low and average salary of public servants?
- How is the civil servant structure organized? Organizational structure? Independent? (If, a part of a larger Kingdom or Commonwealth, does the structure follow the form of the Kingdom or Commonwealth?)

Based on best practice research and available data, the analysis comes to several conclusions:

- There is a lack of consistency in local data sources which makes conclusive findings difficult
- There is a lack of consistency in the use of one system of Standard National Accounts Guidelines in order to definitively determine the participants of government and public sector
- Because of the lack Consistent information sources, cross country comparisons were difficult.
- The size of the government, including the public sector, the semi-government entities and the government entities that receive subsidies, cannot be resolved until consistent definitions and algorithms are applied across all government ministries and departments, and are used methodically year after year.
- As a result of International Monetary Fund (IMF) data using country comparisons and key measurements of government spending (Percentage point difference between Gross Domestic Product (GDP) growth minus wage bill growth), it can be concluded that Curaçao is by far the worst performer in this regard, with a percentage difference of minus 8% in two different years. It can be concluded that despite a negative growth in GDP, the

¹ As part of the Covid-19 economic alleviation measures, the Dutch government demands that the Curaçao government lowers its government employee’s expenditures by 12.5% (Letter to Dutch Parliament from the State Secretary of the Ministry of the Interior and Kingdom Relations with regards to Covid-19 financial support conditions for Curaçao and Sint Maarten from Mr. R.W. Knops, May 22, 2020 (case number 2020-0000300590). The implicit assumption here is that the size of the government of Curaçao is too big.



Curaçao government increases its wage bill. This indicates that there is a disconnect between government spending on wages (consumption) and the broader economic context (GDP).

- So, by IMF criteria in cross country comparisons of 6 countries for the quantitative part of this study, as per
 - Government expenditures in percent of GDP, Curaçao ranks 4th of 6;
 - Government employees wage bill in percent of GDP, Curaçao ranks 3rd of 6;
 - Government employees wage bill in percent of government expenditures, Curaçao ranks 1st of 6;
 - Percentage point difference between GDP growth minus wage bill growth, there is a disconnect between the Curaçao government spending on wages (consumption) and the broader economic context (GDP);
 - Public employees as a percentage of the labor force, Curaçao is ranked 4th of 5, at 22% of the labor force.

The most important data above as it relates to the research question are wage bill in percent of government expenditures; percentage point difference between GDP growth minus wage bill growth, and public employees as a percentage of the labor force. Middle level civil servant costs are too expensive related to the responsibilities.

- Because Curaçao models its government structure after that of the Kingdom, the structure is large, costly and may not serve the small island nation as well as other more customized government structures may. There is evidence that those small island nations that devolve into a more autonomous status, customize their government structure and often enter shared services agreements within the Kingdom or Commonwealth or within the Region. This strategy reduces the size and cost of government and increases productivity of the government in its key role of fulfilling social and economic functions such as water and energy supply, public transport, creation of 21 century workforce, etc.
- In the cases where the island government devolved and imitated the structures of the larger government Commonwealth or Kingdom, the cost of government was higher and efficiencies lower. (T2DI, 2020)
- Recently the World Bank has recognized that in SIDS public sectors are major employers and there is now more interest in boosting their productivity rather than reducing jobs (Hassall, 2018).
- The public sector in SIDS was initially considered to be bloated and inefficient by the World Bank (Horscroft, 2014). However, literature that is more recent acknowledges that small states invest considerable financial and human resources relative to their GDP in order to deliver public services to small populations (Everest-Phillips & Henry, 2018). Moreover, the public sector is the main employer in many SIDS and compensates for low capacity within the private sector (Hassall, 2018).
- New public management reforms, which focused on rightsizing the public sector, were introduced in the 1990s. There is little evidence on the success of these reforms, although Hassall (2018) suggests that they were generally resisted. Hence, the public sector remains relatively large in many SIDS.
- The public sector in SIDS is not independent and is compromised by political interference, patronage politics and ethnic affiliations. These tendencies coupled with other socio-cultural characteristics make it difficult to establishing the Weberian model of the public service which emphasizes individual merit and neutrality (Everest-Phillips & Henry, 2018). The Weberian model structures bureaucracies as rational, hierarchical organizations in which power flows from the top downward and decisions are based on logical reasoning and data analysis.
- Devolution had limited success as illustrated in the example of the Cook Islands. Consequently, many public sector functions were recentralized (Glassie, 2018).
- The electronic government (E-government) initiatives have been very successful in overcoming the challenges pertaining to scale and remoteness. The key success factors included strong political will, executive leadership from the office of the government planning minister, effective communication between government and the public, a partnership between the island and kingdom or commonwealth government, development partner and service provider, high levels of literacy and political stability. These initiatives help governments identify redundancies and obsolete functions that, when removed, enable more flexible, agile, and smaller government structures.

Keywords: *Government, Public Sector, State Owned Entities, Autonomous Public Bodies, Standard National Accounts (SNA), IMF, CFT (Board of financial supervision), Devolution, Devolved, Parliamentary Dependency, Government Size, Social Transfers, Wage Bill*



Definitions, concepts, and models

There are several interpretations as to what “government” is, what is the civil service and who are government employees. We have chosen to adhere to a consistent set of concepts and models:

Government

According to their website, the Central Bureau of Statistics (CBS) of Curaçao also switches to this version. According to the SNA 2008 (p. 436-441) an organization belongs to the government when:

- It has independent decision-making powers (including owning assets in his own name, make contracts and take out loans);
- It is owned or controlled by a central government agency (including the ability to appoint board, amend articles of association and determine the general policy of the organization); and
- supplies its products and / or services for free or at economically insignificant prices. This is the case when the sales proceeds, excluding fixed subsidies, cover up to 50% of the costs (“non-market producer”).

In Europe, all National Statistical Institutes use the same definition of the concept of a public institution when publishing numbers; all National Statistical Institutes use the same definition of the concept of a public institution in the publishing figures (CBS NL, 2018 and Eurostat, 2019). This definition is based on the System of National Accounts (“SNA”) of, among others, the IMF and the United Nations. The most recent version is from 2008 and is used worldwide and referred to SNA2008 (European Commission et al., 2009).

Public Sector/ semi-governmental identity

In addition to the word government, we encounter the concepts of public sector and semi-government in everyday speech. These two concepts do not mean the same as the government. It is important to this identify distinction. The primary goal of the public sector is usually not to make a profit, but to make one as good as possible fulfill social function, such as education, public transport, water and energy supply and care. The public sector includes all government agencies and all public companies (CBS NL, 2018). The difference between a government agency and a public company in the last criterion of the SNA 2008. A public company is a private legal entity that is *owned or controlled* by the (central) government and at economically or insignificant prices or for free. They do not profit. All state-owned companies together form semi-government. Assessing whether or not an organization delivers at economically significant prices is difficult and serves “Case-by-case” takes place according to SNA 2008 (p. 438).

Social Transfers

Social transfers, either in cash or in kind, are transfers of income or services, from one group in a society to another, e.g. from the active to the old, the healthy to the sick, or the affluent to the poor, among others. The instrument by which social transfers are distributed varies per country. Some governments use general taxation to directly finance social transfers (such as the National Health Services in the United Kingdom), whereas other countries use compulsory earmarked payroll contributions to finance social transfers (for example the public sickness funds in Germany). In certain cases, social transfer are administered by civil servants (the example of the United Kingdom) whereas in other countries the administrators of social transfers are not officially civil servants (such as the example of the sickness funds personnel in Germany). Such differences in modality affect the way in which the size of government needs to be appraised and compared.



Devolved Parliamentary Dependency

Devolved Parliamentary Dependency is a process in which a central government of a country grants powers to subnational governments (e.g. regional, state, or local governments). This process of **decentralization** distributes power to territories that want more authority over their own affairs. The most famous example of devolution is in the United Kingdom, where Scotland, Wales and Northern Ireland exercise authority over their own lands, but remain part of the U.K. (Ismail, 2019) Usually, the central government maintains power of things like national security and defense but allows devolved governments to do things like set up courts, make laws, develop infrastructure, and regulate education.

Government Production Costs

General government production costs are decisions about the amount and type of goods and services governments produce, as well as on how best to produce them. They are often political in nature and based on a country's social and cultural context. Governments use a mix of their own employees, capital and outside contractors (non-profit institutions or private sector entities) to produce goods and services. Government production costs include compensation costs of general government employees; goods and services used and financed by general government (including intermediate consumption and social transfer in kind via market producers paid for by government); and other costs, including depreciation of capital and other taxes on production less other subsidies on production. The data government employment and intermediate consumption for output produced by government for its own use, such as roads and other capital investment projects built by government employees. This indicator is measured as a percentage of GDP.

Previous Research Observed

Research about Curaçao

The research began by looking at the reports that lead up to the creation of Country Curaçao in October, 2010. Reports from 2008 and 2009, discussed formulas for determining the size of government and the size of each ministry as well as the public sector and semi-government entities (Fundamentennota, Curaçao, 2008). Further, the business plans of each ministry that followed the period of crisis in 2012 through the formation of a 'Task Cabinet' and the creation of separate and long-term business plans in 2013 were reviewed. These plans articulated the core business and the structures of the ministries of the government not yet articulated at 2010. All recent IMF reports available for Country Curaçao were reviewed and compared with similar reports from the other small island states identified (Appendix 1).

Research and selection of other countries for the study

The countries of comparison were at different stages of devolution from their larger Commonwealth or Kingdom, and were selected so that comparisons could be made regarding the size of government with specific consideration given to their country form as compared to that of their Commonwealth or Kingdom. The population size of the country was also considered as we wanted to look at previous studies size of government as compared to population of the small island nations.



Introduction

Background

In the years leading up to and since the dissolution of the Netherlands Antilles and the creation of Country Curaçao in October of 2010, there has been an on-going discussion regarding what should be the most effective and efficient size of government, of the public servant apparatus, of the government held entities (SOEs) in serving the people of Curaçao and supporting an agile economy. At the 10-10-10 transition to Island Curaçao as an autonomous country within the Kingdom of the Netherlands, there were recommendations as to that would constitute “the government” and there were recommendations put into law as to the numerical size of “the government” and what this number constituted. Over time, there were job descriptions, salary scales, and agreements as to what would constitute “the government”.

Political instability persisted after 10-10-10 and consistent interpretation about the role of and constitution of the government faded. Stakeholder agreements about how to fund government weakened.

As the economic conditions of the island weakened, confidence in government weakened. It became a common believe that the strategies of government to stimulate the economy and support the necessary revenue streams to support the social obligations of government were not working. This led to the strengthening of the believe that government was too large, too expensive and ineffective. With this, the government attempted to redefine “what is government” and, it seems, moved away from the use of consistent SNA guidelines, Organization for Economic Co-operation and Development (OECD) definitions of SOEs, and agreed-upon algorithms to calculate “size of government”.

International assessment from IMF consistently advised that there needed to be attention to consistency in the national accounts. The Kingdom of the Netherlands who had invested in the Island Curaçao initiative through loan forgiveness and financial infusions became more concerned over time regarding the inability of the island government to balance its budgets and reduce its costs. For more information on this, see the Board of Financial Supervision (CFT) publications at www.cft.cw.

These concerns intensified in 2018 and have become more intense each year since as the local government has not shown sufficiently that they are able to reduce the cost of government. The Kingdom has instituted the CFT to monitor and advice regarding financial supervision.

In 2020, again, further constraints and conditions have been placed on the local government by the Kingdom to intensify its efforts to reduce the costs of government and balance its budget.

All of these actions point to an investigation about the size and definitions used to describe “the government”.

Theoretical Framework

Why is this size of government under scrutiny?

There is a long-term pattern of external pressures from annual reports of IMF, CFT and other reports that relate to the efficiencies and effectiveness of the government. There is also concern related to the long-term challenge of the country’s ability to manage its public debt, and, thereby, the country’s solvency. And most recently, there is pressure from the Kingdom to address these concerns by way of a structural reform plan.¹



Comparative analysis

In this inquiry we have employed what is most often referred to as a mixed method research. Such combinations entail the use of sampling, data collection and data analysis techniques conceived as qualitative and quantitative to compare countries, concepts against predetermined criteria set by international standards by international organizations.

Research Objective: To advise as to whether the size of government of Curaçao is too big?

Limitations of the study:

Time to gather data from multiple sources in multiple countries using the same data points;

Lack of consistency of local data for Curaçao;

Lack of comparative data to the inconsistent use of definitions and data formulas to assess size of government.

Research Methodology

The eleven island nations were selected for comparison based on population, relationships with a larger country Commonwealth or Kingdom, form of government, process of devolution, size of labor force, breadth of government, salary range, civil servant laws and employment rights, standard national accounts guidelines, and structures to measure sustainable development goals. Researching relevant information available to answer the defined question on government size is a challenge. By way of comparisons with at least eleven similar sized countries selected according to the variables mentioned in this report, many country analyses and reports are generic, high-level, or outdated. Alternatively, more updated sources are oftentimes in the local language. Languages consulted for this research were Dutch, English, French, Portuguese, Danish.

In addition, all governments use different methodologies, calculation methods, standards or references. We have endeavored to neutralize the differences and discrepancies among the multiple information sources as much as possible. In some cases, aggregated reports and comparisons by institutions such as the United Nations, IMF, OECD, or World Bank were used because these provided comparative models.

A key limitation for understanding development levels in Small Islands States (SIDS) is the lack of data. Instead of the broad “all-purpose” categories, it is considered more effective to create some smaller subgroups along issues-based categorization.

Research design

The research is based upon publicly available information, statistics, and other quantitative and qualitative data. Most information was gathered via online access, some information was provided by approaching the relevant country sources (government or statistics bureaus) directly. Only sources considered reliable and recent were consulted. Reliable sources are, for example, IMF or World Bank reports, the CIA World Factbook, or government websites and government publications. Whenever available, government information was given preference over other data sources. At the local level, face to face interviews were conducted with representatives of various ministries of the government and with independent consultative entities. Historical documents, laws and official government documents were consulted.



Where possible the same sources and the same year of data were compared in order to have the most accurate comparative analysis available. In all cases the most recent available data was utilized. All data utilized is referenced with a source.

In order to come to a relevant conclusion, the Curaçao population of approximately 155.000 persons was used as the average reference. Subsequently, smaller island populations of no less than 70.000 persons and larger island populations of no more than 350.000 were selected.

In addition, small island states with similar governance or political structures were also selected. Furthermore, more integrated islands like Guadeloupe (France) or the Azores (Portugal) were included, as well as more autonomous islands like the Faroe Islands (Denmark), Bermuda (UK) or Cook Islands (UK). Independent islands such as the Maldives, St. Lucia, St. Vincent & Grenadines, or Granada were also included.

The following twelve countries were selected (in alphabetical order):

Azores		Bermuda		Faroe Islands		Maldives	
Aruba		Cook Islands		Granada		St. Lucia	
Barbados		Curaçao		Guadeloupe		St. Vincent & Grenadines	

Nine important aspects are researched for each of the 12 selected island nations, including Curaçao. These aspects are:

- 1) Population
- 2) Government form
- 3) Number of Government Employees
- 4) NGO's Included/Excluded (Employee Numbers)
- 5) # of Government Held Entities (Employee Numbers)
- 6) Average public sector salary
- 7) Average country salary
- 8) OECD ranking
- 9) Follow SNA 1993 or 2008 guidelines

Initial selection of the above countries and characteristics allowed for the opportunity to use the mixed methods approach to further focus on key aspects that became trends comparable across multiple countries and to select the best options for cross country comparisons.

Data collection methods

In this inquiry we have employed what is most often referred to as a mixed method research. Such combinations entail the use of sampling, data collection and data analysis techniques conceived as qualitative and quantitative. Because techniques are tied neither to paradigms nor to methods, combinations at the technique level permit innovative uses of a range of techniques for a variety of purposes. Three techniques proposed for this research are 1. Triangulation, to achieve or ensure corroboration of data, or convergent validation. 2. Complementarity, to clarify, explain, or otherwise more fully elaborate the results of analyses, and 3. Development, to guide the use of additional sampling, and data collection and analyze techniques.



Quantitative analysis is being used for criterion sampling to permit statistical inferences to be made.

Qualitative analysis is being used because it allows for a kind of sampling to be used in the treatment of the quantitative data in order to extract more information from the quantitative data. This analysis can confirm researcher's impressions from these data, independent of other studies using the same quantitative data.

Sampling methods: Criterion sampling is used in the inquiry as it is based on preconceived criteria used in previous other studies. It is used because it allows for the mixed method techniques and it provides for extreme or deviant (departure from the norm) case sampling.



Analysis and Findings

There is an assumption that since there are less people in Small Island States (SIDS), there tends to be greater social homogeneity, cohesion and stronger feelings of collective identity; and that there are, generally, less complex problems which are less difficult and costly to address. The later may not be so. Smallness allows for a closer relationship between the state and its citizens. Easy access to key decision-makers allows for a more consultative policy process and, thereby, yields policies that are founded on broad-based consensus. But there is also the greater risk of conflict of interest, nepotism and cronyism.

There are some noteworthy features of public administration in small states which suggest, paradoxically, that despite the social intimacy typical of small societies, there are commonly²:

- a) organizational structures that are hierarchical, bureaucratic, rigid and inflexible;
- b) leadership – at both political and bureaucratic levels – that is paternalistic at best, autocratic at worst;
- c) managers who are unresponsive to client needs and who serve themselves or their organizations rather than their clients;
- d) management styles that are non-participatory, with rank and status overriding work-team relationships;
- e) generally adversarial relationships between managers and rank-and-file employees, with weak industrial relations mechanisms or procedures for conflict management and resolution;
- f) a fear or distrust of technology – to the extent that the application of technology to either administrative or productive processes is avoided as a matter of conscious, reasoned choice because of its opportunity for transparency; and
- g) personal considerations, including nepotism and cronyism, as the prevalent if not primary basis for personnel transactions rather than merit or performance, potentially leading to corruption as “everyone knows everyone”.

It should also be noted that where political differences exist in small states, they tend to be more personal, more intense and more emotionally charged, often leading to deep divisions and cleavages that undermine any suggestion of social cohesion.

Small (island) states tend to have larger governments for several reasons. Because of their size, they have high per capita fixed costs in creating public institutions and providing critical services such as public security (police), health, education, public works (incl. water & electricity), and social assistance and support. These public services must be provided independent of population size, resulting in diseconomies of scale and higher per capita costs in small (island) states. Both government size and the public wage bill (both as a percentage of GDP) are negatively related to country size and the relationship is statistically significant. Small open economies, like Curaçao, in addition are more susceptible to raw materials (oil & precious metals), trade and tourism volatility. Taking recent events into account, they are also highly susceptible to pandemics and large health crises. In addition, small island states in the Caribbean are also vulnerable to certain natural disasters (hurricanes). A larger government sector in these countries helps mitigate some of the volatility.

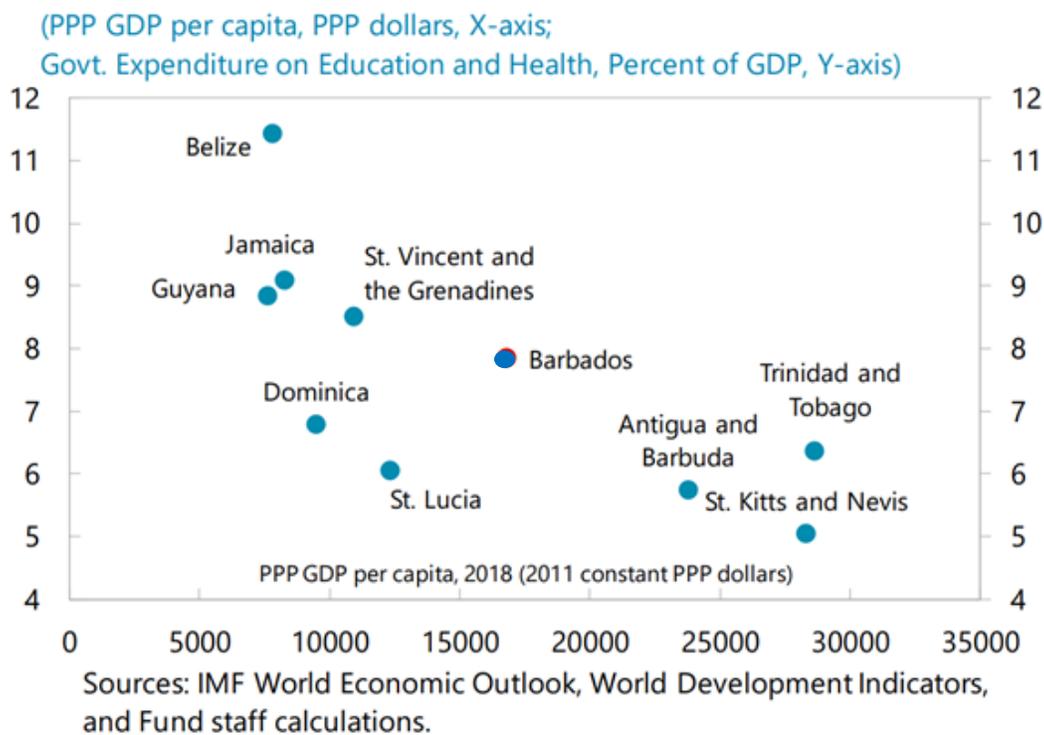
This research aims to interpret qualitative and quantitative research done by others, as well as create models based on our own research to argue, support and/or refute certain assumption related to government size, government efficiencies and effectiveness in delivering its services to the community Curaçao.

²Deryck R. Brown. 2010. “Institutional Development in Small States: Evidence from the Commonwealth Caribbean.”

Social transfers

Based on the IMF reports consulted (appendix 1), certain inferences can be made about social transfers. Curaçao has social transfers through the Social Insurance Bank (SVB) of on average 22% of GDP whilst the Netherlands averages at 21% of GDP on this metric. The IMF reports on Aruba largely omit social transfers and consider these as an autonomous activity outside of government (for example, Autonomous Public Bodies (ZBO in Dutch)). Only in the case of deficits, the Aruba government fills the gaps, and only those ‘filler numbers’ are reported on. Consequently, upon superficially comparing the countries, Aruba appears to have a very small government. When correcting for social transfers however, the numbers are roughly in the same range (see more on this in the IMF comparison part). For Grenada, the social transfers labeled as ‘Public Assistance’ and ‘Pensions’ entail around 2% of GDP. For Barbados and Saint Vincent and the Grenadines, social transfers were not explicitly reported separate by the IMF reports as part of government expenditures. The 2019 IMF report on Barbados (IMF Country Report No. 19/370), however, provides the following figure on social spending patterns in the region. Although there is some overlap between social transfers and social spending, they are not necessarily the same thing. Note that the following figure only considers government spending on education and healthcare as social spending. In the IMF report on Curaçao, social transfers consist primarily out of social insurance benefits (mainly healthcare and old age benefits). The key message of the next figure is to illustrate that different countries in the region have different manifestations with regards to the scope of government involvement in social matters such as education and healthcare. Such differences in public policy with regards to social transfers and social spending directly influences the size and cost of government.

Figure 1: Social Spending: Selected Caribbean Countries as sourced from IMF 2019



Because general production costs are, by definition, decisions about the amount and type of goods and services governments produced, as well as on how to produce them, and because they are often political in nature and based on



the country's social and cultural context, social transfers greatly influence the accounting used to determine the size of government.

As an example, one can review the Netherlands' strategy to cut government spending in 2011. At that time, just 2.9% of the Dutch working population were reported as employed by the state, compared to 3.3% in the US and 4.7% in the UK, according to research quoted and figures contained in a report by Leiden University researchers in December 2011. The report says the low percentage of civil servants in the Netherlands was due to the large number of non-profit organizations in the public sector. These organizations were not part of the government but did work which is a state function in other countries. That government made reducing the size of the state sector a central part of its strategy to cut spending. (Financieele Dagblad, November, 2011). That strategy remains in effect until today. Thus, showing the effects of social transfers.

Access to and Consistency of Data

It is often taken for granted that data is readily available for use in decision making and in research. Often analysis of data rather than original data is used to draw conclusion about a problem. In this research both access to data and consistency of data were challenges. The overall completeness, accuracy, and consistency of data at the island Curaçao level was lacking. While triangulating the data (using alternative ways simultaneously to ascertain the same fact), significant discrepancies between the different sources were observed. The international algorithms were not applied consistently, nor were the same data sets used across ministries. This type of consistency is especially important so that changes over time can be tracked using the same algorithms within a country, and so that cross-country comparisons will have integrity and consistency.

There must be steadfast adherence to the same principles, processes and form. This consistency leads to habits that become institutionalized across the government. This reliability then makes the data more transparent and usable in all kinds of comparisons to measure such things as size of government, cost of government, cost of public sector, comparisons of size and cost to the private sector within and across countries. Because of the lack of this consistency and lack of access, in this research we cannot confidently make *quantitative* conclusions or recommendations, because we found *the range of reported government size in personnel numbers* for Curaçao to be between 4045-7051(T2DI, 2020). We found the high, low and average salaries reported to be inconsistent across ministries and inconsistent with the Salary Scale Level 18+ currently used. We also noted that the SNA (2008) guidelines were not applied consistently year to year in the counting of government employees, civil servants or the determination of SOE's to be included or excluded when determining full-time equivalents (FTE). (All reports consulted regarding the Curaçao data are listed in the References)

In cross-country comparisons, this research focused on the reliability of international comparisons and the numbers submitted for those comparisons by each country. Consequently, the next part of this paper depicts the result of cross-country comparison based on the only source that allowed for a cross-country comparison, namely recent IMF reports.

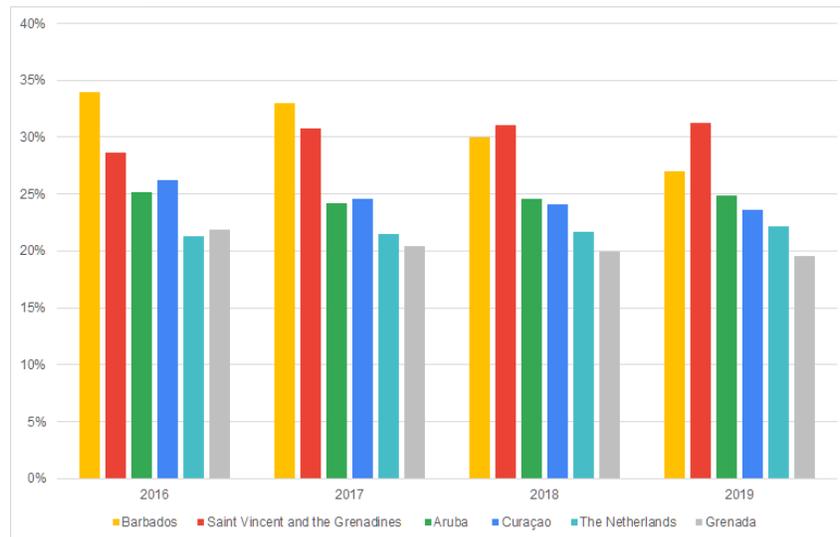
IMF Comparison

The International Monetary Fund (IMF) has published reports on several countries that are included in this study. A number of these reports include cross-country comparison, indicating that the IMF has sufficient confidence in the homogeneity of the data to make said comparisons. Consequently, this part of the paper depicts the findings of a number of IMF reports. This comparison was possible for only six of the 11 included countries, owing primarily to the fact that the entities that are not independent are not subject to regular IMF reports. For example, Guadeloupe and Azores are not reported on separately by the IMF, as they are considered to be part of France and Portugal, respectively. Detailed information and sources per data point can be consulted in appendix 1.

Indicator 1: Government expenditures in percent of GDP

The next figure depicts the government expenditures in percent of GDP. Note that in some countries, the ‘social transfer industry’ (which includes social insurance and welfare provisions) is a semi-self-contained system, somewhat separate from government, whereas in other countries it is directly part of the government. For Curaçao, Aruba and the Netherlands, social transfers have been explicitly excluded from government expenditures as they are reported on separately in the IMF reports. For Grenada, the social transfers labeled as ‘Public Assistance’ and ‘Pensions’ have been excluded for this comparison. For Barbados and Saint Vincent and the Grenadines, social transfers were not explicitly reported separate by the IMF reports as part of government expenditures. For more information about social transfers, please see social transfer section of this paper. The countries are sorted from highest to lowest. In the following figure, Curaçao ranks 4th of 6.

Figure 2: Government expenditures in percent of GDP

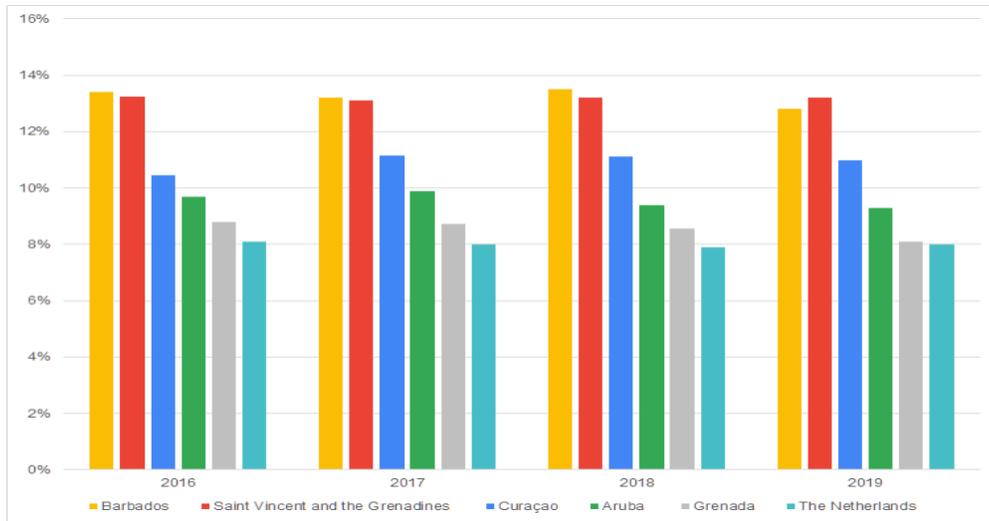


Indicator 2: Government employees wage bill in percent of GDP

The consulted IMF reports provided information on the government employees wage bill in percent of GDP. Note however, that this only includes government employees, and not the broader public sector such as State-Owned Enterprises (SOE’s). For the case of Barbados, the IMF noted in Country Report No. 19/370 that: “Many SOEs depend on government transfers to sustain their operations.” Consequently, in the annual report of Barbados, unusually large transfers from the government to SOE’s are allocated to cover salaries of personnel of SOE’s. For the purpose of this study, the wage bill numbers for Barbados are thus adjusted upwards from the official IMF number by accounting for said transfers. On average, this

adjustment results in 13% in the figure instead of 8% in the original report for Barbados. The countries are sorted from highest to lowest. In the following figure, Curaçao ranks 3th of 6.

Figure 3: Government employees wage bill in percent of GDP

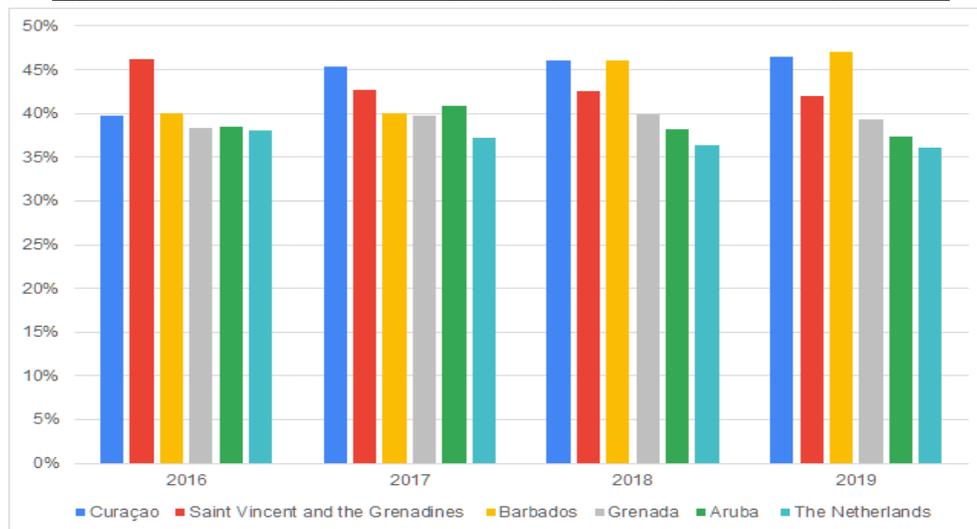


According to CFT reports, the Curaçao government wage bill needs to be contained further as staff recommended a comprehensive review of the wage bill to understand its main drivers (including compensation vs. employment) and to put in place lasting measures that address the root causes of its structurally high level. Some of those concerns are addressed here in by the comparisons made in this study.

Indicator 3: Government employees wage bill in percent of government expenditures

The next image depicts the government employees wage bill as a percentage of total government expenditures. The countries are sorted from highest to lowest. In the following figure, Curaçao ranks 1st of 6

Figure 4: Government employees wage bill in percent of government expenditures





Indicator 4:

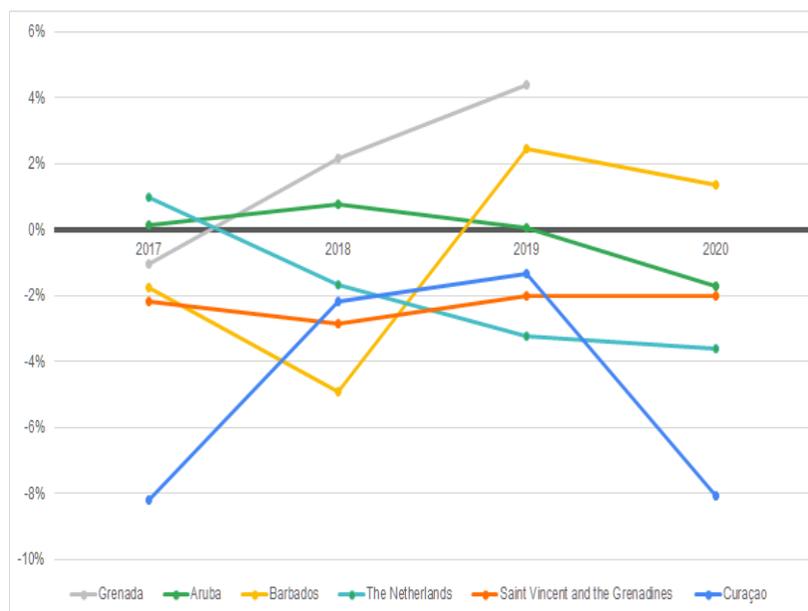
Another insightful dimension can be derived from the IMF reports, namely the discrepancy of growth between the yearly growth rate of the GDP when compared to the yearly growth rate of the wage bill. For this purpose, the yearly percentage in growth of the wage bill has been subtracted from the yearly percentage in growth of the GDP.

For example, If country A has a GDP growth of 4% in 2018 and a wage bill growth of 3%, then this metric will provide the value of 1% (= 4 - 3). To continue the example, if country A has a GDP growth of 1% in 2019 and a wage bill growth of 3%, then this metric will provide a value of -2% (= 1 - 3). A number close to zero means that the government wage bill growth mirrors GDP growth. A number lower than zero means that the wage bill is growing faster than the GDP growth. A number higher than zero means that the wage bill is growing slower than the GDP growth. Simply stated, this information indicates whether the growth of the government wage bill is in the same proportion as the growth in GDP. From the following graph it can be concluded that Curaçao is by far the worst performer in this regard, with a percentage difference of minus 8% in two different years. From this figure we can conclude that despite a negative growth in GDP, the Curaçao government increases its wage bill.

The arch of the curve of the Curaçao government in the graph below suggests that there is a disconnect between government spending on wages (consumption) and the broader economic context (GDP). In general, one would assume that a contraction in the economy would induce a lower spending behavior on government wages. This, however, is not the case for Curaçao. Obviously, such a pattern would not be sustainable for the private sector.

2020 data consist of projections made before the Covid-19 lockdown. For this reason, the 2020 projection for Grenada is not included in the next figure as that IMF report dates from May 2020 and accounts for the Covid-19 impact.

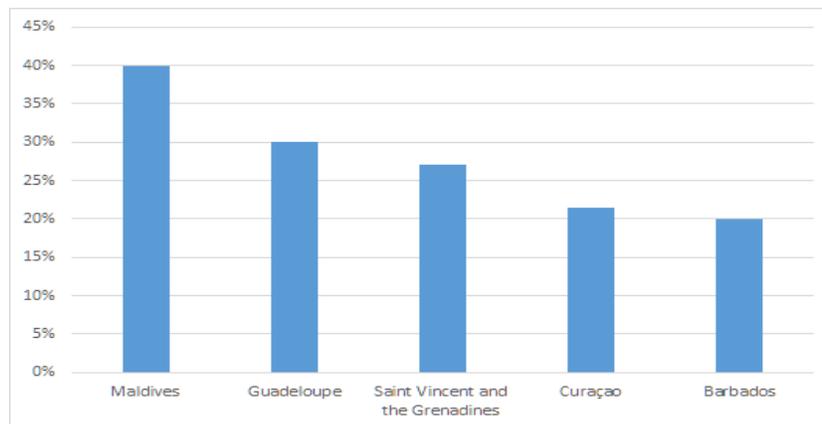
Figure 5: Percentage point difference between GDP growth minus wage bill growth





Indicator 5: Public employees as a percentage of the labor force The January 2019 IMF Country Report No. 19/23 stated on p. 12: “With about one quarter of total employed working in the public sector, Curaçao’s public sector wage bill (at close to 12½² percent of GDP) is among the highest in the region.” The report continued with a wage bill comparison of Curaçao with other countries in the region for the year 2017. According to CBS (2019), the total working population in Curaçao in 2017 was 62,834. Thus, a quarter of this number entails 15,709 people working in the public sector. However, the actual number of government employees in Curaçao is more likely to be in the middle four figures (4000 - 6999) (Imthorn, 2020). Possibly, the ‘quarter’ mentioned by the IMF thus relates to the broader public sector. The broader public sector includes amongst others state-owned enterprises and other public entities of which the personnel are usually not counted as civil servants nor included in the wage bill. Some of the countries included in this study mentioned the proportion of public sector workers within the total labor force. In this context, the IMF statement about the total working population translates to 21.5% of the labor force. This in turn, allows for some comparison with other countries. This comparison, however, should be interpreted with caution as information on the methodology used by these countries to get to these numbers is scarce and the individual data points for the different countries vary between 2017 to 2019. The data for the next figure is sourced from IMF, World Bank, OECD and the European Commission. The countries are sorted from highest to lowest across all of the reports. In the following figure, Curaçao ranks 4th of 5. The Netherlands, by comparison, makes up 12% (statitia.com, 2020) of the labor force and earn 5% more than the private sector. (Salaryexplorer.com, 2020)

Figure 6: Public employees as a percentage of the labor force



So, by IMF criteria in cross country comparisons, as per

- Government expenditures in percent of GDP, Curaçao ranks 4th of 6;
- Government employees wage bill in percent of GDP, Curaçao ranks 3rd of 6;
- Government employees wage bill in percent of government expenditures, Curaçao ranks 1st of 6;
- Percentage point difference between GDP growth minus wage bill growth, there is a disconnect between the Curaçao government spending on wages (consumption) and the broader economic context (GDP);
- Public employees as a percentage of the labor force, Curaçao is ranked 4th of 5, at 22% of the labor force.

² The more recent April 2020 report by the IMF (Country Report No. 20/94) indicated a lower number for this metric. For the purpose of this study, in case of discrepancies between IMF reports, the most recent one was used to create the depicted figures.



The most important data above as it relates to the research question are wage bill in percent of government expenditures; percentage point difference between GDP growth minus wage bill growth, and public employees as a percentage of the labor force.

Country Size Comparison

Does size matter? According to the criterion selection sampling used, we have taken into account the confounding factors related to small island nations. We found that Island governments do tend to absorb a higher share of the economy in small, open economies of similar size. The size and structure of the public sector plays an important role in overall economic performance. Costs of the government structure, and service effectiveness and efficiencies are better predictors than size as illustrated in the IMF comparisons earlier in this report.

Comparisons based on Country Relationship with a larger government system: Governance models and Devolutions

Several of the countries in the study are in various states of devolution. By definition, this process of decentralization distributes power to territories that want more authority over their own affairs. In some SIDS the relationship becomes more of a federalist system with shared service from a central government, leaving culture or regional economic development to the autonomous or semi-autonomous state.

Small Island Developing States (SIDS) experience capacity constraints relating to their small size, remoteness and dispersion (in the case of island archipelagos), which impinge on the quality of the public sector (Horscroft, 2014; Mycoo & Donovan, 2017). The available evidence focuses on Pacific island states and there is very little literature on public sector reform or capacity building on SIDS in other regions.

In the comparisons shared below of other SIDS devolution related to public sector reforms, similarities to the devolution of the former Netherlands Antilles, and the current Island Curaçao are worth noting.

It is oftentimes presumed that the Curaçao government should be smaller or less costly due to the fact that it now has a single government layer, as opposed to the time of the Netherlands Antilles when there were two layers. The cost of the government wage bill is analyzed in this document. However, analysis of the government structures of small island states in our sample has shown that single or double government layers, are not necessarily an indicator of a lower or higher government wage bill.

Government size is not directly related to the governance model that has been chosen by the small island state. Unicameral governments (one government layer), or Bicameral governments (for example with a Senate and a House), or different devolution models within a larger structure, within the sampled island states have higher or lower costs. Bicameral governments with two layers are not necessarily more expensive because they are more expansive.

Unicameral Parliaments, such as those of the Faroe Islands and the Azores, both autonomous regions with a long-standing integration with the motherland, appear to employ a larger than average public sector. In both cases over 30% of jobs as a percentage of GDP pertain mostly to public or semi-public economic activity. Because both island states are part of the European Union, a significant focus on a broad social infrastructure is also obligatory in order to achieve a similar welfare and human development index as the rest of the European Union. This results in significant government jobs in the areas of, for example, mental and social health, child welfare, treatment of addictions, etc.



In the case of the Faroe Islands many public sector jobs are also directly and indirectly linked to the largest economic pillar of fisheries, employing for example fishery compliance monitors, catch inspectors and quota management specialists. Because this economic activity within the European Union is highly regulated, and the Faroe Islands are both territorially and constitutionally (Denmark) connected to the European Union, there is a need for centralized government supervision of this primary economic activity. This “generates” these public sector jobs.

When looking at the Azores, two economic activities stand-out that “generate” many public sector jobs. The tourism sector has evolved rapidly over the past 10 years. The Azores have a public-private economic model of tourism development, specifically focused on generating sustainable jobs for the local population. Various tourism quality control, eco-management, parks & waterfront protection, and other public service jobs are directly linked to the size of the tourism sector. Another significant engine of public sector jobs is the geothermal energy business. The last 10 years the Azores have embarked on a process similar to that of Iceland, focused on using more geothermal energy. The development efforts in this area are primarily driven by the government, and as such generate a significant wage bill in this line of activity.

Bermuda, with a Bicameral Parliament, is considered the 6th most affluent country in the world, and has the highest cost of living in the world, 310% more expensive than the US. Bermuda also has a significant number of public sector employees, above 20%. On the other hand, Bermuda has been working the past 3 years at achieving an increasingly efficient government service, both in terms of service quality itself, as well as the cost of the total government sector wage bill. Part of the solution includes divesting from some key semi-public utility companies. Whilst more than 20% of the working population appears to be employed by the government there is a lower wage bill of around 13% of GDP. This is principally explained by the fact that Bermuda employs a large amount of high-paying finance jobs both for local Bermudans as well as resident foreigners. The very high volume of different offshore financing activities generates a broad base of stable tax income for the Bermuda government. The wealth available in the country also enables much more private sector activities that would otherwise be covered by many government services. The key example is private schooling on the island which can be easily paid for by all residents, and consequently de-pressurizes a large need for public schooling.

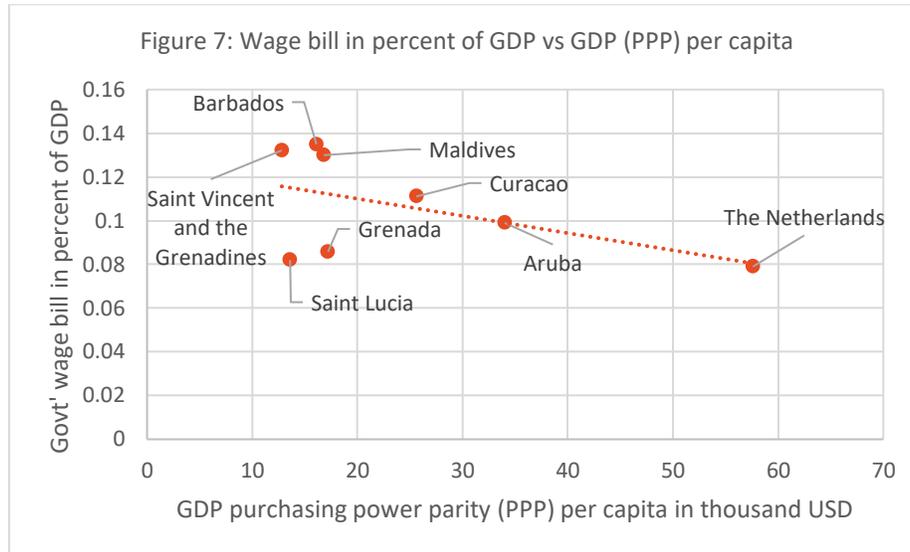
The Cook Islands are yet another example of the effects of devolution on the cost of government. After the financial crisis in the 1990s, the devolution of administrative functions to island governments was proposed for the Cook Islands (Glassie, 2018). However, there was little consideration of whether the island governments were capable of handling the new challenges and whether they had the capacity to manage their financial, human and infrastructure resources without relying on the central government in Rarotonga. Consequently, several functions which were devolved were soon re-centralized including aspects of education, health and police and justice. Overall, only agriculture and infrastructure remained as island responsibilities (Glassie, 2018)

Further devolution policy guidelines were developed using a more consultative approach with the outer islands. The legislation that was needed to complete the devolution process was drafted 13 times and entailed 19 versions (Glassie, 2018). After many delays and debates it was passed as the Island Government Act of 2012–13. In terms of the act, islands are governed by a council comprising an elected mayor, elected island counselors and elected representatives from each village. That council is expected to discuss and agree on local policies before plans of actions are developed and submitted to the island administration for implementation. Implementation is supervised by a Council Executive Officer who is in charge of the island administration and reports to the council through the mayor. Overall, there has been conflict between the island governments and the central administration especially between mayors and island secretaries. The central government has occasionally intervened, such as when armed police were dispatched to reopen Mangaia airport after it had been closed by the mayor due to a dengue fever outbreak (Glassie, 2018).

The government wage bills of the Netherlands, St. Lucia and Grenada are significantly lower due to a large effect of social transfers. Due to a lack of adequate comparable data, these social transfers cannot be adequately segregated in order to draw definitive conclusions.

Guadeloupe shares its education, healthcare, and infrastructure investments with the French motherland. The French government ensures high standards and takes care of most of the investment cost. As reported in their annual reports, in

addition to a high GDP per capita, the quality of these government services is significantly better for its citizens when compared to other Caribbean states, including Curaçao and Aruba.



Using the data points in this figure, it possible to do correlation analysis on the two variables (x-axis and y-axis) using the Pearson correlation. The Pearson correlation calculates a coefficient of the strength and direction indicating the extent to which two quantitative, continuous variables are linearly related. It can be used when measuring two variables on an interval scale. The direction of the relationship between the variables can be ascertained by interpreting the correlation coefficient. If there is a negative sign (-) in front of the correlation coefficient, then the relationship between the two variables is negative. Another important value to consider is the strength of the relationship. This can be appraised by looking at the size of the value of the correlation coefficient. Generally speaking, the following thresholds for appraising the correlation coefficient are used: small: $r = .10$ to $.29$, medium: $r = .30$ to $.49$ and large: $r = .50$ to 1.0 .

Another relevant metric used is the r-squared. This is a goodness-of-fit measure for linear regression models and is calculated by taking the Pearson value to the power of two. A r-squared value of close to zero means that variance in one variable has no effect on explaining variance in the other variable, whereas a r-squared of close to the number 1 means that the variance in one variable perfectly explains variance in the other variable.

The final metric is the probability value (p-value). In general, a p-value of 5% of lower is considered to indicate a statistically significant relationship, whereas a p-value of higher than 5% indicates no statistically significant relationship.

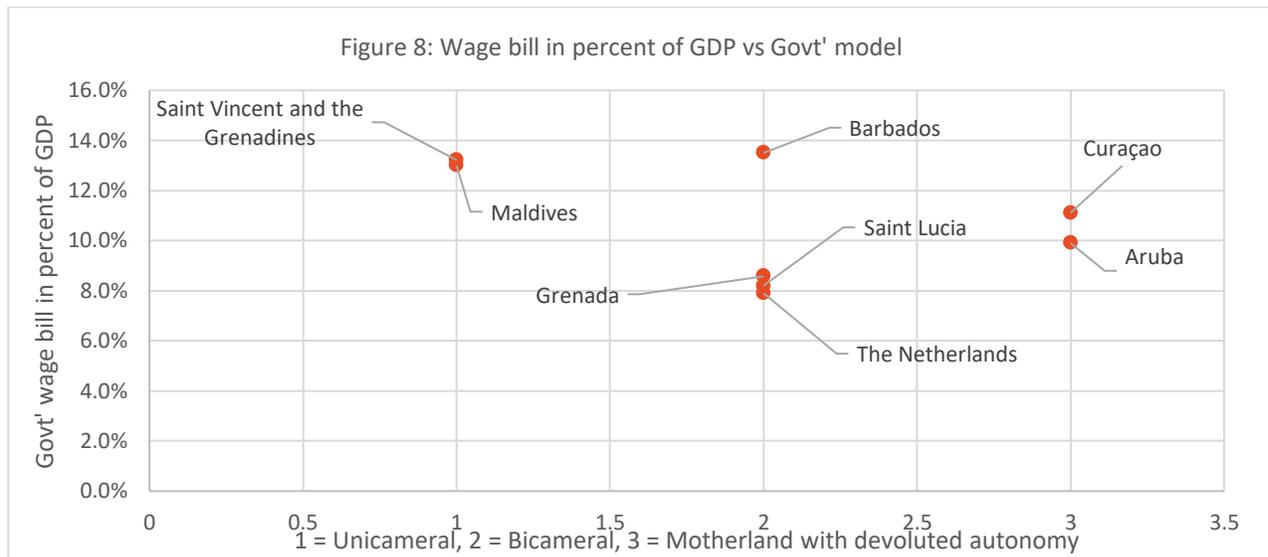
The following table indicates the statistical output for the 8 countries. Due to the fact that The Netherlands is an extreme outlier in this data set, two separate calculations have been made.

Statistical metric	When including NL	When excluding NL
Pearson correlation	-0.51	-0.21
R-Squared	0.26	0.05
Probability value	19.8%	65%



From this table it can be concluded that, although the Pearson correlation suggests a negative relationship, the low r-squared and the high probability value indicate that there is no meaningful relationship between the two variables in the figure.

The following figure illustrates that there is no specific government form that, due to its design (unicameral, bicameral, devolved) would necessarily result in a lower government wage bill. When observing data included in individual country reports of devoluted category (3) of states, the following pattern was noted in the island states of the Faroe Islands and the Azores, where are many government services actively deployed in the economy that generate a profitable return (geothermal energy, tourism, fisheries, etc.)(IMF Country Reports Portugal, Denmark). These countries are not included in the wage bill information because of the lack of comparable wage bill data.



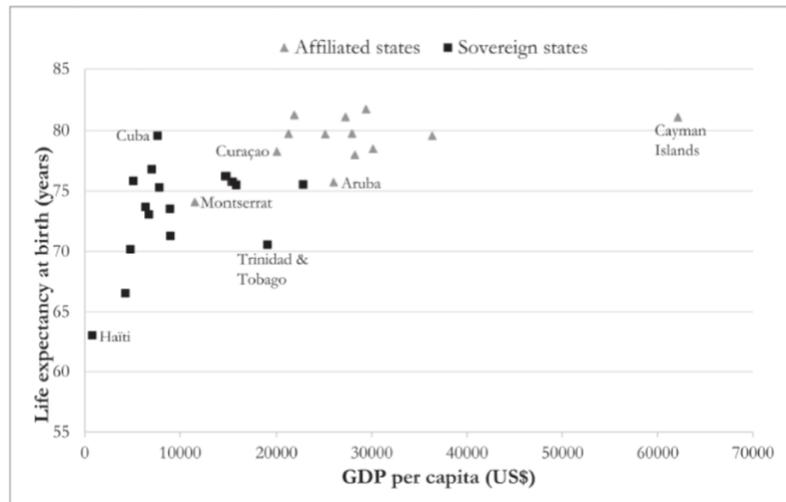
Remarkably, of the small island states mentioned in various studies and included in this study, those that do not imitate their mother country have smaller government, focused responsibilities, and the cost of effective, efficient governing are less. In the cases where the island government devolved and imitated the structures of the larger government Commonwealth or Kingdom, the cost of government was higher and efficiencies lower. (T2DI, 2020)

Another aspect of devolution, or kind of devolution worth noting as it relates to size and cost of government, is the concept of regional services pooling. Regional service pooling enables small states to provide public services that are normally provided at a national or subnational level in larger states (Dornan & Newton Cain, 2013). It covers areas such as fisheries management, education, higher education, transport services, central banking and procurement. The literature on *club theory* argues that each member must have net positive benefits to join and remain in a club. The benefits must be perceived to be shared fairly. Therefore, regional services pooling must be a collaborative solution with all parties benefiting and seen as equal.

As stated earlier, Curaçao, along with its other sister countries within the Kingdom of the Netherlands, (Aruba, St. Maarten, and the Netherlands, are in a state of *devolution*. After ten years of an autonomous relationship with the Kingdom, new structures and methods of sharing services and new forms of relationships may better serve all four countries and strengthen their economies and contribute to a more cost-effective government service.

Further, those island nations that remain affiliated to the Commonwealth or Kingdom, may also benefit in other ways related to social responsibilities to their people. As an example, Verstraeten, researcher at the Institute of Public Health Curaçao, illustrates the almost clear-cut division in political sovereignty status for life expectancy and economic development in her recent dissertation on Population Health in the Dutch Caribbean (figure 7). For each Caribbean state, life expectancy at birth among affiliated (grey triangle) and sovereign states (black square) is plotted against GDP per capita of that state. The graph indicates that states that have remained affiliated to their Western colonizers generally have better population health and higher economic development than states that have gained their independence.

Figure 9. Association between GDP per Capita and life expectancy by political sovereignty status



2015 sources. UN data, <http://data.un.org> and PAHO, PLISA database <http://www.paho.org/data/index/php/en/> as sourced from Verstraeten (2020).

Public Sector Reform In SIDS

Oppong (2016) notes that there is very little evidence on the effectiveness of public sector reforms undertaken in SIDS. This rapid review found the following case studies of public sector reform initiatives in SIDS. Most of the cases are from the Pacific islands and the review did not find case studies from other regions, other than the Seychelles. Little research exists on public sector reform in the Caribbean.

Rightsizing The Public Sector

A number of SIDS in the Pacific experienced public sector reform in the 1990s as part of an overall economic recovery program. There was a strong perception that the public sectors in Pacific island states were bloated and hence “crowded out” private sector activity (Horscroft, 2014). For example, a World Bank report published in 2005 claimed that the large public sectors in these countries, especially state-owned enterprises, were “crowding out” the private sector and undermining economic growth. A similar finding with regards to “crowding out” in Barbados was reported on by Jackmann and Craigwell (2014). In Samoa, the reforms focused on privatization and rolling back state owned enterprises (Commonwealth Secretariat, 2016). In Tuvalu there were attempts to downsize the public sector as well as to integrate Weberian norms of governance with more traditional Tuvaluan practices (Oppong, 2016). Likewise, the public service in the Cook Islands was generally perceived as over staffed and inefficient (Glassie, 2018). The literature does not provide specific evidence on the success of these reforms.



However, more recently the World Bank has recognized that public sectors are major employers and there is now more interest in boosting their productivity rather than reducing jobs (Hassall, 2018).

It is worth mentioning that the large public sectors in these countries act as a buffer to swings in their economies due to external shocks, especially in those economies that are or are nearly single sector economies.

In the discussions related to the Island Curaçao, these findings are noteworthy.



Conclusions

Based on best practice research and available data, the analysis comes to several conclusions:

- There is a lack of consistency in local data sources which makes conclusive findings difficult
- There is a lack of consistency in the use of one system of Standard National Accounts Guidelines in order to definitively determine the participants of government and public sector
- Because of the lack Consistent information sources, cross country comparisons were difficult.
- The size of the government, including the public sector, the semi-government entities and the government entities that receive subsidies, cannot be resolved until consistent definitions and algorithms are applied across all government ministries and departments, and are used methodically year after year.
- As a result of International Monetary Fund (IMF) data using country comparisons and key measurements of government spending (Percentage point difference between Gross Domestic Product (GDP) growth minus wage bill growth), it can be concluded that Curaçao is by far the worst performer in this regard, with a percentage difference of minus 8% in two different years. It can be concluded that despite a negative growth in GDP, the Curaçao government increases its wage bill. This indicates that there is a disconnect between government spending on wages (consumption) and the broader economic context (GDP).
- So, by IMF criteria in cross country comparisons of 6 countries for the quantitative part of this study, as per
 - Government expenditures in percent of GDP, Curaçao ranks 4th of 6;
 - Government employees wage bill in percent of GDP, Curaçao ranks 3rd of 6;
 - Government employees wage bill in percent of government expenditures, Curaçao ranks 1st of 6;
 - Percentage point difference between GDP growth minus wage bill growth, there is a disconnect between the Curaçao government spending on wages (consumption) and the broader economic context (GDP);
 - Public employees as a percentage of the labor force, Curaçao is ranked 4th of 5, at 22% of the labor force.

The most important data above as it relates to the research question are wage bill in percent of government expenditures; percentage point difference between GDP growth minus wage bill growth, and public employees as a percentage of the labor force. Middle level civil servant costs are too expensive related to the responsibilities.

The wage bill needs to be reviewed to understand its main drivers (including compensation vs. employment) and to put in place consistent, lasting strategies that result in the most agile and effective government structure possible to offer the best services to its people.

- Because Curaçao models its government structure after that of the Kingdom, the structure is large, costly and may not serve the small island nation as well as other more customized government structures may. There is evidence that those small island states that devolve into a more autonomous status, customize their government structure and often enter shared services agreements within the Kingdom or Commonwealth or within the Region. This strategy reduces the size and cost of government and increases productivity of the government in its key role of fulfilling social and economic functions such as water and energy supply, public transport, creation of 21 century workforce, etc.
- In the cases where the island government devolved and imitated the structures of the larger government Commonwealth or Kingdom, the cost of government was higher and efficiencies lower. (T2DI, 2020)
- Recently the World Bank has recognized that in SIDS public sectors are major employers and there is now more interest in boosting their productivity rather than reducing jobs (Hassall, 2018).
- The public sector in SIDS was initially considered to be bloated and inefficient by the World Bank (Horscroft, 2014). However, literature that is more recent acknowledges that small states invest considerable financial and human resources relative to their GDP in order to deliver public services to small populations (Everest-Phillips & Henry, 2018). Moreover, the public sector is the main employer in many SIDS and compensates for low capacity within the private sector (Hassall, 2018).



- New public management reforms, which focused on rightsizing the public sector, were introduced in the 1990s. There is little evidence on the success of these reforms, although Hassall (2018) suggests that they were generally resisted. Hence, the public sector remains relatively large in many SIDS.
- The public sector in SIDS is not independent and is compromised by political interference, patronage politics and ethnic affiliations. These tendencies coupled with other socio-cultural characteristics make it difficult to establishing the Weberian model of the public service which emphasizes individual merit and neutrality (Everest-Phillips & Henry, 2018). The Weberian model structures bureaucracies as rational, hierarchical organizations in which power flows from the top downward and decisions are based on logical reasoning and data analysis.
- Devolution had limited success as illustrated in the example of the Cook Islands. Consequently, many public sector functions were recentralized (Glassie, 2018).
- The electronic government (E-government) initiatives have been very successful in overcoming the challenges pertaining to scale and remoteness. The key success factors included strong political will, executive leadership from the office of the government planning minister, effective communication between government and the public, a partnership between the island and kingdom or commonwealth government, development partner and service provider, high levels of literacy and political stability. These initiatives help governments identify redundancies and obsolete functions that, when removed, enable more flexible, agile, and smaller government structures.

The conclusions lend themselves to recommendations that can be made in most instances. The recommendations that follow were added to the report after the report was presented to the Minister of Planning and his cabinet on June 15, 2020 and discussed with the cabinet. At the request of the Minister of Planning, the following recommendations are offered.



Recommendations

These specific recommendations are tied directly to the conclusions based on the data collected and the best practices observed in the country comparisons. They focus on the need for consistent use of internationally needed financial guidelines, processes and algorithms, and the rightsizing process for the island nation and processes that can lead to more effectiveness, and efficiencies in providing the government services to the community it serves.

1. *All Ministries, Departments and Data Dashboards of government and government-held entities adhere to a consistent system of Standard National Accounts Guidelines in order to definitively determine the participants of government and public sector.*
2. *The Standard National Accounts Guidelines that are referenced in Recommendation 1 be confirmed in annual reporting across all public sector ministries and departments, semi-governmental entities and any entities receiving subsidies; and there is a validation process of the use of consistent accounting definition and algorithms applied and used methodically year after year.*
3. *The review of the wage bill needs to be undertaken immediately to understand its main drivers (including consumption vs. employment) and then put in place consistent, lasting strategies that result in the most agile and effective government structure possible to offer the best services to the people.*
4. *The creation and implementation of a coordinated plan to review and revise government spending structures, processes and priorities needs to be put in place to address and connect the wage bill (what the government is spending on wages, i.e., consumption) to the broader economic context (GDP). This plan must include:*
 - *a monitoring system with consistent algorithms, and corrective measures.*
 - *strategies to reduce the percentage of public employees as percentage of the workforce, while acknowledging that SIDS consistently have a larger workforce in order to provide basic services effectively and efficiently to the community*
 - *actions highlighting how to reduce the cost of middle level civil servants as those costs are disproportionate to their responsibilities.*
 - *alignment of the civil servant evaluation system, the jobs description book, the payment scale, etc. to the new, modified government structure and include measures to encourage and reward effectiveness and efficiency standards of service.*
5. *By way of strategies outlined in Recommendations 1-4, improve country status in cross country comparisons used by the IMF to measure effective government performance as measured by:*
 - *Government expenditures in percent of GDP*
 - *Government employees wage bill in percent of GDP*
 - *Government employees wage bill in percent of government expenditures*
 - *Percentage point difference between GDP growth minus wage bill growth*
 - *Public employees as a percentage of labor force*
6. *Restructure the government size and formation based on a new delivery of service model grounded in best practice data and comparisons of small island nation forms. Because Curaçao models its government structure after that of the Kingdom, the structure is large, costly and may not serve the small island nation as well as other more customized government structures may. There is evidence that those small island states that devolve into a more autonomous status, customize their government structure and often enter shared services agreements within the Kingdom or Commonwealth or within the Region. This strategy reduces the size and cost of government and increases productivity of the autonomous government in its key role of fulfilling social and economic functions such as water and energy supply, public transport, creation of 21 century workforce, etc.*



7. *Create a mindset within government whereby agile governance is the focus and continuous revisions of the government's size and structures are necessary in order to provide the best services to the people. This continuous state is referred to as "devolution" and this process should be reviewed on a regular basis as a part of the review of the government's effectiveness and efficiency.*

(A significant conversation could be introduced within the Kingdom of the Netherlands for a four-country solution related to shared services, and devolution models that could benefit all four countries of the Kingdom. Curaçao Government could take the lead in opening this discussion)

8. *Consider World Bank recommendations to boost SIDS public sector productivity, as this entity recognizes SIDS public sectors as major employers, acknowledges that small states invest considerable financial and human resources relative to their GDP to deliver services to small populations, and declares that boosting productivity is a more viable solution.*
9. *Introduce a national integrity system to reduce political interference, patronage politics and ethnic partialities that interfere with rational, logical, data-driven decision making that is recognized in the Rule of Law and Constitutional structures.*
10. *Implement consistently across all government entities, an e-government initiative, as the research is clear that such plans help SIDS overcome the challenges of scale, remoteness; helps government identify redundancies and obsolete functions. When these are addressed, the government is more flexible, agile and has smaller government structures.*

It must be noted that all of these recommendations are best realized as a part of a well-organized, long term, country master plan based on three to five overall goals that can be carried by all ministries and that has been authorized by Parliament.



Appendices

Appendix 1: Detail data and calculations

<https://docs.google.com/spreadsheets/d/1bbPMCOiHFXIcDWswDi2FO30ZtfoS2VP0GhFkhA62W6k/edit?usp=sharing>

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