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**Indonesian Local Government
Organizational Reform:
Learning From International Experience**

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ABBREVIATIONS AND GLOSSARY

<i>ADB</i>	Asian Development Bank
<i>Amt/Ämter</i>	Department. Previously the basic organizational unit of local governments in Germany. Several <i>Ämter</i> formed a -> <i>Dezernat</i> .
<i>Abteilung</i>	Term for an organizational unit. Usually a sub-unit of the -> <i>Amt</i> .
<i>Allzuständigkeits- vermutung</i>	Administrative term to describe the constitutional principle that within their local jurisdiction local governments are in charge of all governmental matters unless specified otherwise by federal or -> <i>Länder</i> law.
<i>Bappeda</i>	Regional (provincial or second tier region) development planning board.
<i>Beamte/r</i>	Civil servant = Public sector staff appointed under public law (= <i>Pegawai Negeri Sipil</i>).
<i>Bürgeramt</i>	lit. Citizen Office. “One-Stop”-office and central point of communication for citizen who require services or permits from the local government.
<i>Bupati</i>	District (second tier region) head.
<i>Cabang Dinas Tk. I</i>	Branch of First Regional Dinas in the second tier region (deconcentrated).
<i>Deckungsfähigkeit</i>	Discretion to use budget funds for other purposes than the one specified for the respective budget line.
<i>DDN</i>	<i>Departemen Dalam Negeri</i> ; Department of Home Affairs.
<i>DSE</i>	<i>Deutsche Stiftung für Internationale Entwicklung</i> (German Foundation for International Development).
<i>DST</i>	<i>Deutscher Städtetag</i> (Association of German Cities).
<i>DPRD</i>	<i>Dewan Perwakilan Rakyat Daerah</i> ; Regional Legislative Assembly.
<i>Dezentrale Ressourcen- und Ergebnis- verantwortung</i>	Decentralised responsibility for resources and results. Central element of -> NSM. Usually the -> <i>Fachbereiche</i> are the organizational units which manage resources and have the responsibility to deliver results.
<i>Dezernat</i>	Term for an organizational unit. Consists of several -> <i>Ämter</i> .
<i>Dinas</i>	Regional level (autonomous) sectoral agencies, directly responsible to regional head in his/her autonomous role.
<i>DAPP</i>	District Autonomy Pilot Program. In Indonesian, often referred to as <i>PPOD</i> ; <i>Proyek Percontohan Otonomi Daerah</i> .

<i>Eigenbetriebe</i>	Commercial units of local government administration which have their own budgets and management structure but which are still part of the local government administration. Traditionally, public transport, water and electricity supply, and waste collection were undertaken by <i>Eigenbetrieben</i> . Under NSM, additional areas of administrative tasks (like culture, management consultancies, computer technology) are implemented by <i>Eigenbetrieben</i> .
<i>Fachaufsicht</i>	Technical supervision (by the <i>Länder</i> government).
<i>Fachbereiche</i>	Term for an organizational unit under the ->NSM. Usually F. are the basic technical/ subject-matter units of a local government, and are responsible for the management of resources and the delivery of services.
<i>Fachdienst</i>	Sub-unit of the -> <i>Fachbereich</i> .
<i>Freiwillige Aufgabe</i>	Voluntary task of the local government.
<i>GTZ</i>	<i>Deutsche Gesellschaft Für Technische Zusammenarbeit (German Agency for Technical Cooperation)</i> .
<i>Hauptamt/ämter</i>	Previously the cross-sectional unit of the local government in charge of organizational issues, general management support and general administration.
<i>IBRD</i>	International Bank for Reconstruction and Development (World Bank).
<i>INPRES</i>	<i>Instruksi President</i> ; Presidential Instructions. Generally associated with funding allocated by the President as central transfers to the regions for development purposes.
<i>IUDIP</i>	Institutional Urban Development...
<i>Kabupaten</i>	District (one of two types of Second Tier Region).
<i>Kameralistik</i>	Traditional public sector type of accounting and budgeting.
<i>Kandep</i>	<i>Kantor Departemen</i> ; central level office in the second tier region (deconcentrated).
<i>Kanwil</i>	<i>Kantor Wilayah</i> ; central level office in the province (deconcentrated).
<i>Kepala Daerah</i>	Head of Autonomous Region.
<i>Kepala Wilayah</i>	Head of the Administrative Territory.
<i>KAS</i>	<i>Konrad-Adenauer-Stiftung</i> (Stiftung = foundation). German NGO associated with one of the political parties in Germany.
<i>KGSt</i>	<i>Kommunale Gemeinschaftsstelle für Verwaltungsvereinfachung</i> (Centre for Local Government Management Studies).

<i>Kosten- und Leistungsrechnung</i>	Cost and output accounting. Element of -> NSM.
<i>Land/Länder</i>	Constituent element of the Federal Republic of Germany. Second level of government between federal (= national) and local level.
<i>Landkreis</i>	Type of local government (usually in rural areas). Comparable to <i>kapupaten</i> .
<i>Landrat</i>	Chief administrative officer of a -> <i>Landkreis</i> . Comparable to a <i>Bupati</i> .
<i>LAN</i>	<i>Lembaga Administrasi Negara</i> (National Agency for State Administration).
<i>LGCB</i>	Local Government Capability Building.
<i>LGU</i>	Local Government Unit.
<i>LOGODEF</i>	Local Government Development Foundation.
<i>LuV</i>	<i>Leistungs- und Verantwortungszentrum</i> . Administrative term used in the context of the administrative reform in Berlin. Comparable to the -> <i>Fachbereich</i> . Indicates that the respective unit is managing its resources independently under a performance contract with the top management of the local administration.
<i>MenPAN</i>	<i>Menteri Negara Pendayagunaan Administrasi Negara</i> ; Ministry of State for Administrative Reform, now integrated into the Coordinating Ministry for Development Supervision and Administrative Reform (<i>MenkoWasbangPan</i>).
<i>MenkoWasbangPan</i>	<i>Menteri Koordinasi Pengawasan Pembangunan dan Pendayagunaan Administrasi Negara</i> (Coordinating Ministry for Development Supervision and State Administration Reform).
<i>MoHA</i>	Ministry of Home Affairs
<i>MAT</i>	Municipal Action Team.
<i>NSM</i>	<i>Neues Steuerungsmodell</i> (New Steering Model). German adaptation of the New Public Management debate.
<i>Organizationshoheit</i>	Sovereignty to determine organizational issues.
<i>PP</i>	<i>Peraturan Pemerintah</i> . Government Regulation (one level below laws).
<i>PUOD</i>	<i>Pemerintahan Umum dan Otonomi Daerah</i> , Public Administration and Regional Autonomy; the Directorate General concerned with regional autonomy in the Ministry of Home Affairs.
<i>Peraturan daerah</i>	or “ <i>Perda</i> ” for short; Regional Government Regulation.
<i>Permendagri</i>	Ministerial Regulation of the Ministry of Home Affairs.

<i>Personalrat</i>	Staff representation in the public sector.
<i>Pflichtaufgabe</i>	Mandatory task of the local government.
<i>Rechtsaufsicht</i>	Legal supervision (by the <i>Länder</i> government).
<i>Sammelnachweis</i>	Budgeting of expenditures according to types (like personnel cost, equipment), and not according to the organizational units incurring the expenditures.
SfDM	Support for Decentralization Measures; project of the MoHA supported by GTZ.
ZOPP	<i>Zielorientierte Projektplanung</i> (Goal-oriented Project Planning).

INTRODUCTION

1. Organization and Local Government Performance

Organizational Theory and Local Government Performance

Decentralisation and local government empowerment are the avowed aims of many governments as well as supporting agencies such as the UN, World Bank and the International Union of Local Authorities (IULA). Regarded by many as building blocks for supporting good governance, there is often a general assumption of a direct and obvious link between local government (LG) performance and the degree of discretion or autonomy given to them. In other words the more freedom and choice local government have in deciding on their organizational structure, the better their performance will be.

While a rich international literature on performance indicators for LG's is now available for a wide variety of sectors and level of detail (see for example Mundel, 1975; Linebery, 1977; Hatry. et al., 1973, 1979; Sanwal, 1987; Ruffing Mangelsdorf, 1988; Ingham and Kalam, 1992; Olowu and Smoke, 1992; Mills, 1994; Crook, 1994; Manor, 1995; Keehly et al., 1997), this literature sheds little light on the issue of organizational structures and staffing policies that facilitate the achievement of the various performance indicators offered. In particular, the link between the scope for LG self-organization (meaning primarily structure and staffing in this paper's context) and its relation to organizational performance has not been well examined. Hard empirical evidence seems to be missing, perhaps partly because the "concept of performance in relation to a public body such as a local government authority is widely acknowledged to be multidimensional and difficult to measure" (Crook 1994:341).

Certainly the literature does acknowledge the need to introduce innovations in organizational structures of LG's to promote greater efficiencies and effectiveness in basic services and development roles (see for example Local Government Development Foundation, 1993). Other basic organizational theory that is relevant includes the dictum that "form follows function"; the setting of organizational structures thus must flow from higher level goals and functions of the organization and its specific strategic commitments to clients, geography and products. In the scant writings pertaining specifically to the LG context, theorists place much hope in more flexible institutional arrangements as a way to make LG's more effective. Advocates of broader enabling roles for LG's have put forward the "network" model for instance (see Stoker, 1991), where specific structures are less important than relationships between organizations that support performance. Rather than focusing on any particular set of organizational structures, Stokes maintains that "What is crucial is that mechanisms exist for mutual learning and cooperation"(Stoker, 1991: 266).

Public choice theorists are particularly concerned with the bureaucracy's tendencies towards budgetary growth and over-supply, leading to waste and inefficiency. These tendencies are seen in large part to stem from weaknesses in representative systems (Niskanen, 1971). Privatization and disaggregation of local government are seen as the best way to make the benefits and cost clearer and to increase competition that would spur efficiency.

Other writers are kinder to the bureaucrats, challenging the claim of a self-serving bureaucracy. Goodwin (1982) holds that bureaucrats are concerned with policy issues and committed to public service. Dunleavy (1985, 1986) argues that the local bureaucracy is self-serving but not very intent on budget expansion, this in part is due to core regulatory agencies that influence the less stable service delivery oriented LG organizations, but are themselves insulated from service budget cuts given their distance from service delivery organizations.

Literature explaining the role of regional/local structure and staffing discretion on the overall performance of LG's is lacking. It is not an easy matter to determine that if LG's are given considerable discretion in organizing themselves they will do so more efficiently and effectively than if higher levels impose on them structures and processes. The critical question regarding self-organization is what factors will determine whether the discretion will be used in a financially and politically responsible fashion and with an orientation to satisfactory public services. In other words, what checks and balances must exist so that local discretion will not result in waste, poor services and organizational aggrandisement.

Context and Purpose of this Study

The current debate on Indonesia's decentralisation policy has to address the issues of LG organizational structure and staffing levels. As will be shown later, until now LGs had little discretion in determining their own structure, and there is a general assumption that this is one of the reasons for the unsatisfactory performance LGs¹ have shown. In the context of the Support for Decentralization Measures (SfDM) project of the Government of Indonesia², the authors (one based in Germany and the other in Canada) were therefore asked by the GTZ partner to provide some comparative analysis of approaches to setting local organizational structures in other countries. Given the authors' home base, and the German origin of the technical assistance partner, the experiences of Germany and Canada were tapped for their relevance to Indonesia. In addition, other international literature and some information on the Philippines, an ASEAN member, has also been incorporated. The authors undertook an extensive literature review, and interviewed relevant actors in these countries (see Appendix 1: Key Informants). Because of the well known dangers of "technology transfers", the authors took pains to understand in more detail the frame conditions in the selected countries that support the prevailing approach to organizational structuring, and examined in some detail the approach and relevant frame conditions in the Indonesian context to determine the possible relevance of these approaches. From the analysis, suggestions are drawn for future policy directions for Indonesia on LG discretion in self-organization.

The present paper does not pretend to close the missing empirical link between local government organization and local government performance mentioned above. What it does attempt is to describe processes and methods of organizational change and to outline framework conditions which must be fulfilled for making organizational change succeed. GTZ-SfDM's intent is to stimulate the discussion regarding the appropriate degree of discretion in Indonesian

¹ LG organizations in this paper are defined as agencies or units of municipal or regional government which are primarily responsible to the local administration and/or council. In Canada, the level of analysis is the county/region level; in Germany, the cities and the *Kreis*; and in Indonesia, the second tier region (district/city; *Dati II*).

²The SfDM is supported by Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), the executing agency of the German Federal Ministry of Economic Cooperation and Development (BMZ).

LG self-organization in the current context of the reform drive regarding centre-local relations. At the time of finalising this study a draft law to replace the 1974 Law on Regional Autonomy (UU No. 5/1974) was still under preparation/deliberation.³ However, the authors feel that the issue of structure and staffing has to be addressed irrespective of the outcome of the deliberations for the new law. GTZ-SfDM has already contributed inputs for the revision of the law, and will continue doing so. The present paper can be seen as elaboration and support for the general positions already taken, with a focus on the issue of organization, structure, and staffing.

The structure of the paper is as follows:

Part I (chapter 2 and 3) describes the context of local government development and decentralisation in Indonesia and emphasises some empirical observations of local governance performance. Chapter 3 presents the present framework for organizational and structural development of LG in Indonesia, including existing tools for organizational development in the Indonesian administrative system. The district level planning boards (*Bappeda*) are used as a case study to analyse the mechanisms of determining organizational structures for the local level.

Part II (chapter 4) focuses on the international case studies. Starting with a brief introduction into the relationship between reform and organizational change, the current process of administrative reform in Canadian and German local government is outlined. Some coverage of the situation in the Philippines is also given in view of this interesting regional initiative brought about by the 1991 Local Government Code. Since organizational development in local administration cannot be properly understood without its broader context, the report will describe briefly the main elements of the philosophy or principles underpinning reform efforts, and highlight the main characteristics of the reform process. Instruments of organizational development, and frame conditions necessary for reform processes to succeed are described. Brief case studies of local governments in the three countries are presented to obtain practical insight into the reform processes.

Part III relates the international experiences to the situation in Indonesia, formulates the changes necessary to create frame conditions conducive for creating effective and efficient local government organizations, and suggest the development of an organizational assessment tool as an instrument to support local governments in creating better performing structures.

³ The Extraordinary Session of the People's Assembly (MPR) in November 1998 confirmed the focus on decentralising governmental functions and strengthening local governments as part of the reform agenda of the new government.

PART I: THE INDONESIAN SITUATION

2. The Indonesian Decentralization Context

Until recently, Indonesia has successfully pursued national goals through centralized institutional arrangements and programs. Facing new challenges from globalization and internal economic and social development, policy makers in the Indonesian Government have become increasingly convinced that in the future national growth, unity and stability can best be achieved through a more decentralized form of governance. Translating awareness into commitment and action however has proven difficult.

Decentralization is a basic principle of the Indonesian Government, enshrined in general terms in the 1945 Constitution (Article 18). According to Law No. 5/1974, there are two autonomous levels of government below the central government, the first tier region (provinces) and the second tier region below the province (since most of Indonesia's 304 second tier regions are districts, the others being urban centres, the term district will be used as a shorthand). The focus of local autonomy is set at the district level. However, very little progress has been made in the intervening years to realize the intent of this law, particularly with respect to the emphasis for autonomy on the districts. Numerous sectoral (i.e. substantive) decentralization related regulations have been passed since then, some of them significant and others less so, accompanied on occasion with retreat to centralized arrangements. In April 1995 Indonesia initiated a two year district autonomy pilot project (DAPP in its English acronym), involving 26 districts (*MenPAN*, 1994). The Minister of State for Administrative Reform (*MenPAN*), in conjunction with the MoHA, negotiated the conversion of the vast majority of deconcentrated units of the central and provincial governments in the 26 districts to units responsible directly to the district head (*Bupati*). A set of responsibilities was formally devolved in a crash program of government and regional regulations. Resources to discharge these responsibilities and personnel reassignments to the regions were to complement this measure. In the most visible of changes, pilot districts that previously may have had less than ten sectoral departments of their own (*Dinas*) can now boast of more than 20. Together with other agencies that are cross-sectoral in nature (e.g. district development planning, and village development for instance) a typical district may have 30 or more "autonomous" agencies, with several thousand staff if local teachers, hospital workers and other implementing units of local agencies are taken into account.

The DAPP design and implementation process was decidedly top-down in nature (Ferrazzi 1998). This top down approach extended to the setting of the organizational structures for *Dinas*, supposedly "autonomous" district agencies. The latter's disappointment was generated by this detailed imposition by the centre, and the lack of consultation and room to manoeuvre drew much criticism from the usually meek district bureaucracy. In view of the amount and weight of certain sectoral functions transferred, some districts would, if left to their own devices, not have established some *Dinas* in certain sectors, preferring to combine certain functions under one roof or to integrate them in other existing *Dinas*. This is no small objection given that a significant portion of the routine budget to support the *Dinas* come from the districts.

The GTZ partner in the Support for Decentralization Measures (SfDM) project sought to engage various central and regional governments agencies in a dialogue on the promising aspects and shortcomings of the district autonomy pilot project. Among the issues raised was the questioning of the assumed need for the central level to determine in detail the organizational structure and staffing required in each regional agency. GTZ worried that excessive central imposition could be counterproductive to achieving the various goals attached to the DAPP, particularly the goals of making the apparatus more efficient, raising the quality of public services, and increasing local participation. Discretion to define and modify organizational structures and staff levels and deployment seemed necessary to allow for experimentation and creativity in the pursuit of increased efficiency and effectiveness.

It is difficult to ascertain the present performance of regional governments in Indonesia given the weak performance measurement systems in place, and the tendency to measure entire sectoral performance rather than the contribution made by individual governmental units. In part, the blurring among jurisdiction is itself symptomatic of unclear distribution of functions among government levels and/or the penchant of the centre to infringe on lower level jurisdiction. Indeed, the unitary system allows the central departments to maintain technical control (*pembinaan teknis*) over local government functions, and the MoHA to maintain general guidance (*pembinaan umum*). These poorly defined instruments for control and support work to blur responsibility assignment. In addition, individual and organizational performance assessment is hampered by the prevailing working culture of the administration and its civil service, where *Bapakism* (respect towards the superior) is expressed in the attitude of *ABS (Asal Bapak Senang: Whatever Keeps the Boss Happy)*, and where conflict avoidance and the preference for harmony inhibits passing negative judgements on colleagues and passing bad news on performance up the hierarchy (Rohdewohld 1995).

Evaluation in the Indonesian system is largely undertaken in project contexts, is rarely deeper than monitoring of implementation, and is focused on physical and financial targets. In the context of international technical assistance more complete evaluations are usually undertaken (including sometimes post-project evaluations). As a rule however, the ongoing tracking of government performance, particularly in service provision, is rare. Such an assessment is hampered not only by organizational culture but also by a lack of specific benchmarks to assess service provision.

The authors' experiences with local government agencies, and anecdotal evidence suggests that the performance of all LG organizations in Indonesia is variable but generally weak, with poor quality and insufficient quantity of goods and services. Common problems include lack of funds and lack of adequate facilities and technology, unmotivated or unavailable staff that has to supplement the insufficient salary by other means, and lack of qualification and skills resulting in part from position grading and career structure that works against LG obtaining the services of well-qualified candidates. Some investigations regarding planning, extension and basic services are available to confirm this bleak picture:

Bappeda and the Village Development Office (*Kantor PMD*, formerly *Bangdes*) perform poorly in the management of the bottom-up planning process and regional coordination functions (Ferrazzi et. al, 1993; Spyckerelle and Ferrazzi; 1996). The entire regional spatial/land use planning framework at the regional level is seen as very weak, with a confusing array of centrally imposed regulations on planning products and procedures. In any case, these

impositions do little to curb central government and investor abuse of land use plans, particularly in relation to location permit allocations (AKPPI, 1998).

The World Bank's assessment of the regional extension services has been harsh, criticising the organizational structures employed, the delivery of services and the relevance of the advice given to farmers. Much of the blame fell on the shoulders of central level agencies for their top-down and inappropriate decisions and inadequate support given to regional organizations (IBRD, 1996). Urban regions lack physical infrastructure and deliver poor quality services, and then to only some of their constituents, generally to those who can afford them. For instance, in Tanjung Balai, an ADB target region for the IUIDP, only 32 percent of the city's households are served by the city water enterprise (PDAM); the rest buy contaminated water from vendors (Taylor, 1995). Levels and quality of services in rural areas are even worse than those in urban centres.

The root causes of poor regional government performance are many. A lack of resources greatly affects the level and quality of services possible. Underpaid and poorly trained or placed staff are obvious shortcomings. Work procedures are imposed by the centre and regional government, reducing individual initiative and creativity. Additionally, favoured positions in public administration are primarily managerial rather than functional, denying the agencies of important skills and stability of service (see LAN, 1994 for case of *Bappeda*). In deciding promotions, emphasis is placed on seniority rather than qualifications and performance. Whether performance is poor or not, staff is regularly promoted. The more important consideration is whether staff have been loyal to their superiors, in undertaking duties and other imperatives of personal and institutional survival.

These are systemic problems of the entire public service, rather than simply those of the local government. The question raised is whether by merely transferring the functions from the centre, or the province, to the district these problems can be rectified. More specifically, an open question is whether the readjustment of centre-local relations in organizational and staffing issues will result in improved local organizational performance.

The issue of local discretion in organizational structures and staffing is not a new topic for Indonesian officials. Central level officials, and occasionally provincial and district officials, have long pursued this goal. The adjustments made to district organizations in the context of the DAPP is just such an attempt. Prior to the DAPP, the MoHA had adjusted *Dinas* organizations based on regional proposals. It has spent much time in particular in exploring how the regional Planning Boards (*Bappeda*) could be restructured to be more effective. In the next chapter, the authors address the range of autonomous organizations found in the district, and focus on the *Bappeda* as a case study given the strategic role of this agency and the number of past external and internal studies undertaken to improve its structure.

3. Indonesian Framework for Organizational Development

To understand the LG context in Indonesia, appreciating the role of central agencies is paramount. Conceptual guidance on administrative issues comes from *LAN* and *MenPAN* (the latter is now integrated within *Menko Wasbang/PAN*, but the old name will be used for simplicity). More hands-on guidance comes from the MoHA, under the title of *pembinaan umum* (general guidance), and from the technical departments' *pembinaan teknis* (technical guidance). For districts in particular there is also *pembinaan operasional* (operational guidance) that is undertaken by the Governor (provincial level). In practice, there is much confusion regarding the scope of all of these forms of guidance and some role conflict regarding its implementation.

In setting the policy framework for achieving organizational effectiveness, *LAN* has suggested that the development of administrative organizations is to be guided by eleven principles (*LAN*, 1997), as shown in Table 1 below:

Table 1: Indonesian Principles for Organizational Development

Goal orientation	Division of tasks	Functionalization
Coordination	Continuity	Flexibility
Accordion ⁴	Delegation	Span of Control
Line and Staff	Transparency	

The same pursuit of efficiency is sought by *MenPAN*, in its encouragement to all government organizations to pursue “lean structures” (*perampingan organisasi*), through combining, abolishing, reducing and privatizing units or functions (*MenPAN*, 1997a/b). In discussing the factors that support this approach, *MenPAN* mentions that decentralization is required, but does not provide specific suggestions regarding which decisions now held by the centre should be relinquished to the district.

While the conceptual direction given by *LAN* and *MenPAN* has progressive elements, i.e. the need for a flexible and efficiency focused approach, the operationalization of the concept lies predominantly in the hands of the Ministry of Home Affairs. This ministry has a more traditional and cautious stance that largely fails to reflect the above conceptual approach. As will be seen, the *LAN* or *MenPAN* principles are therefore not well reflected in structuring regional organizations, and it will be argued that the limited autonomy given to the regions (especially the district), in following these or any other principles, acts as one impediment among many others to the achievement of better government performance at the local level.

3.1 Setting Organizational Structures

The basic framework for regional government is set in Law No. 5/1974, establishing the roles of regional head, the legislature, and “autonomous” agencies. This law states that

⁴ The “Accordion”- principle stipulates that the size of organisations should be adjusted according to their tasks and work load, i.e. could grow or contract according to the circumstances.

“the establishment, organizational structure and staffing of regional agencies (*Dinas*) is to be set via Regional Regulations in accordance with the manual set by the Minister of Home Affairs: (section 49)”. This apparent room for local discretion evaporates when the “manuals” are examined. These manuals are not offered as best practices or suggestions, but as detailed decrees offering little scope for regional discretion.

The entire range of agencies allowed to have existence in the regions is set by MoHA decree (Kepmendagri 97, 1993). In essence, this decree mandates the district to establish certain cross-sectoral agencies (e.g. planning, village development, audit body), leaving only the determination of specific number of sectoral agencies to the regions (and this in conjunction with central departments). At the individual agency level, the organizational structure of all agencies is set from a MoHA menu, usually a very limited menu. Even the branch structure of district agencies is covered by these menu offerings.

The sectoral agencies (*Dinas*) and the regional secretariat are given a dual choice: Small versus Large (*Pola Minimal, Pola Maximal*). The MoHA decree setting the *Dinas* structure is not accompanied by criteria (Kepmendagri 39, 1992), but the one for the secretariat (Kepmendagri 28, 1992) has an attached set (see Appendix 2 for details). Whatever choice is made from these menu, subsequent decrees outline in detail the organizational chart corresponding to each choice. Usually there is not a very large difference between choices. Table 2 provides the menu (only with key divisions) for the district planning board (*Bappeda*) (Kepmendagri No. 185, 1980):

Table 2: ABC Menu for District Development Planning Boards (*Bappeda*)

Type A (23 districts)	Type B (153 districts)	Type C (130 districts)
Chair	Chair	Chair
Secretariat	Secretariat	Secretariat
Divisions:	Divisions:	Divisions:
Research	Data and Reporting	Data and Reporting
Economy	Economy	Economy and Socio-cultural
Socio-cultural	Socio-cultural	Physical and Infrastructure
Physical and Infrastructure	Physical and Infrastructure	
Statistics and Reporting		

Source: Bureau of Organization, MoHA, 1998.

Decrees setting organizational structures, as in the case of the *Bappeda*, usually specify all of the sections that exist within each division or sub-unit, and the task of each sub-unit and individual sections (*structural* positions). These become the basis for the job descriptions for the sub-unit and section heads. Each section head would normally have one or more regular staff (with no *structural* position) who would not be shown on the organizational chart, and for whom job descriptions normally are not made, even if administrative protocol calls for them. Generally the region is expected to issue a regional regulation (as mentioned in Law No. 5/1974) to operationalize the specific choice (usually decided solely by higher levels) and specifying to the same degree or in more detail the job descriptions of the structural positions. Local level regulations are then a mere confirmation or activation of what has been decided by the centre.

How decisions are made in selecting the structure is actually less than transparent. The districts given the “C” *Bappeda* structure frequently complain that their human resources are

insufficient to discharge the planning functions, and that they should be raised to category B. Those districts in category B would like to receive category A status or some other improvement.

There have been no criteria set by the MoHA or other relevant central agencies to guide the selection of *Bappeda* structure from the ABC menu. The MoHA sought to correct this perceived gap in their *pembinaan umum* (general guidance) function in 1996 in the context of its longer standing effort to overhaul the organizational structure of the *Bappeda*. The proposed organizational structure mirrored the regional secretariat format of *Pola Maximal/Minimal*, with a similar set of criteria to make the choice. The criteria anticipated (Table 3) are similar to those currently employed for the district secretariat (see Appendix 3 for details on scoring):

Table 3: Factors to be Applied in Assigning *Bappeda* Structure

1.	Governmental Factors (GF)
a)	Population level
b)	Geographic area
c)	Lesser jurisdictions
2.	Technical Factors (TF)
a)	Own revenues
b)	Development funds
c)	Autonomous functions
3.	Special Factors (SF)
a)	Bordering with other countries
b)	Seat of provincial capital
c)	Islands district
d)	Transmigration district

The criteria seem skewed toward regional characteristics, rather than the nature of the services being rendered and the work load associated with them. Although criteria such as size of the region and population do hold some promise, they do not appear to be used in a tailored way to the function under consideration. Other weaknesses are readily apparent. For example, in the case of *Bappeda* in second tier regions (Appendix 4), the size of the region is not a very relevant criterion for the urban second tier regions, and the extra points for being the seat of provincial capital works against all districts since none fulfil this function, and there is little reason in principle as to why this status should give urban regions extra points. The urban region *Bappeda* after all serves only the urban centre and not the province as a whole.

Other criteria are also suspect. The number of functions is not very helpful since the definition of functions is not at all clear, nor the link to work load, and thus there can be little connection between the number of functions held and at least the overall size of the agency in question. Some link to the units or sections may be possible from the type of functions given to any one agency, but even this need not be a straightforward relation (strangely enough, the Kepmendagri 28, 1992 decree indicates that the more functions held the lower the score given, i.e. the more chance of getting a Small structure; this may be a transposition error in the decree). Population and subdistrict subdivisions may indeed have a connection to the workload, though how these global figures enter into any one agency's structural determination is also unclear; the target population of the specific agency would seem to be more relevant.

A glaring conceptual error in the approach to criteria is seen in the uniform approach taken to the criteria for the provincial and district agencies. These agencies in theory (though practice is more blurred) undertake different functions. Yet, the criteria used to set their structures are exactly the same in each sector. It is not logical to factor in the number of livestock, or the number of testing laboratories in a region if the agency in question is not directly responsible for functions relating to these entities.

The above criticism may be too harsh if experience over time has shown that these criteria can act as “proxy” indicators for work load related elements. But this has to be proven at some point in time, and perhaps revised as technology and productivity changes. No such rationale is available in the Indonesian context.

In the absence of any evidence supporting the proxy role of the criteria in terms of the work load to be carried by each agency, the best that can be said for the application of the Small/Large or ABC menus is that the typology will tend to yield larger structures for agencies bearing a larger burden, for any one level of government. Comparison between levels is too difficult to make given the function conflation into similar indicators. For any agency at any level, the match between the work load faced and the selected structure and staffing levels cannot be ascertained. Other indicators must therefore be used to ascertain this work load-structure match. Walking tours through agencies can reveal much, and by and large observers of Indonesian bureaucracies have noted a large degree of poorly utilized staff, coexisting at time with several units or staff being overly burdened, especially at crucial times (speech preparations for Ministers, coordination events between agencies and levels of government etc.). The tools for approaching a better match have yet to be devised or applied in the Indonesian context.

3.2 *Determining Staffing Levels and Deployment*

According to Law No. 5/1974 (article 50), the “appointment, discharge, temporary layoffs, salary, pensions, retaining fees, and other matters concerning the legal position of regional civil servants, are regulated by Regional Regulations in accordance with the manual set by the Minister of Home Affairs.” As noted by King (1988), the apparent room given to the region is severely limited if the subsequent Law No.8/1974 on the Civil Service is taken into account, since the same regulatory regime that governs central level civil servants is deemed to pertain equally to regional civil servants. King (1986) describes the manifold categories of civil servants found in the district:

1. Seconded central level employees paid from central, provincial or district level.
2. Seconded provincial level employees, paid from central, provincial or district level.
3. District level employees, paid from district revenues.
4. Candidate employees yet to be given civil servant status, paid from central, provincial or district level.
5. Temporary employees, usually paid from district revenues.

The first three categories, the core of the service, all abide by similar categories of echelon, and rank (*golongan*), and are recruited in the same centrally defined manner. Since 1996, the “*formasi*” (establishment) process was decentralized to some extent. The province is now in charge of test administration, candidate scoring, and apportionment on new recruits

among second tier regions.

Appointment of staff has partly been delegated to the regions, but within rather limited bounds (Kepmendagri 81, 1990). Hence the Governor may place staff with ranking of Echelon III or less in the province (including Echelon III and IV in the second tier regions), while the *Bupati* and Mayors in the second tier can place Echelon V and non- Echelon staff. The only exclusion is found in the 26 autonomy pilot districts, where the *Bupati* may place Echelon IV staff.

The system then does not allow the *Bupati* to freely choose the chair of the *Bappeda*, nor the unit heads below the chair; only the section heads fall squarely in his jurisdiction. Even then, meddling from superiors is frequent. Certainly the most strategic positions must be proposed to the Governor for his approval. Similarly, the chair of the provincial *Bappeda* must be approved by the Minister of Home Affairs. The agency heads must also be consulted with the sectoral ministries, the Minister for provincial heads, and the provincial representative of the Ministry (*Kepala Kanwil*) for district agency heads.

The general effect of the system is to direct accountability upwards and to fragment it: the loyalty of a district agency head's (*kepala dinas*) is split between three parties: the district head, the Governor, and the central Ministry representative. Compounding divided loyalties, where the Ministry has district level branches (*kandep*), the district agency position is sometimes concurrently held by the head of this ministerial branch office.

3.3 The Process for Modifying and Applying Indonesian Criteria

3.3.1 Modifying the Menu

Because organizational structures fall under both the *MenPAN* and MoHA mandates, these two organizations must agree to procedural and model changes. The *Bappeda* model shift from ABC to *Maximal/Minimal* (with a set of criteria) has been stalled in *MenPAN* since 1996/97 because *MenPAN* will not agree to it. This is disappointing to MoHA since they claim that *MenPAN* had been on board in what was a very consultative process, involving workshops in several regions (bringing together provinces and districts). Also, *Bappenas* and *Bangda* were consulted and all of these parties had agreed to the changes. Such claims of consensus must always be regarded warily in the Indonesian context, and even where consensus was reached in certain meetings, these are rarely “institutional” commitments and are subject to the vagaries of senior staff changes.

The changes put forward by MoHA in any case hardly constitute a significant departure from the old approach. The menu may look slightly different, with boxes in the organization rearranged, but the style of setting a limited menu and criteria for selection from central level persists.

3.3.2 Selecting from the Menu

If criteria exist it does not necessarily mean that the region simply applies the criteria and proceed to establish or amend the structure. The choice has to be approved by the MoHA and the agency concerned with administrative reform (now *Menko Wasbang & PAN*). For the

Dinas, and the *Bappeda* as well, the expected process is for the region to propose a structural amendment, based on the menu allowed. The region is not necessarily expected to justify its selection, or to use the criteria that have been developed by MoHA. Whatever the justification, the proposal is then vetted by the centre, using criteria which may or may not be explicit, to determine whether the region is justified in asking for the alteration. Where criteria is absent, the district agencies are on occasion expected to defend their choice from the provided menu with a rationale, i.e. the criteria used by the district. In the response from nine districts to the question of the criteria used by the district in establishing departmental branches (in the context of the district pilot program), the information found in Appendix 1 was obtained. Why the centre could not share its criteria with the districts, or try to come to a common set of criteria, is not clear.

It is noteworthy that the decree governing the structure of the Regional Secretariat was complemented with an appendix indicating the scoring received by all of the nearly 300 second level regions in Indonesia for each criterion, and the corresponding structure assigned based on the composite index. There does not appear to be much room for discussion in this process. All that remains for the region is to track the indicators for changes that may warrant a proposal for enlargement of the structure from Small to Large. A minor deviation in the process was experienced in the context of the recent district autonomy pilot project (DAPP), where some districts complained that the adjustments made to the organizational structures did not properly reflect the additional weight of the functions transferred to them. Central level officials charged with guiding the DAPP did accede to some demands, even by establishing an “extra Large” (*Pola Maximal Plus*) structure for some districts, but this degree of responsiveness was mixed, and created tension due to the inconsistent application; the decisions heavily depended on the specific membership of the central level team entrusted to trouble shoot.

3.4 Tools for Organizational Development in Indonesia

The Indonesian public administration can use several tools and techniques for organizational assessments, in principle providing a rational basis for decision on organizational structures. These tools are intended to be applied by both central and regional government institutions.

1. Job Analysis: Based on manuals from *MenPAN* and *LAN*, regional government have sought to apply job analysis to improve their performance. However, the quality of information supplied by district agencies to the regional secretariats orchestrating the effort is “not of a very high standard” (RIPA, 1991: 5). These are also the findings of the GTZ-SfDM team involved in the monitoring of the district autonomy pilot project. Few agencies had undertaken job analysis, citing the weaknesses in the Secretariat to undertake this work. Also, the analysis was not deemed useful in addressing problems of overlap between related district organizations (GTZ-SfDM, 1997).

A serious limitation of job analysis as undertaken in Indonesia is its focus on existing positions. The actual workload involved in the position is not investigated, nor is the justification for the work undertaken questioned.

2. Organizational Vision and Mission: To date there has been no systematic push at any level of government to emphasize or include more fundamental and comprehensive organizational tools beyond job analysis. Recently however, the *Menko Wasbang/PAN* has

started to make central level departments more aware of the need to give more attention to the vision and mission of the organization in attaining “modern management” in a global context (*Menko Wasbang/PAN*, 1998). A step by step approach is provided in a brief manual. However, the *Menko Wasbang/PAN* manual is very vague on who is to engage in the exercise. This is a crucial point since the mandates of organizations are generally set in regulations, through an ill-defined but certainly limited central level process. The issue of the actual room for organizations, particularly at the regional government level, to set and adjust vision and mission statements is skirted by *Menko Wasbang/PAN*. The only instruction touching on the regional role states that “the regional government vision must use as reference the central government vision”. Even if the region could engage in this exercise with a significant “regional perspective” there is little to indicate that any follow through could happen in terms of setting organizational tasks, structures and staffing. The ostensibly forward looking *Menko Wasbang/PAN* initiative does not take into account or seek to address the rigid task and structure definition process that continues to be tightly held by the centre.

Even in the absence of the above guide, some organizations have commissioned consultancies to assess higher level organizational roles and strategies, usually in the context of international technical assistance. Consultants engaged in this work have tried to go beyond the job analysis framework to assess the organization’s mission and organizational structure in a holistic fashion. In the context of the *Bappeda*, the Indonesian consulting firm Redecon undertook both detailed job analysis for each position, and then an overall mission and functions analysis, and concluded that an alternative choice of three different structures should be offered to the districts (Redecon, 1991). There was no link between the job analysis, which did not include a work load assessment, and the structures offered. Advantages of the new menu versus the existing menu was put forward, but in the end it was difficult to discern why the *Bappeda* would do any better under the Redecon menu than the MoHA menu.

3. Work Load Analysis: As yet there is no officially approved analytical tool employed in the Indonesian public administration system to determine work load as a basis for setting or adjusting organizational structures and staffing levels. Some of the criteria mentioned earlier in the context of organizational menu selection are indirectly related to workload, but the link is not explicitly made or gauged. Recently, *MenPAN* produced a draft guide on how workload can be measured with the aim to perfect organizational structures (*MenPAN*, 1997c). *MenPAN* noted in the introduction to the guide that an obstacle to the measurement of work load is that “leaders of organizations are not yet aware of the use/goal of measuring workload...”; this appears to be a polite way of saying that there is no felt need for this analysis.

3.5 Conclusions

Despite the existence of tools for organizational analysis (however limited their value and degree of sophistication), local governments have nearly no influence in determining the structure and staffing levels of their organizational units. Menus are set by the central government, represented by the Ministry of Home Affairs, and the choice from a particular menu by a local government has to be approved by higher levels of government. Because LGs have no “ownership” over their organizational structure, and because they depend largely on central government transfers, there are few incentives to look for effective and efficient organizational solutions reflecting local conditions. An explanation of poor LG performance then must encompass the rigidity and top-down approach to LG organization. It may also have to go beyond the technical dimensions, drawing on the evident lack of political accountability

to the local society and the only remote chance of sanctions for poor LG or central government performance in providing quality goods and services.

PART II: INTERNATIONAL CASE STUDIES

4. Case Studies of Organizational Change and Reform

4.1 *The Reform Context for Organizational Development*

Local governments in Canada and Germany are faced with decreasing revenue sources and increasing service delivery responsibilities. As a result of this financial squeeze, local governments are exploring alternative means of delivering local services, involving the private or non-profit sectors as well as other local governments. A variety of options are being tried, including: contracting out, intergovernmental agreements, user fees to achieve efficient consumption of a service, and volunteerism. The local government context in the Philippines is at least as precarious as in Germany and Canada, but institutional change has been slower in coming, and has only recently been boosted by the passage of the Local Government Code of 1991. Nonetheless, some important steps are being taken to realize local autonomy and increase efficiency.

In Canada, municipal restructuring and experimentation with management changes have long been a feature of local government, and incremental change has been the rule. In Germany, the effort is perhaps more structured, particularly in recent times, with a shift in paradigm being much more evident (see Table 4).

In the Philippines, there is no apparent pattern as yet, given the short time passed since the new LG code's promulgation and the support activities generated subsequently. The reliance on local associations is notable however, and promises to generate changes in the future.

Naschold/Bogumil (1998:97) have distinguished three types or categories of administrative modernisation strategies: a programme-oriented strategy trying to achieve a grand reform design, which is top-down in its implementation approach and involves the extensive use of external expertise; an incremental strategy focusing on the improvement of internal working mechanisms of the administration (technical and organizational issues); and a process-oriented, dialogue-based strategy that does not have a pre-determined reform concept but develops changes and modifications out of the discussion processes of the stakeholders involved in the administrative organization. The Canadian model of municipal organizational reform tends to be incremental, and is lead by the individual municipalities themselves, although some support from municipal associations and provincial governments is also given. Even so, on occasion the approach can be very top-down as the province directs municipal restructuring. The German approach tends to follow the design strategy, lead by local governments themselves and their associations, with little influence from the national or *Länder*-level.

While the scope or speed for reform and the emphasis on certain features may differ (for example, there is more contracting out in the USA and Canada than in Germany), in general Western LG's are increasingly focusing on expected outcomes or products of local

governments, and much effort is spent on constructing proper indicators (performance

benchmarks) and creating the type of learning organizations that are flexible and constantly improving.

Table 4
Traditional and New Model of Local Government Administration in Germany

Traditional (bureaucratic) Model of Administrative Management	Result-oriented and Decentralised Model of Administrative Management ("New Steering Model"/NSM)
Management by inputs (Resources, Regulations)	Management by results and objectives
Detailed interventions of the political and administrative leadership in the administrative implementation of tasks and functions	Contract management, "Hands-off"-style of Management, Management by Objectives
Centralisation	Decentralisation, Self-Regulation
Separation of technical responsibility from resource responsibility	Integration of technical and resource responsibility, Decentralisation of authority
Institutional specialisation, division of labour	Integration of production processes
Focus on requirements of the administration, Inward-looking	Focus on expectations and needs of citizens/clients Outward-looking
Public monopolies Absence of market mechanisms	Competition Functioning market mechanisms
Focus on legality of administrative activities	Focus on quality of administrative services
Self-production of goods and services	Concentration on key tasks of administration Outsourcing Contracting-out
Traditional public sector budget and accounting procedures	Accrual accounting, Cost and Output Accounting, Private sector accounting
Legalistic system of personnel management (Civil Service Law; Labour Contract)	Performance-oriented system of personnel management, Incentives and rewards, Human Resource Development Policies

(based on Jann 1998a:72)

The modification of the existing organizational structure of local government administration is an integral part of the improvement efforts. In Canada and Germany, the right of local governments to decide autonomously on the structure and organization of their administration can be inferred from either the constitution (Germany) or lesser legislation (e.g. provincial frameworks such as the Ontario Municipal Act in Canada).

Until the early 1990s, German LG's did not historically maximize the flexibility given to them, selecting instead to voluntarily follow an almost uniform pattern of LG administration based on a model suggested by the Centre for Local Government Management Studies, the *Kommunale Gemeinschaftsstelle für Verwaltungsvereinfachung* (KGSt)⁵ (Lehmann-Grube/Dickmann 1997). In contrast, Canadian LG's have undergone many small to significant changes over time, and thus have long exhibited diversity within and between provinces. Details and case studies follow in the following sections.

⁵ The KGSt is a non-governmental research and consultancy organisation in which local governments can become members, and which is financed by membership fees and other revenue. KGSt is conducting studies and consultancies, organises seminars, workshops and conferences, and publishes a wide range of reports on issues dealing with local government organisation and management.

4.2 Local Government Reform and Organizational Change in Germany

The organizational model long used in Germany distinguished eight broad categories of local government tasks, like General Administration, Finance, Education/Culture, Health and Social Affairs, Public Works/Physical Planning, Public Services, Economic Affairs/Transport. The basic service delivery agency of the local government was the *Amt* (department), which was often divided into several sections (*Abteilung*). Several *Ämter* dealing with related tasks were brought together in a *Dezernat*. The number of *Ämter*, and the number of *Dezernate* depended on the size of the local government in terms of population, and on the tasks undertaken by each local government. In larger local governments, up to 40 *Ämter* and organizational units could be found.⁶ Smaller local governments combined several tasks in one *Amt* and had thus fewer *Ämter*. In the urban local governments there were at least four levels of hierarchy in the administration: the Head of Section, the Head of the *Amt*⁷, the Head of the *Dezernat*, and the mayor.

The introduction of the New Steering Model (NSM) as the German adaptation of the international New Public Management orientation has resulted in a much larger variety of organizational models in local government administration. Organizational development in the context of NSM is still an ongoing process, characterised by trial and error. It is therefore not possible to describe the typical organizational structure of local government under the NSM. The following remarks are intended to highlight some general trends:

Many LGs (although not all) have abolished the *Ämter* and have created larger administrative units which are now often called *Fachbereiche*. The position of Head of the *Amt* disappeared, thus leaving only three levels of hierarchy: the mayor as chief executive of the LG administration, the head of the *Fachbereich*, and below the *Fachbereich*-level the head of sections or groups (sometimes called *Fachdienste*).⁸ There is no universal formula to determine the size and the composition of the new *Fachbereiche*, since as a general rule the determination of the organizational structure of an institution is influenced by its specific context; largely the type, characteristics and quantity of its tasks (Jann 1998b). One consideration that has been mentioned as a determining criterion for the size of the *Fachbereiche*⁹ is that they need a certain "critical mass" of resources: the rationale of the decentralised resource management is that the *Fachbereiche* should be able to decide autonomously on the allocation of resources, e.g. on the allocation of personnel and other resources. Too small a size of the organizational unit would not allow the unit's management to switch resources between personnel and other areas of expenditure.¹⁰ Another consideration is the reduction of organizational interfaces by integrating the production processes for LG products in order to speed up administrative problem processing and decision-making: the new organizational units should be able to implement as many steps as possible in the production process without having to interact with another unit. An important characteristic of organizational development under the NSM is that within the existing laws and regulations

⁶ E.g. in the 1990s the city administration of Cologne, the fourth largest German city, had 37 technical *Ämter* plus a few staff units under the mayor.

⁷ Comparable to a *Kepala Dinas*.

⁸ Dortmund reported that there is furthermore a greater discretion regarding the levels of hierarchy within local administration, depending on the type of tasks and function the respective units are dealing with (communication 28 April 1998).

⁹ Communication with the local government of Pinneberg, 14 April 1998.

¹⁰ Pinneberg mentioned a minimum number of staff of 100 for the creation of a *Fachbereich*.

(like the general labour laws and civil service law) the technical/subject-matter units are autonomous in determining their internal structure and in deciding on their organizational set-up.

The main technical and subject-matter working units of the local government administration are supported by central service units (like procurement, staff administration offices, human resource development units, financial offices) which provide essential services to the line units if requested. Under decentralised resource management, the technical line units could in principle also use external service provider, although it seems that this is still a rare practise in German local government administration.

Case Study 1

The County of Pinneberg

Pinneberg is a rural county close to Hamburg in Northern Germany with a population of around 280 000. The administration consists of around 1000 staff member (excluding the hospitals), which before the reform were working in 19 *Ämter* and 6 *Dezernate*. The county has a total annual budget of around 500m DM (1997). The need for reforming organizational structures and working mechanisms was felt because of the financial situation of the administration, because of higher demands of the citizens on quality, timeliness, and transparency of administrative services, and because the administration itself observed deficits and shortcomings in the way it was working (like the delegation of responsibility to the top, the hierarchical system of decision-making, lack of leadership, and lack of collaboration between the various units of the administration).

The *objective* of the reform was to create an administration which is able to implement more tasks and functions of an increasingly complex nature with less resources (personnel, funds) in a shorter period and by better motivated staff. Using new instruments of administration, and changing the attitude and mentality of personnel were regarded as important targets. Greater efficiency in resource utilisation was seen to lead to an increase in the scope of discretionary policy making of the county.

Central *elements* of the reform process were:

- the definition of administrative products as the basis to define the organizational structure and the working mechanisms of the administration
- the formulation of contracts which included objectives, norms and standards
- the use of performance indicators
- the introduction of new forms of budgeting which should result in a product-based, out-put oriented budget starting in 1999 (the introduction of cost and output accounting is under preparation)
- the introduction of controlling as a key management tool
- the formulation of a *Leitbild* to define the working principles of the administration
- the restructuring of the administrative organization with the aim to create larger working units which are able to combine resource responsibility and technical responsibility.

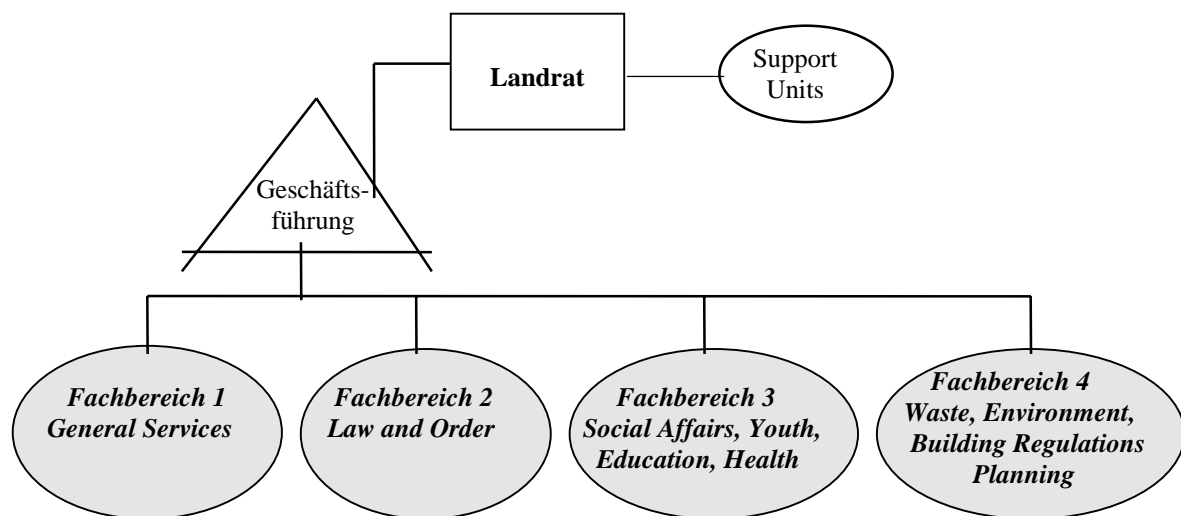
The reform process involved the use of external consultancy services, and the extensive sharing of experiences with other local governments. The *länder* government supported the reform process politically and financially.

In 1992, a first workshop involving all management staff of the administration identified major problem areas and gathered proposals how to deal with the situation. At the same time, a staff survey (based on a written questionnaire) aimed at getting the views and ideas of the personnel. In July 1992, the local government council decided to abolish the old administrative structure with the 6 *Dezernate*, and asked the management of the administration to develop a new organizational structure which was to be based on larger *Fachbereiche*. Following a two-week information and motivation phase, between September and December 1994, management and staff formed 28 teams to discuss new ideas for determining the organizational structure of the administration and for streamlining working procedures and working mechanisms. The result was presented in November 1994, discussed again with the local government council, the staff, the staff representation and trade unions, and was finally approved by the local government council in February 1995.

With effect from June 1995, the administration consists of the management board (*Geschäftsführung*) with its central support units (*Zentralbereich*), the *Fachbereich Innere Dienste* which provides internal services for the other units (like financial services, procurement, personnel administration) based on service contracts, and three technical/ subject-matter *Fachbereiche* (see Fig. 1).

The *Landrat* and the heads of the *Fachbereiche* form the *Geschäftsführung*. According to the principle of decentralised resource management, the *Fachbereiche* decide autonomously on staff recruitment, promotion, and staff rotation within the *Fachbereich*. New principles on management and leadership style were formulated which apply to all units of the administration.

Fig 1 New structure of the administration of Pinneberg



In 1994, the administration completed the definition of its products, which were the basis to determine the organizational structure, and which is to become the major instrument to determine the budget allocations once the cost and output accounting has been fully introduced.

Information and participation of staff was seen as essential for the reform process. Discussions in the organizational units and analysis teams, written information (staff newsletter), the training of moderators, the involvement of the trade unions and the staff representation helped to disseminate information, to obtain the feedback from the rank and file staff members, and facilitated acceptance of the reform steps by the staff.

Sources: Pinneberg 1997, Harms 1995, Personal communication

The setting up of so-called *Bürgerämter* (Citizen Centres) is another organizational feature of the NSM. *Bürgerämter* centralise the communication of individual citizen with the local government administration, receive applications and organise the processing of these applications with the respective technical units. They are "One-Stop"- or "One-Roof"-units, providing the citizen with a single point of communication and interaction. While they are not able to process all matters without referring to the technical units, they at least reduce the number of interaction between a citizen and the various administrative units which might be involved in this particular matter.

As part of the process of strengthening management accountability and management responsibility, local governments have accelerated the transformation of technical agencies of the administration into *Eigenbetriebe*, local government enterprises which have their own budget and management structure but which are still part of the overall administrative structure

of a local government. Traditionally, *Eigenbetriebe* were in charge of public transport, water and electricity. Now even areas like culture or the provision of advisory services for organizational development and computer technology to the main technical/subject-matter units of local administration have been given to an *Eigenbetrieb*.¹¹

Although the results of organizational change are different between the local governments, there is some similarity in the process of administrative reform which usually comprises some or all of the following elements:

- **Project approach**

In most cases, reform of the local government administration has been done under a project approach which specified the objectives of the reform, criteria to evaluate the outcome of the reform, the time frame in which the reform process should be finalised, the management structure for the reform process, the actors involved in the process, and the resources available to implement the reform process.

- **Participation of staff**

A central feature of organizational development processes is the involvement of the people working in the organization. In the NSM reform processes, staff have been involved intensively in the form of working groups, quality circles, written surveys, and discussion forums. Staff have been asked to comment on proposals and to submit proposals.

- **Use of external consultants**

In many cases, external consulting firms have been involved in the analysis of the present organizational structure, the identification of bottlenecks and deficiencies of the organization, in the mapping out of alternative organizational structures, and in the implementation of new structures and working mechanisms. Local governments have spent substantial amounts on external expertise.¹² External consultants have played different roles: they acted as moderator and facilitator of internal discussion processes, supported the administrative management in the analysis of the present administrative structure and formulated alternatives, and they assisted in the monitoring and evaluation of the reform process. In the case of Dortmund they have also been used to assess and advise on the reform strategy which had been formulated internally by the local administration.

- **Central management of the reform processes**

In most cases, a central steering committee or reform task force has been entrusted with the task of preparing, steering and evaluating the reform process. This group has normally been attached to the top management level (like the mayor in the case of the cities, or the *Landrat* in the case of the counties). Members of the steering group represented the various vested interests involved in the reform process: the different technical/subject-matter units, the political actors (like the political parties or the elected representative body of the local government), the management level of the administration, the trade unions and the representative bodies of the staff. The tasks of the central steering group include the overall management of the reform process (like setting the time frames for reform activities, ensuring

¹¹ Dortmund 1997.

¹² E.g. Ludwigshafen has spent around 10.6 m DM, Wuppertal 4.2 m DM. The county of Pinneberg has indicated total expenses for the reform process of 1.4m DM (including staff training and new computer technology).

the exchange of information within the administration, co-ordination of reform activities in the various units of the administration), and the provision of feed-back on results and problems of the reform process to the management of the local government administration and to the political bodies.

Case Study 2

Dortmund

Dortmund has a population of 600 000. Located in the Ruhr area, a traditional centre of coal and steel production and of heavy industry, Dortmund is undergoing an economic transformation from the old industries to new, technology-oriented industries and services. The administration has around 9000 staff members. The size of the organizational units varies substantially, ranging between 30 to 1000 or more staff members. Dortmund has maintained the *Ämter* as basic unit of the organization. Several *Ämter* are grouped in a *Dezernat*.

In 1988 the administration commissioned a study to analyse the quality of its services, and started to set up service centres or citizen centres (*Bürgerzentren*) in order to improve the interaction of the administration with citizens and clients. In the following years a debate over tasks and functions of the local government administration was influenced by the financial crisis the local government faced due to declining revenues and increasing expenditures. In 1993, the local government council formally set in motion the process of administrative reform. The main objective of the reform process is to improve the quality of services to citizens and clients by setting up a private-sector oriented management and service structure which is based on the definition of performance targets, the efficient use of resources and elements of competition.

The reform process includes the following reform elements:

- the definition of products
- modifications of the organizational structure, e.g. by transforming *Ämter* into *Eigenbetriebe*
- the formulation of contracts (political, administrative and service contracts)
- the introduction of cost and output accounting, accompanied by the introduction of controlling as a management tool
- the decentralisation of cross-sectional functions to the technical/subject-matter units, the complete decentralisation of resource management is under preparation
- the participation in benchmarking activities of local governments
- the training of staff and management in management techniques and leadership.

The reform process started in three pilot units. Criteria to select these pilot units included the existing motivation of staff and management in these units, the lower level of interdependence with other units of the administration, the mix of personnel and other expenditure, the variety of their services, and whether market prices were available for these services in order to benchmark their performance. A central project group was set up to act as co-ordinating and facilitating unit, and to ensure the flow of information. Five sub-groups were established to deal with the definition of products, cost and output accounting, contracts, decentralisation, and personnel management. The role of the sub-groups was to prepare ideas and proposals for their subject areas, and to assist the working units of the administration in implementing reform steps. The responsibility for the reform process is with the individual working units, which also determine speed and scope of reform initiatives.

The reform process is seen as an incremental, learning-by-doing process. Staff members from other work units (which are lacking behind in the reform process) observe discussions and experiences in more advanced units in order to learn from those experiences and to transfer them to their own units. Therefore there is a much greater variety in the reform process than in other local governments. External consultancies have been used to facilitate discussions, or to analyse reform programmes which had been formulated internally. The idea of the "learning organization" is being used to describe the concept of an organization which continuously assesses and improves its capability for service delivery in the context of a changing environment. While the decentralisation of cross-sectional functions to the technical work units has been supported, it is not seen as a panacea for all cases: for instance the calculation and payment of staff salaries is seen as an activity which is more efficiently done centrally.

A central feature of all reform initiatives was the participation of the staff. At the beginning of reform

processes in the respective units, staff meetings were held to explain the rationale and ideas of the planned reform. In the units reform teams were set up involving staff representatives. For each *Dezernat* a committee (*Fachkonferenz*) was set up, consisting of management staff and staff representatives. New methods for management and leadership were introduced (like a formalised staff performance appraisal, and codified leadership principles), and a substantial amount of resources was spent to train staff members and management in understanding and applying the new methods and principles. Part of the reform process has been an agreement between the management and the staff representation that until the year 2000 there would be no staff redundancies because of the reform.

Organizational reform in Dortmund is likewise more incremental than in other local governments. There has been less focus on re-arranging work units (although the number of *Dezernate* has been reduced from 8 to 6) and on altering the levels of hierarchy. The local government products are seen as the basis to decide on the organizational structure of the administration, and the decision on the levels of hierarchy is made in the context of the specific tasks and requirements of the respective unit. Organizational change has been implemented regarding the previous central units (like Finance, Personnel), which have been re-structured as service units which discharge their services to the technical/subject-matter units on the basis of service contracts. Parts of the administration have been transformed into *Eigenbetriebe*, e.g. since 1995 the whole area of cultural activities of the local government is being handled by an *Eigenbetrieb*. The previous *Hauptamt* has been transformed into an *Eigenbetrieb* named "Systemhaus Dortmund", and is now providing consultancy and other services in the field of organizational issues, computer and information technology. Likewise the office for economic and employment promotion (*Amt für Wirtschafts- und Beschäftigungsförderung*) has been organised as an *Eigenbetrieb* since 1997.

A substantial change has taken place in the way the working units of the administration are being managed. While service contracts regulate the relationship of the work units with certain cross-sectional service units, management contracts between the head of the *Dezernat*, and the head of the technical/subject-matter unit (*Amt*) determine their objectives, their work plan, and the quality of services/standards of products. A political contract exists between the top management of the administration, and the local government council.

Source: Dortmund 1997, Personal communication

- **Political support**

Often a formal decision of the local government council marked the beginning of the reform process, and put in place the structure and working mechanisms to manage the reform process. Local government councils sometimes set up their own committees to participate in the reform debate of the administration.

- **Job security**

A common feature of the reform process is that an initial agreement between the management of the administration, the trade unions and the formal representative bodies of the staff (*Personalräte*) guarantees that there will be no staff redundancies because of the administrative reform. However, no automatic guarantee was given that an individual staff member would keep his or her particular position. Movement of staff to other positions has been part of the reform process, but because of the rigidity of the German labour laws, especially in the public sector, the individual interests of staff members have been protected.¹³ This feeling of job security is seen as a key precondition to ensure the participation of the staff in the reform debate.

- **Process orientation:**

While there has been a general concept of the administrative reform and a consensus on the core elements of the NSM, in quite a few local governments (like Dortmund, Hagen) the

¹³ Of course there have been cases of early retirement of staff, especially where the number of the hierarchical levels in the administration had been reduced.

reform process has been conceptualised as an open process where details of the organizational structure, of the products and their allocation to organizational units, of working and co-ordination mechanisms were determined during the implementation process, i.e. by the various working groups, teams and discussion forums. The catch word of the "learning organization" has been used to describe this openness of the reform process, and one of the KGSt reports describes organizational development as an ongoing process of learning and change (KGSt 1994:11)

- **Staff training/ Human resource development**

The implementation of new structures and working mechanisms require a substantial investment in training: the management has to learn new methods of management, control and supervision, while the staff has to acquire new skills and knowledge. Apart from the cost of external consultants and the introduction of new computer technology, staff training is probably the largest cost factor in administrative reform.¹⁴

With the introduction of private sector-oriented methods of accounting and budgeting, many local governments have created controller positions in their administrative units in line with similar functions in the private sector. Controller are usually placed at the top level of the organizational units to support the management in obtaining and processing data and information, and to ensure that the reporting system is functioning.

- **Duration of the reform process**

Depending on the scope of the reform in the individual local governments, the reform process can take between 2-5 years. In some cases an even longer period (up to 10 years) has been mentioned in order to implement all elements of the reform process.

- **Adaptation of the reform process to local conditions**

There is no uniform approach to the reform process in the sense that all local governments address the same issues, sequence reform steps in the identical way, or implement reform processes in the same depth and width. Some local governments (like Hagen or Düsseldorf) introduced elements of NSM only in selected pilot institutions of their administration with the intention to transfer the reform to other units if it proved to be successful. Other local governments (like the county of Pinneberg) preferred a more comprehensive approach covering the whole width of organizational units in the administration. Dortmund features a reform process where all administrative units are involved, but where the focus and the speed of the reform process depends on the specific characteristics of the work unit.

- **Decentralised jurisdiction for organizational issues**

A key aspect of organizational development in the NSM is furthermore that the basic organizational units determine independently their internal organizational set-up, because determining the working structure of the units is seen as one element of the decentralised management of resources. Local governments still maintain central staff units dealing with organizational issues, however these units have the character of service units whose knowledge and expertise can be utilised by the technical/subject-matter units on request, and which cannot -as in the past- determine the structure of another unit or veto organizational changes in these units. Larger technical agencies might develop their own knowledge and expertise regarding organizational development, and hire staff for this field of activity (KGSt 1994).

¹⁴ Pinneberg aims at a training budget of 2 percent of the total personnel cost per year (Pinneberg 997:37).

- **Transparency and information**

The preparation and implementation of reform has been accompanied by the continuing provision of information not only to the administrative staff involved, but also to the public in general. The city of Dortmund for instance publishes a regular staff newsletter on the administrative reform process in order to keep staff informed, to introduce new ideas and concepts, and also in order to provide a forum for discussion. Brochures and reports on the reform have been published by local governments and local government organizations (like the Association of German Cities), and information has been shared widely during seminars, conferences and workshops organised by local government organizations and universities.

4.3 Local Government Reform in Canada

A variety of approaches to organizational development exist in the Canadian municipal context. At one end of the spectrum are the rather infrequent but quite significant provincially initiated “reform” efforts that tend to be top-down in nature. For example, the six municipalities of Toronto have been forced to amalgamate, even though public sentiment ran against this decision. In rural areas, towns, villages and rural townships have been amalgamated, without recourse to appeal. There is much controversy about the right of provinces to abolish municipalities in this manner, since there is nothing in the Canadian constitution that would support such action, except for the section stating that a provincial legislature may “exclusively make laws in relation to...municipal institutions” (section 92(8), British North America Act). Citizen groups and municipalities are eager to formalize the rather poorly entrenched, but traditional, powers of Canadian municipalities. One of the declarations sought from the Supreme Court of Canada by the Citizens for Local Democracy (an advocacy group) for examples states that

“Municipal governments, through their locally elected councils, have the exclusive authority to determine their internal administrative structures including the hiring, management and firing of staff and the manner of delivering services under their responsibility.”

In the main, provincial laws do tread very softly on the rights of municipalities to organize themselves. For example, the Ontario Municipal Act merely stipulates that a municipality must establish an organizational structure, and that it must have a clerk, treasurer and administrator. The Council can create or dissolve local boards (semi-autonomous units of local government), except for the police and education boards which have much more autonomy than others. There is considerable flexibility even in the structure of the Mayor and Council, with only a rough correspondence to population size required. The extent of interference varies

Case Study 3

Halton Region (Province of Ontario)

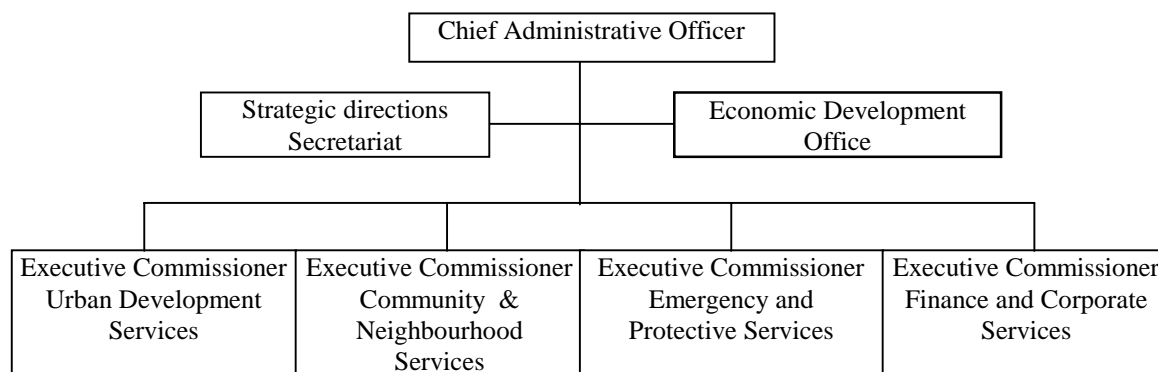
Halton region encompasses three towns and a city (area municipalities), with a total population of about 340,000. The governing body of the region is made up of 25 members. Serving on this council is the chairman who is elected by council, the four area majors, and 20 elected representatives who also serve on area municipal councils. On May 7, 1996 the regional council approved a downsized council from 24 to 20 members and a redistribution of seats based on the principle of representation by population.

The official plan approved in 1995 enshrines the principles of ongoing improvement in governance. The regions aims to provide a system of government that is cost-effective and efficient in the management of the affairs of the region as well as responsive to the public need and interest. The objectives of the region are:

- a) To provide an open, accessible and accountable decision-making process in the management of regional affairs.
- b) To ensure the provision of an adequate level and uniform delivery of regional services in a cost-effective manner and in accordance with the region's financial resources and capabilities.
- c) To provide for an equitable distribution of regional services and benefits among all Halton municipalities.
- d) To develop a coordinated and carefully phased program for implementing capital works.
- e) To identify and implement, jointly with other levels of government, changes in the delivery and funding of public services that eliminate duplication, hold a single government responsible, and lead to more effective governance.
- f) To seek cost reductions through joint regional-Local use of plants, facilities, equipment and services, and through avoiding duplication of staffing and services, while effectively fulfilling regional responsibilities.
- g) To develop and apply effective systems for coordination, evaluation and monitoring of goal achievement by regional departments, agencies and commissions.
- h) To maintain a competitive tax and user rate structure for both residents and businesses in Halton.

These objectives were given concrete expression in 1995, when Halton region established a reorganization committee to overhaul the region's administration that has remained much the same since its last reorganization in 1982. Hierarchy was reduced and reporting relationships simplified. New departmental groupings and titles were introduced. For example, the planning and public works departments were merged. Where provincial requirements made mergers difficult, shared administration was implemented. Departments were slashed from 8 to 4. Reward systems were also aligned to encourage performance. The new structure was fully implemented by 1996 (see Figure 2).

Figure 2: New Structure of Halton Region



As a result of the reorganization, 522 positions remained unchanged, 165 were moved, 122 were changed or eliminated and 100 new positions were created. The changes resulted in a payroll reduction of \$1.5 million. This reorganization was made in a labour context where over 50% of regional staff are members of collective bargaining units. Few union level positions were actually cut. Wherever possible, staffing reductions were undertaken in areas where vacancies already existed and through voluntary arrangements.

The process unfolded smoothly, aided by an outside consulting firm that provided advice, facilitation and

ideas as needed. The reorganization team was drawn from all departments and the ideas for the reorganization and staff reductions came from the staff as well as customer service surveys. Regional council was very involved in the process, and attention was also paid to the area municipalities; to fit well with their organizational set-up and to learn from their organizational experience.

The improvement process is seen as ongoing. Recently the region had adopted an implementation plan to integrate the planning systems of the region and constituent municipalities. Certain development approval functions will be delegated to area municipalities while the region undertakes the only official plan for the all entities. Conservation authorities, school boards and police services will be streamlined to avoid duplication of effort between levels of government.

Source: Personal communication with Mr. Brent Marshall, Acting Chief Administrative Officer of Halton Region and region web home page <http://www.region.halton.on.ca>

between sector, but is usually limited to stipulations such as the requirement that municipalities prepare official plans or that department heads must be present when Council members open tender bids.

Municipalities exhibit great differences in structure due to different provincial approaches to the general framework and support given to municipalities. Municipalities have been finding their own organizational structures, and most have adapted these over time. The main vehicle for making adaptations is the “Corporate Strategic Plan” or the governance section of the official plan (this plan tends to be land use focused). These are tools for anticipating and adjusting to change that are employed by the local governments, generally through a participatory process involving citizens, and occasionally with the support of external consultants.

As mentioned earlier, this self-initiated, ongoing and incremental approach coexists with the occasional provincial imposition which tends to be quite drastic in scope, generally flowing in the context of amalgamation. The province of Ontario is perhaps on the forefront of the amalgamation drive in Canada. Ontario municipalities are expected to decline in numbers from over 800 to less than 600 (Vukolic, AMO, 1998). About 80 restructuring proposals have been generated to date, through local effort but primarily through provincial pressure. The most significant is the creation of the super-city of Toronto from its previous member cities (see Case Study 4: Greater Toronto Area).

The rather contentious provincial initiative described in the Toronto case study points to the provincial commitment to disentangle jurisdictional claims and to seek efficiencies. The province is seeking to define which level of government should set policies for a particular program or service, which level is best suited to deliver it, and how it should be funded. Amalgamation and reorganization of functions and structures are radical steps taken toward this goal. In contrast, the earlier Halton Region case study presents a reform process that is more modest and incremental. Halton Region had undergone a similar process in the 80’s, and will likely continue to make similar improvements in the years to come. The Region engages in this improvement process of its own volition, and through a process that largely draws from its own resources.

Municipal structures in Ontario, and in other provinces in Canada, exhibit considerable variety as a result of provincial requirements and impositions, but above all due to the large room given to the municipalities to experiment and adjust with organizational and staffing arrangements.

Case Study 4

New city of Toronto and the Greater Toronto Service Board

The province of Ontario took the initiative in April 1995 to establish the Task Force on the Future of the Greater Toronto Area to set the Toronto region “on a new course for the new century.” The review was broad, covering the restructuring of the responsibilities and practices of municipal and provincial governments in most sectors. Covering over four million people, the GTA is the economic heartland of the province and the nation, accounting for 50 percent of the Ontario economy and almost 20 percent of the Canadian economy. The province and municipal stakeholders felt that the maintenance of a healthy, vibrant, and economically competitive city-region was at stake. Signs of decline in the Greater Toronto Area (GTA) called for a review that would “provide direction for the future governance of the GTA.”

The Task Force, made up of experts and political figures, set out to study the issues and to sound the population on the new forms of governance required to keep the GTA competitive globally. It received more than 300 submissions, and met with more than 165 organizations and individuals, including elected officials, professional associations, labour unions, ratepayer associations, community service organizations, conservation groups, boards of trade, cultural and arts groups, among others.

Organizational setup was only one of many issues addressed, but it was an important element of reform. Services were provided by the federal and provincial governments, five regional governments, 30 area municipalities, 17 school boards, and countless special purpose bodies. Overlapping mandates had led to excessive and administrative structures, duplication, complexity and jurisdictional gridlock. The GTA’s regional governments were uncoordinated and unable to deal with critical region-wide issues. Disputes over water, roads, sewers, and garbage disposal were common. Investment decisions worth billions of dollars were often stalled by squabbles and inefficiencies.

The Task Force set out to achieve,

1. **Coordination** among municipal units
2. **Fairness** in the burden of service costs and benefits
3. **Efficiency**, achieving maximum value with available resources.
4. **Accountability and Responsiveness** to the needs and preferences of local communities

Based in part on the Task Force’s findings, the province amalgamated the six municipalities of Metro Toronto into one mega city, a decision made by the provincial government with little public input, and evidence from a poll that 75% of the affected citizens were against it. The Task Force was not opposed to amalgamation in principle, but believed that the greatest cost savings can be achieved by introducing competition into service delivery and by improving decision-making. Injecting competition, innovation, and new management approaches into local government would allow municipalities to deliver services in a more cost-effective manner.

The amalgamation decision brought about changes in the organization of the amalgamated cities. The new City of Toronto brings together in six new departments the entire organizational structure of seven former municipalities. The senior management team, consisting of the Chief Administrative Officer Michael Garrett, and the six commissioners, have been appointed. The organizational structure of the six departments is being determined from top to bottom in successive levels, as appointments of directors, general managers and managers proceed. In some areas, this is being done with the assistance of an outside consultant. The Amalgamation Office at Metro Hall is responsible for assisting the restructuring process. The six new departments of the City of Toronto are:

1. Community & Neighbourhood Services
2. Corporate Services
3. Economic Development, Culture & Tourism
4. Finance
5. Urban Planning & Development Services
6. Works & Emergency Services

The Toronto City Council also underwent changes, consisting now of a Mayor and 56 city councillors,

representing the 28 wards. These councillors also sit on committees and on community councils in the area (former city or borough) where they were elected. Based on the concerns and ideas of citizens, Toronto City Council sets service priorities and policies, and sets spending priorities. Administrative staff in departments take action on decisions made by council, and in turn provide advice to council.

The new council has direct responsibility for a wide range of essential services, from human services such as welfare and homes for the aged to hard services like roads and waste management. Through the approval of agency, board and commission (ABC) budgets and the appointment of council members to ABC boards of directors, council also indirectly oversees other major services such as:

- Police
- Public transit
- Public health
- Libraries
- Electric power distribution
- Conservation.

One of council's first tasks was to determine the organization, or structure, of council committees and how departments and ABCs report to them. In doing this, the city was aided by the work of a Transition Team (current or former municipal politicians) that had been appointed by the government to help prepare for the orderly establishment of the new City of Toronto on January 1, 1998. Its primary role is an advisory one to the new city council, with all final decisions about structure, functions and future direction of the new city left to the new city council. The team consulted with residents and existing councils to discuss among other matters the rationalization and integration of municipal services across the new city, including possible cost savings; and the best ways to deliver services in the new Toronto.

At its first meeting on January 2, Council adopted, on an interim basis, the recommendations on structure that were proposed by the Toronto Transition Team. Council added the Special Committee to Review the Transition Team Report and an Economic Development Committee. The organization is shown in figure 3:

Figure 3: New City of Toronto Organization

A related reorganization in the context of the creation of the new city of Toronto was the establishment of the Greater Toronto Area Services Board to co-ordinate area-wide services among the city and its neighbouring regions. In December 1996, the province had appointed former municipal bureaucrat Milt Farrow to recommend how services in the GTA will be delivered. Following months of Consultation, Farrow released his report on June 18, 1997 proposing that the Greater Toronto Services Board (GTSB) be created with municipal representation from the GTA based on population. The GTSB would be charged with developing a comprehensive, long-term Infrastructure Co-ordination Strategy for the GTA to provide clear direction on

the efficient use of infrastructure, urban settlement patterns and the phasing of growth. The GTSB would

provide strategic direction on services and issues such as water/sewage treatment, inter-regional transit, regional roads, economic development, telecommunications, and conservation and watershed management. Additionally, the GTSB is to provide a discussion forum for the GTA and liaise with all levels of government; resolve inter-regional servicing issues, implement decisions, and apportion associated costs; and operate the public transit system and develop a long-term post-collection waste management strategy for the GTA. This proposal is currently under review by the province and will involve municipal consultation before it is adopted.

Source: world Wide Web sites of the government of Ontario, 1998.

The tight fiscal pressures translate into political pressures to maintain taxes at reasonable levels and this in turn feeds the motivation for a continual search for efficiencies. The consolidation of linked services into single departments is common to Halton Region, Toronto, and in fact many other municipalities in Canada. The primary reason is the search for scale that allows for savings, though coordination issues are also important. Halton Region could boast of saving of \$1.5 million from the recent reorganization. This is much greater than the cost of consulting services used to facilitate the process. What is less clear is whether the services provided are now deemed to be more in line with local preferences and needs. Here the region is counting on its service agencies to be in touch with their users.

Both the top-down/large-design and bottom-up “adaptive” approaches in Ontario were seen to make use of participatory approaches, encompassing a variety of internal and external stake-holders. The radical nature of the provincially imposed amalgamation however turned out to face considerable opposition from the public, and the consultation process was perceived to be limited and flawed. The evidence put forward by the provinces regarding cost savings and other efficiencies were often disputed as unproven and optimistic. Unfortunately there is little “scientific” evidence to support one camp or the other in these kinds of disputes, and ultimately value preferences and political clout rule the day.

4.4 Local Government Reform in the Philippines

Having inherited a heavily centralized system from colonial times the Philippines has only recently attempted fundamental power realignment between the centre and sub-national governments. The current Constitution (1987) retained the local government structure, but this was, after some pressure from municipalities, elaborated in the form of the Local Government Code of 1991, which sought to inject “genuine and meaningful local autonomy”. The latter goal was achieved, *inter alia*, through devolution of powers and functions, additional revenues, and increased people’s participation.

Specifically, the autonomy of LG in self-organization is promoted in sec. 18, where the Code stipulates that “Local government units shall have the power and authority to establish an organization that shall be responsible for the efficient and effective implementation of their development plans, programs, objectives, and priorities...” In greater detail, section 76 adds “Every local government unit shall design and implement its own organizational structure and staffing pattern taking into consideration its service requirements and financial capability, subject to minimum standards and guidelines prescribed by the Civil Service Commission.”

LG’s in the Philippines must undertake a set of mandatory functions, and are then allowed to add their own optional functions, based on local needs. Discretion to undertake optional functions is liberally interpreted. In light of the structure of functions in LG’s, some mandatory structures are required. Nonetheless, the scope for organizational design is quite broad at all levels (provincial, city, municipality and barangay), with more latitude naturally in

the larger LG's.

Despite this latitude, organizational adjustment and experimentation was slow in coming. In 1993, the Department of the Interior and Local Government (DILG), through the assistance of Associates in Rural Development, Inc. (ARD), prepared some non-prescriptive models to stimulate experimentation. A few LG's are beginning to take advantage of the opportunities and guidance presented to them (see case study Bulacan province).

Case Study 5

Bulacan Provincial Government

Bulacan, a provincial LG next to Manila has always tried to be pro-active. It was given a boost in its efforts to innovate by the Local Government Code of 1991. Through the devolution of functions, personnel and funds stemming from the Code, Bulacan has been able to provide more and better services, and to seek new approaches to service delivery. Bulacan's government has periodically reorganized to respond to the evolving needs of the province. Linked to the 1991 reforms, Bulacan can boast of several initiatives:

- a special office to handle women's concerns (Provincial Commission for Women) was established
- a special Cooperative Development Office, utilizing redundant resources following devolution, was set up to focus specifically on growing the cooperative sector
- in 1997, all government services were regrouped in related service clusters, each cluster under a coordinator

The cluster labelled "special Services Division" represents those services initiated by the province itself, that is beyond the mandated services established by the centre. These are substantial, including the Provincial Youth and Sports Development Office, Cultural Affairs Office, Conference Centre, Provincial Jail, Provincial Firefighting Unit, Provincial Information Office, and the Provincial Community College.

The process of reorganization has been an internally driven exercise. A committee was formed, given the title "Management Studies Group", comprised of Department Heads and professional and technical personnel from the provincial offices.

The 1991 Code has also spurred reorganization at a higher level, between LG's and the NGO sector. Bulacan has integrated several NGO's in its development committee and special service boards. This partnership is expected to increase participation and innovation.

The reorganization efforts are part of the reason for the success of the province's development efforts. This success has been recognized by the government and other observers. For instance, in 1994 Bulacan received the *Galing Pook* prize for its cooperatives success, which is credited for much of the achievement in lowering poverty in the province.

So far, the rather modest approach of Bulacan province provides an indication that the pace of experimentation in local reorganization is still relatively slow in the Philippines. Philippines experience shows that legal framework is important in giving LG's room for innovation and adjustment, but that alone is not sufficient for LG's in this stage of development, and coming from long experience with centralized systems. Support from the province in providing ideas and suggestions is needed to spur experimentation.

PART III: BRIDGING EXPERIENCES

5. The Importance of Frame Conditions

In comparing the experiences of the four countries in question, it is readily apparent that national frame conditions, which set the constraints and incentive structures for regional actors, figure prominently in fostering initiative and experimentation that are part of the formula for LG success.

Indonesia's frame conditions set severe boundaries to LG self-initiative. Additionally, the lack of serious attention from Indonesian central levels regarding LG performance indicators and benchmarks, evaluation efforts, and reward for performance, sends counterproductive signal to the LGs. There are few incentives for good performance at the local level. The low or uncertain degree of discretion given in interpreting function assignment, and in planning, organizing and implementing these functions leads to a passive LG stance. Risk avoidance is prevalent, and pleasing superior levels is paramount. The pressure of local accountability is not felt and hence there is little incentive to innovate and make a maximum effort. At the same time, the opportunities for organizational turf building, through expanding organizational units and staff, is rewarded by approvals (provided higher levels are "properly approached") and are not "punished" sufficiently through operational costs borne by the region. Additionally, local costs do not come under the scrutiny of local stakeholders, allowing the bureaucracy to expand, through either local revenue or higher level revenue transfers, without providing sufficient justification to local constituents.

The main elements of the frame conditions referred to above in the case of Indonesia are captured in table form for all four countries for comparison (Table 5). Additionally, the political milieu briefly described in the case studies indicate that citizens and intermediaries play a role in creating local pressures for efficiencies and for favourable frame conditions to enlarge local autonomy.

An important element in the political arena is the potential role of LG associations. In Ontario there are Municipal Finance Officer's Association (MFOA), Association of Municipal Clerks and Treasurers (AMCTO) and the Association of Ontario Municipalities (AMO). Municipalities also belong to the Canadian Federation of Municipalities. Independent institutes and collaborative bodies for research and information are also created by the municipalities. Journals and magazines are produced (Municipal World, Municipal Monitor) to share information and ideas and keep the networks strong. These associations also offer recognition prizes for performance, for example through the "Innovation in Public Service Delivery Nets Awards". In Germany, KGSt and similar institutions provides technical expertise to local governments and ensures the exchange of information and advise, while local government associations are powerful political tools to safeguard the interests of the local government level in the bargaining processes with the federal and the *Länder* governments. In the Philippines, the various "Leagues" of local government units are still in the process of maturing institutionally and politically. However they have already shown their readiness and capability to defend the interest of the local level against the national level, and have thus

become political players in their own right. In contrast, the Indonesian scene is notable for its lack of LG associations that can be used as a vehicle to facilitate discussion and exchange between local governments, and to provide local governments with a strong representation in dealings with the central government.

Another important dimension of the macro-framework supportive of LG success is the degree of transparency and mechanisms for accountability. Regional agencies must be open to scrutiny and to pressure from stakeholders. In Indonesia, local control is scant, due to the reluctance of members of the public to judge or confront the bureaucracy, even when there is evidence of malfeasance (Rasyid, 1997). Internally, the control function is highly developed in terms of participating institutions, among them the BPK (*Badan Pemeriksa Keuangan*; Financial Audit Agency), BPKP (*Badan Pengawasan Keuangan dan Pembangunan*; Financial and Development Supervision Agency), and Development Inspector General for Development in Ministries, and Regional Inspectorates in the province and second tier regions. Their roles are overlapping and poorly coordinated, and together they fail to stem the large abuse of public funds. Indeed these agencies are themselves suspect.

The Canadian, German, and to some extent Philippine cases indicate that frame conditions are generally supportive of local discretion in these countries, and thus allow for experimentation and improvement. The centralized civil service, limited organizational choices, and narrow understanding or implementation of autonomy in the Indonesian system must be seen to account for the high degree of local passivity and inefficiency. The incentives tend toward an irresponsible use of central resources, and political accountability measures are insufficient to counter these distortions.

Table 5 illustrates the different approaches and frame conditions for the four countries under review. In Germany, the constitutionally-guaranteed position of local governments gives them high discretion in determining organizational structures, staffing levels, and service delivery options. At the same time, national civil service regulations and public sector contractual agreements with the trade unions ensure that employment conditions throughout the public sector remain relatively uniform. Accountability pressure from elected local councils, review of local government decisions by the mass media and local pressure groups, and the obligation to finance local government personnel from its own resources, ensure that organizational choices are taken with caution and with the attention focused on outcomes and effectiveness.

In Canada, while there is a variable degree of autonomy of local governments, there is considerable discretion regarding organization structures and service delivery options. Again, public sector unions have a strong influence on service conditions and organizational changes.

In the Philippines, the 1991 Local Government Code has opened up substantial discretion for local governments to determine organizational structures and delivery options, which is limited mainly by financial conditions, and by the stipulation of mandatory local positions.

Table 5: Comparison of Frame Conditions Relating to LG Self-Organization

	Germany	Canada	Philippines	Indonesia
Degree of autonomy	<p>Low to Medium level of autonomy:</p> <ul style="list-style-type: none"> Constitutionally high degree of autonomy regarding the determination of tasks and functions (<i>Allzuständigkeitsvermutung</i>). In reality dominance of mandatory tasks (<i>Pflichtaufgaben</i>) over voluntary tasks (<i>Freiwillige Aufgaben</i>). 	<ul style="list-style-type: none"> Variable degree of autonomy, depending on function, although there is no clear division of mandatory versus autonomous tasks; these are negotiated on a case-by case basis. Provincial legislation in each sector or sub-sector/program, and traditional factors must be taken into account to gauge degree of autonomy of LGs. 	<ul style="list-style-type: none"> Medium discretion regarding tasks, however transfer of major governmental tasks to LGU According to the Local Government Code high discretion to determine development priorities and local policy objectives, create local revenue 	<ul style="list-style-type: none"> Contradictory principles in legislation. Legal distinction between autonomous and “assistance” tasks In practice little scope for true autonomy
Discretion over service delivery options	<p>High degree of discretion:</p> <ul style="list-style-type: none"> Choice of organizational options for the delivery of services made by local governments (<i>Organizationshoheit</i>). Only few federal or <i>Länder</i> laws oblige local governments to set up specific organizational units (for instance for youth welfare matters) or to appoint functionaries. 	<p>High degree of discretion:</p> <ul style="list-style-type: none"> Some provincially imposed services must be delivered, but considerable flexibility in arranging the delivery is allowed Contracting-out is increasing 	<ul style="list-style-type: none"> High discretion to decide on options for providing services Local Government Code encourages co-operation with private sector (profit and non-profit organizations) 	<ul style="list-style-type: none"> Not clear. Some steps taken in this direction, clean water provision mostly.
Setting of organizational structure	<p>High degree of discretion</p> <ul style="list-style-type: none"> Determination of organizational structure of local administration by local government (<i>Organizationshoheit</i>). Determination of internal (micro-) structure by respective local government organization. No approval or veto mechanisms for higher levels of government. 	<p>High degree of discretion</p> <ul style="list-style-type: none"> But LG’s tend to work within resources of provincial transfers where these are dominant. Council decides overall structure, while specific organizational structure is left to unit head to propose or set. 	<ul style="list-style-type: none"> High discretion for organizational choices Limitation: stipulation of certain mandatory local officials 	<ul style="list-style-type: none"> Set by centre from limited menu. Criteria for selection from menu set by centre, and usually applied by the centre.
Setting of staff level	<p>High degree of discretion</p> <ul style="list-style-type: none"> Constraint: available resources (budget) The general civil service law and agreements with trade unions apply 	<p>High degree of discretion</p> <ul style="list-style-type: none"> Responds to local priorities and potentials, with finances being a big consideration 	<ul style="list-style-type: none"> High discretion Limitation: financial/ budgetary capacities of the regions 	<ul style="list-style-type: none"> Proposed by regions (province and districts/cities), set by centre and province. Civil servants are largely paid from central budget.
Deployment of staff	<p>High degree of discretion</p> <ul style="list-style-type: none"> Constraints: civil service law and existing agreements with trade unions/ staff representation 	<p>Moderate degree of discretion</p> <ul style="list-style-type: none"> Public sector unions influence mobility and use of staff. Tradition of “job for life” limits layoffs from “rightsizing”. 	<ul style="list-style-type: none"> High discretion within the standards and stipulations for the civil service as formulated by the Civil Service Commission 	<ul style="list-style-type: none"> Partly under organization head, senior posts set by region head and next higher level.

6. Approaches and Tools for Re-organization

Organizational adjustment, or more fundamental restructuring, is best viewed from a systemic perspective, in which administration is linked to its environment. Objectives and tasks of the administration, human resources, and its means to implement tasks and functions are seen as the main elements of this system (KGSt 1978). While the institutional organization describes the set-up of the organization in terms of numbers and levels of work units, the functional organization described the work flow systems and co-ordinating mechanisms.

Tasks and functions are the determining variables to design the structure of a local government administration: "Organization follows function" (Müller 1997). In **Germany**, *Stellen* (individual positions) are the smallest unit in the administration with specific allocation of tasks. *Stellen* are combined in the *Amt* as the basic organizational unit of the local government administration, and several *Ämter* are combined in a *Dezernat*. While in theory the identification of local government tasks could be done by analysing all existing laws, regulations, and decisions of the local government council, in practice generalised task catalogues as developed by the KGSt are being used which are adjusted to the specific local situation (Siepmann/Siepmann 1992).

Fig 2.
Dimensions of organizational structure in Germany

Functional Dimension		Organizational Dimension	Hierarchy
Activity	→	<i>Stelle</i>	
Group of Tasks	→	<i>Amt</i>	
Category of Tasks	→	<i>Dezernat</i>	

For determining the structure of a work unit (its size, hierarchical levels, staffing patterns), various instruments and techniques can be used based on the knowledge of organization theory. The specific character of the tasks and functions, their impact on the span of control, the required knowledge and working techniques, leadership styles, the character of decision-making and delegation of authority, availability of resources and equipment (e.g. for electronic data processing) are important factors in designing the structure of an organization. However detailed the criteria may be, it is clear that the size and structure of the organizational units has to be decided based on the specific circumstances. As a general consideration the principle of "organizational minimum" is being used in Germany, meaning that the number of units in an organization should be as small as possible, while the number of staff members of an unit should be as large a possible (Müller 1997).

Müller (1997) identifies two main considerations:

- the analysis of the tasks of the organization (type, characteristics) which are put down in an *Aufgabengliederungsplan* (structured plan of tasks) which creates a hierarchical order of tasks and combines related tasks in task groups, and
- the available human resources (number, qualification), financial and material resources.

Similar considerations are used in reorganization efforts in **Canadian** local government. The Ontario government for instance provides guidance to its own provincial units and the municipalities on restructuring, with the following criteria (Management Board, 1983):

- *High Priority Policy Thrusts*: To give more visibility to these policy directions, organizational units can be structured to raise their profile.
- *Predictability*: If certain client groups and needs can be forecast to continue long into the future, then it is feasible to organize around these.
- *Diversity of Client Groups*: If several client groups are served it is easier for them to identify with specific units.
- *Complexity of Tasks and Activities*: If the tasks are similar and routine they can be grouped in one unit, even if relating to different clients.
- *Interdependence/Coordination of Activities and Tasks*: The greater the interdependence the more likely a unified unit is needed.
- *Economies of Scale*: Operational savings due to scale generally points to combining activities and programs.
- *Span of Control*: Managers can handle anywhere from 2-10 sub-units reporting to them, but the burden of the demand must be judged to limit the span to what is reasonable.
- *Skill Specialization*: The need to develop and maintain specialization points toward separate units.
- *Staff Versus Line Functions*: depending on the nature of the tasks, some centralizing of support services may be required.
- *Autonomy Versus Integration*: Departmental structures may not always be advisable; if some degree of autonomy and other stakeholder involvement in management is desired, then special boards or agencies may be established.

In order to identify the required number of staff members, local administrations should utilise the general techniques of organizational science. In case of tasks whose implementation can easily be quantified, analytical-mathematical calculations can be used to determine the required number of staff members. These calculations include as the main elements the average working time of a staff member, the time needed to implement the specific task, and the average frequency with which a task has to be implemented by the organization within a specified period of time.¹⁵ In the case of complex tasks that are not quantifiable or only partly so, and in case of new tasks, approximation procedures have to be used to estimate the necessary time needed, the frequency of implementation, and the corresponding number of staff members required (Eilsberger/Leipelt 1994, Siepmann/ Siepmann 1992: 62-72, 80-82) (see Annex 5). It must be said that the existing theoretical advice/manuals is not always followed to

¹⁵ For the federal administration, the Federal Ministry of Home Affairs has published general guidelines for calculating staffing levels (Handbuch für die Personalbedarfsermittlung in der Bundesverwaltung) [Handbook for Calculating Staffing Requirements in the Federal Administration]. Similar guidelines have been published by KGSt for the local administration. In the context of the Indonesian administration, the *analisis jabatan* provides a similar tool for organisational analysis.

the letter.

The general criteria used in Canada and Germany for setting organizational structures provide some guidance to efforts in those countries, but do not appear to be applied in any strict or “scientific” fashion. Some LGs do make a determined effort to get it right, using external consultants and considerable resources, but for the majority of efforts, particularly in Canada, the initiative is largely internal and the scope of the reorganization is incremental and based on “common sense “ application of key criteria. Getting it wrong in these contexts is not a serious matter since the opportunity for relatively quick adjustment is open to the LG councils or the individual department heads. Unit managers tend to intuitively make adjustments, based on ongoing feedback from staff and clients. Rough measures for workload replace detailed work flow/load analysis. For example, a Canadian county level planning office manager pointed out that a rough rule of thumb can be used for the number of planners that a municipality should have (1 for every 10-15,000 people). Similar indicators exist for social services (case workers for example). These rough rules are adopted with modifications that take into account government resources and strategic directions of the local council. A small but fast growing community for example would need to have more planners than a larger but stable area. Work load consideration figure prominently, but even here some short cuts are taken by judiciously using rough indicators based on common population ratios.

The simple mechanics of determining work load are essentially similar in the international and Indonesian approaches. It must be stated that exact work load calculations are not the norm in Canadian LG organizations, though perhaps they are more common in provincial and federal organizations. The association of this tool with Taylorism makes public sector managers wary of relying greatly on this approach. It is often the case that managers rely on front line personnel for estimates of time required to handle clients or procedures. Work load is tracked or estimated, but generally these are rough calculations. Most adjustments in personnel deployment are minor (involving perhaps the use of diversified staff from other sections, adding overtime, contracting out to handle peaks for instance). Some rigidity is met where unions are strong, but in general staff levels and deployment is under individual department heads (within broad bounds negotiated with Councils). Hence the pressure of assessing work load correctly for a relatively long period of time, as is the case in Indonesia, is not felt. More fundamentally, Western LGs’ ability to adjust organizational size upward or downward, by and large removes the fear that the organization will lose resources permanently.

The rigorous application of work load analysis may be a principled approach of MenPAN and LAN, but the reality of LGs in Indonesia prohibits a meaningful implementation. The consultant for RIPA given the task of examining this issue suggests that a simple work load process be introduced to the job analysis training, but that this be used only by senior officers given the local culture since “the results of the investigations may well reduce staffing levels quite considerably” (RIPA 1991: 17).

Proper approaches to evaluating workload are potentially explosive (or implosive would be a better word) in the Indonesian organizational context, where public sector empire building, and inefficiency due to other income-raising pursuit of public servants is rampant. Indeed, though a moratorium on the total public service has been set in Indonesia, recruitment into the civil service continues to provide opportunities for enrichment for those individuals in charge (largely in central agencies) (see MoHA ‘s Secretary General’s lament in Jakarta Post, 1997). Greater downsizing, and better deployment, is stymied by the informal workings of the system.

7. Improved Local Government Performance in Indonesia - Recommendations and Strategies for Organizational Change

7.1 Creating conducive frame conditions

The Extraordinary Meeting of the Peoples Consultative Assembly (MPR) in November 1998 confirmed the policy thrust towards empowering local communities and strengthening regional autonomy. A balanced distribution of state revenues between the central government and the regions is a strategic prerequisite in this context. Regarding discretion and flexibility of regional governments to determine autonomously organizational structure and staffing levels, the debate for a new law on decentralisation and regional governments opens the avenue to learn from past experiences and to create more favourable frame conditions which allow local governments to find organizational structures adjusted to local needs and conditions.

Organizational structure is but one variable affecting performance. Frame conditions mentioned earlier affect discretion in setting organizational structures, and perhaps more importantly, they play a large role in regional organizational performance by determining financial and political incentives and constraints. The realization that the second tier regions ought to be able to assess their staffing needs is slowly growing. As far back as 1991, the key agencies agreed in principle that the second level regions should be able to determine their staffing needs and to propose these directly to the centre rather than through the provinces and Home Affairs (Kepala BAKN, 1991). Recently the Secretary of the Agriculture Ministry opined that regional governments ought to decide how many agriculture sub-sectoral agencies are needed (GTZ-KUF, 1998). These are modest signals perhaps, but the thinking indicates some openness to new concepts, and it remains to be seen to what extent such openness will be reflected in the forthcoming new law.

From the Indonesian and international case studies discussed above, it has become obvious that supportive frame conditions are the starting point for finding better organizational solutions. From the authors' point of view, in Indonesia several major frame conditions have to be modified:

- **Loosening central control**

The central government agencies concerned with regional organizational structures and staffing should allow LG to decide autonomously how to combine, relate and discharge their autonomous functions. LG should be given full control over the number of agencies and their internal structures. Where central government control over LG activities is required, such control should concentrate on performance indicators and benchmarks, and not on processes and structures of implementation. Only for those central level tasks which are delegated to the regions for implementation assistance (*tugas pembantuan*), should the centre continue to suggest or perhaps impose structures required to meet essential performance standards.

Loosening central control does not only refer to the structures of the regional government. At the same time, the district level should be given primary responsibility for setting the structures of the sub-district administration without interference from the central level; and the villages should determine their organizational structures (LKMD, Perangkat

Desa, Dusun) in a consultative process with the district government.

- **Ensuring appropriate resources**

Regional governments need a fair share of state revenue so that they can fulfil their functions without undue dependence on central government transfers. Where such transfers are necessary (e.g. in the context of horizontal and vertical equalization mechanisms), regional governments should have appropriate discretion over the utilisation of such transfers.

- **Internalizing costs and functions**

As long as local governments do not “own” their structure and have little responsibility for their funding, the tendency will always be to expand local bureaucracy and to seek additional funding from the central level. LG have to internalise the costs of their organizational units as a stimulus to ensure effective and efficient use of resources. A precondition is the fair and balanced distribution of state revenue between the levels of governments, aligned with a clear distribution of governmental tasks and functions.

- **Restructuring Budgets and Increasing Transparency**

The “project system” presently used for development activities has to be modified and/or minimized. Currently, a project manager with treasurer and implementing staff is established for each major activity, even if the latter ought to be a routine function of the organization. Projects are essentially sources of extra income to the organizations receiving them. The orientation of organizations then is largely toward proposing projects and exploiting these for their own survival needs rather than for public service. The project structure does little to stop corruption, and has a debilitating effect on coordination and task management, hampering continuity in fulfilling even routine tasks and functions of the organization. Projects funds used for income purposes should be restructured as as part of the main wage bill inthe recurrent portion of the regional budget.

- **Improving human resource management**

Most Indonesian civil servants are employed by the central government, although a large number is either seconded to regional governments, or work on the regional level in deconcentrated units of central government institutions. The grade/career structure of the civil service gives little incentives for candidates to join the services of regional governments. Unless this is rectified, regional governments will not be able to attract well-qualified staff. While the civil service regulations have to ensure that service-wide standards and procedures are adhered to in order for civil servants to move freely between levels and institutions of government, regional governments must gain full control in recruitment, placement and promotion of their staff.

- **Strengthening accountability pressure**

Local government management has to become accountable for the performance of local government organizations, with positive and negative sanctions enforcing performance discipline and preventing waste of public resources. While the head of the regional government has to be accountable to the regional council, the heads of local government

organizations have to be also more accountable to the regional government head. Transparency in decision-making and resource utilisation, the definition of performance indicators and regular performance assessments are required, so that the local community at large, user groups and citizens can exercise their civil rights and achieve proper control over LG activities.

- **Enabling cooperation between local governments**

The experience in other countries has shown that cooperation and exchange between local governments is one of the prime instruments to disseminate best practices and mutual learning. Local government associations are essential in facilitating the exchange of experience and information. They also give LG a platform to make LG interests noted in the political decision-making process on the national level. One of the ways to strengthen Indonesian LG is to establish and strengthen independent and professional local government associations. These can become an important source of LG capacity building, including finding appropriate models for structuring LG organizations.

7.2 Capacity-Building for Organizational Analysis and Assessment

Setting organizational structures right is not a one-time activity. Functions and resources of organizations change, as well as the demands and expectations of the users or clients of these organizations. The slogan of the “learning organization” has been used to describe the type of organization which constantly reviews and assesses its environment, its structures and its operating procedures.

Changing the frame condition for local government as described above will in itself not be sufficient to guarantee that local government organizations will perform more effectively and efficiently than in the past. A process of capacity-building will be required to familiarise local governments with appropriate tools and techniques to analyse and assess existing institutional capacity, and to map out appropriate organizational change strategies ensuring improved performance. Capacity-building will be needed in developing new micro-management approaches, team efforts and effective task management, human resource management, financial management, customer/citizen orientation, and performance benchmarking and measurement. LG associations should play a leading role in shaping and delivering this kind of capacity-building support.

There will also be a legitimate role of the central government to foster and facilitate this capacity-building efforts. Apart from its regulatory functions for the fiscal and civil service issues mentioned above, the central level should also set the general rules for union formation among LG staff, codes of conduct for civil servants, effective enforcement and legal sanctions against corrupt activity, and protections for whistle blowers on corrupt practices. In conjunction with local government associations, the central government should support the development of monitoring and evaluation systems with performance benchmarks, and assist the exposure of LG to best practices information regarding efficient and effective organizational structures and staffing policies.

In designing or sharing “best practices” the central agencies should seek to harmonize the various “guidance” products relating to organizational structures. The gaps in the “Job Analysis” instrument relating to inter-agency rationalization and fundamental questioning of

roles of units must be addressed. The vision/mission draft manuals of the former *Menpan* need to be grounded to the real degree of discretion given to regional agencies in interpreting their mandates/functions and in charting their strategies. Relevant central government agencies, like MoHA, *MenkoWasbangPAN* and LAN should cooperate with local government associations in designing an expanded tool (perhaps named “organizational analysis”) as an instrument for local governments to appraise their institutional set-up. Such a tool or assessment process should consist of several core elements:

- the analysis of tasks and functions of the organization under review, their continuing relevance, and the need to assume new and/or additional tasks and functions,
- the determination of the services, goods or products to be provided by the organization, their continuing relevance and quality standards and the need to review/modify both,
- the determination which unit would be responsible for providing these goods and services,
- the assessment of the financial, human and technical resources available to provide these goods and services with the appropriate standards,
- the assessment of procedures and working mechanisms to provide certain goods and services, including the assessment whether the local government should provide such goods and services itself and contract-out the private sector.

Such an assessment process has to involve the major stakeholders: the organization’s management, the local government management, the local council, the staff and its trade unions or representative bodies, citizens and users of the organization’s goods and services. External advisers and central government representatives could provide advice, assist in the assessment process and act as moderator to balance the vested interest at the local level.

The above recommendations should be reflected in the current formulation of the new law on decentralisation and regional government. It should be remembered though that the present Law No. 5/1974 actually seemed to have quite autonomy-friendly wording regarding LG “self-organization”, but that this generous wording was undermined by the follow-up regulations. Such abuse or deviation of ambiguous or general legislation through inconsistent regulation and Ministerial decrees is frequent in Indonesia. Attention must be given to this potential problem, either by enshrining important protective clauses in the law itself, or by concurrently elaborating the law into relevant regulations so that future policy makers are fully aware of the intent of the law.

Appendices

Appendix I: Key Informants

Indonesia:

Biro Organisasi March 23, 1998:

Mr. Susanto, SH, Kasubag Kelembagaan Desentralisasi A1

Mr. Sigalingging, Kasubag Desentralisasi B3

Ms. Andy Maryam Pangerang, BA, Kasubag Kelembagaan Desentralisasi B1

Biro Kepegawaian, March 30, 1998:

Mr. H. Sutrisno MSi, Koordinator Kepegawaian Bidang Umum

Philippines¹⁶:

Mr. Sandy Paredes

League of Provinces

Mr. Danny Songco

CODE-NGO

Mr. Alex Brillantes

Consultant, Governance and Local Democracy (GOLD) Project

Germany:

Mr. Eugen Kaiser

Programme Officer, Local Government Group, German Foundation for International Development (DSE)/ Public Administration Centre (ZÖV), Berlin

Mr. Eiko Grömig

Programme Officer, Deutscher Städtetag Berlin [Association of German Cities, Berlin Representation]

Mr. Barsch

Director of Administration, Bezirksamt Berlin-Köpenick

Mrs. Katja De Jong

Local Government Office, County (*Landkreis*) Pinneberg

Mr. Andreas Köhler

Local Government Office, County (*Landkreis*) Pinneberg

Mrs. Petra Schrader

Project Group Administrative Reform, Dortmund

Mr. Wolfgang Roßow

Head, Organizational Development Unit, Bezirksamt von Berlin

Wedding

Canada:

Mr. Christopher Korosky
planner

Former planner with the Waterloo Region and Consultant

Mr. Gary Cousins

Director of Wellington County Planning Office and Advisor to the Association of Municipalities of Ontario

Mr. Brent Marshall

Acting Chief Administrative Officer of Halton Region

Ms. Snezana Vukelic

Information Officer, Association of Ontario Municipalities

¹⁶ Interviews with Philippine resource persons were made possible through cooperation of GTZ-SfDM with an ADB study conducted by Gabe Ferrazzi in the fall of 1998; questions related to organizations and local government code were relevant to both studies.

Appendix 2: Scoring System Used By Home Affairs To Set The Size And Structure Of Autonomous District Secretariats

INDICATOR	SCORE VALUE
1. Population Size < 300,000 300,001 to 500,000 500,000 to 700,000 700,000 to 900,000 > 900,000	6 12 18 24 30
2. Size of Region < 3,000 Km sq. 3,001 to 4,500 Km. sq. 4,501 to 6,000 Km. sq. 6,001 to 7,500 Km. sq. > 7,501 Km sq.	3 6 9 12 15
3. Number of sub-districts 1 to 5 sub-districts 6 to 10 sub-districts 11 to 15 sub-districts 16 to 20 sub-districts > 21 sub-districts	2 4 6 8 10
4. Regional "Own" Income < Rp. 300,000,000 Rp. 300,000,001 to Rp. 700,000,000 Rp. 700,000,001 to Rp. 1,100,000,000 Rp. 1,100,000,001 to Rp. 1,500,000,000 > Rp. 1,500,000,000	4 8 12 16 20
5. Number of functions held by district 1 to 5 functions 6 to 10 functions > 11 functions	15 10 5
6. Special Factors	10
Decision Rule: If the score is less than 65 = Small If the score is 65 or more = Large	

Source: Adapted from Appendix I, Home Affairs Ministerial Decree Number 28, 1992

Appendix 3 : Criteria Proposed by MoHA to Assign Small or Large Bappeda Structure

1.	Governmental Factors (GF)		
a)	Population level:	< 200,000	10 points
		200,000 to 300,000.....	20 points
		> 300,000.....	30 points
b)	Geographic area:	< 3,000 km ²	10 points
		3,001 to 4,5000 km ²	20 points
		> 4,501 km ²	30 points
c)	Lesser jurisdictions:	< 5 subdistricts.....	20 points
		6 to 10 subdistricts.....	30 points
		> 11 subdistricts.....	40 points
2.	Technical Factors (TF)		
a)	Own revenues (Rp.):	< 300 m.....	10 points
		300 m(+1) to 700 m....	15 points
		> 700 m (+1).....	20 points
b)	Development funds:	< 100 m.....	10 points
		101 to 150 m.....	15 points
		> 151 m.....	20 points
c)	Autonomous functions:	< 15 functions.....	10 points
		16 to 20 functions.....	20 points
		> 21 functions.....	30 points
3.	Special Factors (SF)		
a)	Bordering with other countries.....		20 points
b)	Seat of provincial capital.....		25 points
c)	Islands district.....		25 points
d)	Transmigration district.....		30 points
Formula: Score = 0.3(GF) + 0.6 (TF) + 0.1 (SF)			
(not specified in draft but usually threshold level is 65)			

Appendix 4: Criteria Used By The District In Establishing Agency Branches In The Subdistricts

DISTRICT	CRITERIA USED
Bandung (West Java)	<ol style="list-style-type: none"> 1. General potential of the region 2. Human resource potential 3. Financing potential 4. Asset/Equipment potential 5. Delegation of authority from the department
Banyumas (Central Java)	<p>General aspects:</p> <ol style="list-style-type: none"> 1. Own revenues of the district 2. Population size 3. Size of the region 4. Number of sub-districts <p>Special aspects:</p> <p>According to the work load, ex. for public works: class of roads, status of roads, width of roads, length of roads</p>
Sleman (Yogyakarta special region)	<p>Example from Education</p> <ol style="list-style-type: none"> 1. # of elementary schools in the district 2. # of elementary students in the district 3. # of elementary school teachers 4. Information on elementary schools, institutions offering courses, students, and equipment in the district 5. information on the situation and potential of the sub-districts in the district
Sidoarjo (Eastern Java)	<ol style="list-style-type: none"> 1. Size of region 2. Population size 3. Work load 4. Potential of the region relating to the sector in question 5. Other factors specific to the department
Tanah Laut (South Kalimantan)	To increase the service to the people, especially in the fields of education and culture, in the framework of raising the capacity and knowledge of human resources.
Kotawaring Timur (Central Kalimantan)	<ol style="list-style-type: none"> 1. Size of region 2. Potential of region 3. Anticipated developments
Sambas (West Kalimantan)	Based on the guidance provided by the Department of Home Affairs and the Minister for State Reform
Aileu (Timor Timur)	<p>The establishment of branches is not yet needed seen from the</p> <ol style="list-style-type: none"> 1. reach of the region 2. work load
Sorong (Irian Jaya)	<p>Example from Education</p> <ol style="list-style-type: none"> 1. # of elementary schools in the district 2. # of elementary students in the district 3. # of elementary school teachers 4. Size of the region 5. Difficulty in communication/transportation

Source: Compiled from the responses of the districts to the Monitoring survey of the Ministry of Home Affairs, August 1996.

Appendix 5: Methods of determining size and staffing levels in German local government

In determining the size of an organizational unit, the workload of the respective unit is a key variable (other variables being for instance the available budgetary funds). The work load can only be determined on the basis of the specific tasks and functions which are the responsibility of this unit, and on an analytical clarification of the activities which are necessary to fulfil the tasks. In German local government, the process to determine work load and staffing levels consists of four elements (Siepmann/Siepmann 1992):

1. The clarification of the exact tasks and functions of the respective organizational work unit, these tasks are then dismantled into individual activities which have to be carried out in order to implement a task.

Such analysis can be done by going through all the existing laws, regulations, and local government council decisions which stipulate tasks and functions of the respective local administration. In Germany, the KGSt in developing their model of administrative organization had done a survey of local government activities, which was subsequently used as a basis to determine typical tasks of a certain organization unit.

2. For each of the activities, the frequency of the activities within a given period of time (like a month, a year) is estimated, in other word it is asked "How often does a specific activity occur within a certain period?" This analysis can be done based on existing empirical knowledge (e.g. how often had a certain activity to be carried out in the previous year), or has to be estimated. Documentation analysis (like analysing written records of this units), the comparison with a similar organizational unit in another local government, staff interviews, customer surveys, observations, and other techniques can also help in achieving an approximation of the frequency.

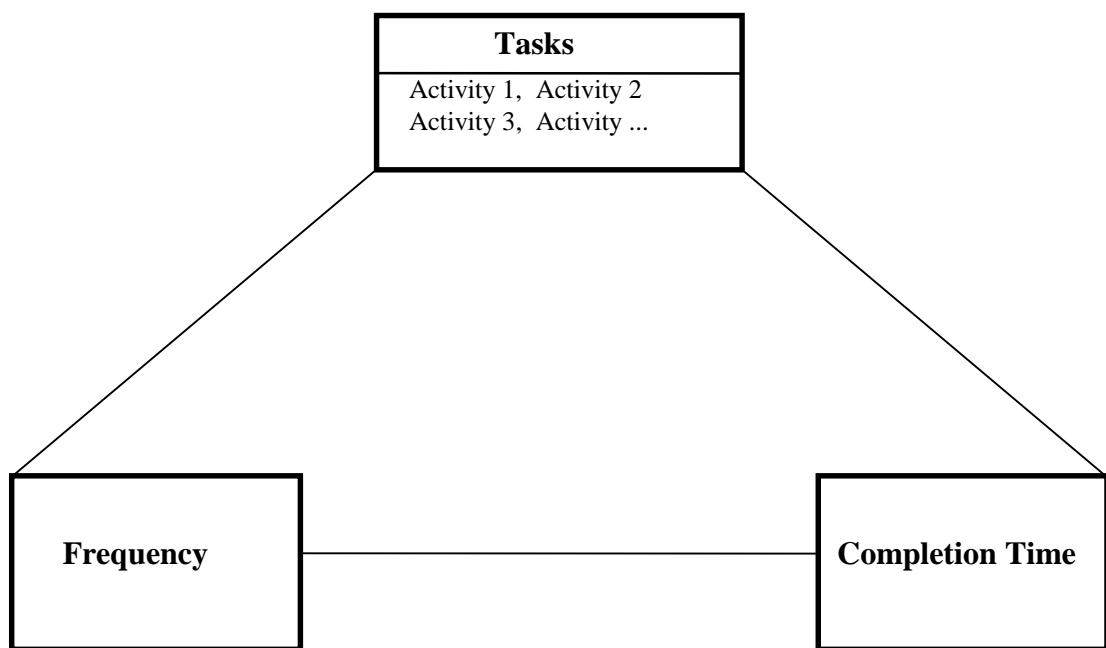
3. For each activity the implementation time needed to carry out this activity is then calculated or measured. Again, this can be done on the basis of existing records. The time can also be measured by observation, or staff can be asked to make time records over a certain period of time to find out how long they need for a certain activity to be completed.

4. Based on the frequency of the activity, and on the estimation how much time the implementation of the activity will take, the total working time which the organizational unit will have to spent for this activity within a specific period can than be calculated, and be used to determine to required number of staff which is needed. Adding total working times and required staff number, the analysis would provide an estimation of the total number of staff which is needed in a given period of time to carry out certain activities in order to fulfil a specific number of tasks.

It is obvious that routine and less complex tasks (like registration of births, the issuance of a driving license) are easier to analyse than more complex tasks like the formulation of a regional development plan. If for instance the population number of a certain local government, and the average birth rate is known, it can easily be calculated how many birth registration per year are to be expected. If the time needed to carry out the registration is known, the annual total working time to be spent on the task "registration of births", and the required number of staff can easily be calculated. The task "Formulation of a

regional development plan", however, involves a much more detailed analysis of the activities involved, and of the time spent for each of the activities.

In Germany, the KGSt has developed a system of indices for local government activities which are used by the local governments to calculate working times and staffing levels. Local governments can also undertake their own analysis (for instance the administration of Berlin-Wedding did a study in 1988 to assess the staffing levels for the social benefits unit of the administration), however because of time and resources needed for such an organizational analysis the use of general indices, and their adjustment to local conditions are preferred approaches. There is no general formula for calculating work loads and staffing levels, and the results of any calculation have to be re-assessed regularly to accommodate changing circumstances.



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