

MANAGING CHANGE IN PUBLIC-SECTOR ORGANIZATIONS

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Managing Change in Public-sector Organizations

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FOREWORD

Change is an inherent necessity for organizations to remain relevant to their stakeholders. Public-sector organizations, however, are often perceived as resistant to change since many seek to improve capacity without fundamentally altering their operations. Organizational changes in the public setting often occur when new leaders, at both national and local levels, are elected. Incoming administrations appoint new officials who introduce new policies and programs. In many instances, previous policies and programs are simply discontinued, regardless of whether they were working, especially if the new administration is from a different political party. Such changes can result in wasted efforts and resources, along with insecurity and confusion among those in public service during transition periods. Change models and processes to change the culture of the public sector have recently been introduced under the banners of organizational development and institutional reform. Similarly, governments in some countries have instituted mechanisms in the sector for managing electoral transitions, including the ongoing tenure of key officials to ensure stability in the delivery of public services.

This report explores various examples of managing change in public-sector organizations in selected APO member countries. They are divided into the two broad topics of administrative reform and economic and community development. The focus of the research was on the fundamentals of change management in the public sector including its complexity and best practices of successful organizations as case studies. It investigates what has been done so far to introduce and manage change in the public sector along with its complexities so that appropriate policy interventions can be made in the future. The results of this study is to provide insights on how change has been introduced and managed given the multifaceted nature of the public sector.

Dr. AKP Mochtan
Secretary-General

INTRODUCTION

Abstract

Change is an inherent characteristic of any organization. All organizations in the public sector as well as the private sector, must change to remain relevant in today's context. In a world of rapid changes, managing change is especially important in the public sector due to the extra dimensions of complexity. These complexities arise on account of issues pertaining to governance, multiple stakeholders, approval processes, new technologies, transforming economies, and financial markets. However, public-sector organizations are often perceived as resistant to change. They typically seek to increase capacity without making any fundamental changes. Introduction of change-management strategies and development methods are resisted due to the uncertainty of their outcomes. On the other hand, organizational changes in the public sector take place every time new leaders, at both national and local levels, are elected. Incoming administrations usually appoint new officials in the bureaucracy who introduce new policies and programs. In many instances, some previous policies and programs are simply disregarded, irrespective of whether they were working or not. This is a common practice, especially if the new administration is from a different political party. Some such changes result in wasted efforts and resources, along with insecurity and confusion among those in public service during the transition period.

Change models and processes that aim to change the culture of the public sector have recently been introduced under the banners of 'organizational development' and 'institutional reforms.' Similarly, governments in some countries have instituted mechanisms in the public service for managing transitions brought about by electoral changes. These include securing the tenures of key officials in the bureaucracy to ensure stability in the delivery of public services. To enhance the effectiveness of change management in the public sector, it is essential to identify, examine, and emulate the best practices of successful organizations. One also needs to learn from their experiences on how they identified the barriers to change and what initiatives they took for managing the change and getting the desired results.

While the APO has been implementing capacity-building programs for the public sector to improve overall performance and productivity, the research in change management has not yet been well developed to support ongoing institutional reforms of many member-country governments. Hence, this study was initiated.

This research aims to look into the models and theories on change management applied to the public sector, examine the complexities and results of their application to public-sector organizations, and provide recommendations that will enhance their overall performance within the framework of change management. The focus of the study is on the fundamentals of change management in the public sector, including its complexities, with the best practices at successful organizations serving as case studies.

This research is an attempt to investigate what has been done so far to introduce and manage change in the public sector and look into its complexities so that appropriate interventions can be made in formulating projects and programs in future. The results of this study will also provide insights on how change has been introduced and managed, given the complexity of the public

sector in some APO member countries. The research is a result of collaborative work of experts from APO member countries such as Bangladesh, Cambodia, India, Indonesia, IR Iran, Malaysia, Pakistan, and Sri Lanka, led by a chief expert from Thailand.

Overview

Bangladesh

How the central government in Bangladesh brought in significant changes to enhance people's participation and good governance at the Union Parishad level is explained by Ajit Kumar Paul in the case study titled *Good Governance with Local Government, Bangladesh*.

In order to ensure good governance, local governments need significant participation of local people in devising and executing development plans and strategic decisions. Notably, over time, the activities and priorities of the central government have significantly changed. The central government alone cannot efficiently ensure grassroot-level people's participation in the preparation of policy and implementation of projects and programs of the local government. Local people should also be encouraged to take part in these processes through these local bodies. In order to ensure this participation, there have been ongoing reforms in the local government bodies and in their systems for more than last two decades.

The methodology used for this case study includes interviews, focus group discussions, and secondary data collected from reviewing relevant research materials and reports.

This case study has critically analyzed the project and identified how it has effectively strengthened the local government. Simultaneously, it has identified how it can be made even more effective and successful through implementation of some suitable measures. These measures include increasing people's participation in public gatherings, especially that of womenfolk; better utilization of funds and grants by increasing external influence and regular audits; enhancing financial activities and scopes of services; abolishing redundant vertical local governments; and empowering local governments further by authorizing them to execute relevant laws. APO member countries can benefit from this case study to strategically improve their local governments through increased participation of local people in the reforms.

Cambodia

Kang Savannara, in the case study on *The National University of Management (NUM), Cambodia*, explains how a state-owned higher-education institute in Cambodia could manage the challenges and bring in remarkable changes in its functioning.

NUM, which has been providing several thousand capable and socially responsible managers and entrepreneurs to the society, has, from time to time, faced many challenges of managing changes in management system, financial system, curriculum development, organizational culture, and the quality of education and services. 'How NUM has dealt with those challenges' is the core intention of this case study. The study findings will be immensely benefitting for the state-owned higher-education institutes in APO member countries that are desperately searching for an appropriate change-management model to achieve the desired changes.

Through the case study on *Phnom Penh Water Supply Authority (PPWSA): Cambodia*, Savannara once again explains the learning experience from how transformation was successfully brought

about in a government department in Cambodia. This case is held as a successful example of how effective a methodical way of steering a government entity in the context of a utility's privatization initiatives in the developing world can be.

PPWSA, which until 1996, was a government department in Cambodia responsible for supplying water to the city of Phnom Penh, suffered from typical limitations arising from inefficiencies and counterproductive institutional factors, including weak regulation, asymmetric information, perverse incentives, and lack of creditable commitment that led to huge amount of non-revenue water, the issue of illegal connections, and collection issues. However, in December 1996, PPWSA was restructured as a public enterprise and directed to operate in accordance with commercial practices. PPWSA's transformation was not an instantaneous and ad hoc initiative but was a result of strategic marshaling of human resources and reshuffling of basic management structure while recruiting and promoting talented staff with higher salaries and bonuses. At the same time, there also were pay cuts for poor performance.

This case study elaborates how the challenges faced by the government entities in the 21st century are to be solved by addressing the importance of human resources, people's development, and employee's motivation. It further emphasizes how vital it is to have not only leaders with in-depth knowledge but also exemplary leaders with mentoring skills to direct subordinates as a team toward achieving organizational goals. Based on aforesaid leadership qualities, PPWSA was able to attract development assistance, increase revenue, and attain continuous political support, which is a highly crucial success factor, especially in developing countries.

At present, PPWSA has become a self-sufficient entity operating without subsidies from the state. It is able to provide round-the-clock service with 90% coverage, to a city of 1.7 million inhabitants. In 2012, reaching another milestone, PPWSA got listed on the Cambodian Stock Exchange with a shareholding offering.

India

In the case study on *T-Hub in the State of Telangana, India*, Alaparti Sudarsana Kumar highlights the successful experiment of T-Hub by the government of the newly formed Telangana state in India.

In all the developing countries, the aspirations of its people in the existing frameworks may be inadequate and there is a great need to leverage the minds. Startups and entrepreneurship are the best way to become a knowledge superpower. In this context, the successful experiment of creation of T-Hub is covered in the study. T-Hub is an incubator created to support startups through a startup ecosystem and by addressing all major problems of startups. T-Hub is a unique concept of public-private partnership between the government and academic institutes. Its mission is to catalyze the creation of one of the most vibrant entrepreneur communities in the world in order to encourage and fuel more startup success stories in India.

This case study elaborates the key focus areas for achieving the results, e.g., how to attract the best startups and entrepreneur organizations from across the world to the city of Hyderabad; how to work with a network of partners to help entrepreneurs to launch and scale innovative companies; how to equip innovators with the entrepreneurship skills required; and how to link, educate, and promote all entrepreneurship-related stakeholders to facilitate faster linkages between talents, ideas, and capital.

This case study further reveals how factors such as people, mentors, institutional support, and the government facilitated the successful implementation of the initiative. It also highlights the areas that the local governments of APO member countries wanting to create startup-incubation facilities should focus on, to get positive results. Once successful, such initiatives lead to economic and social development.

In the second case study on *Ease of Doing Business in Telangana*, the reforms initiated by the local government of a newly formed state (Telangana) and its impact on the economy are analyzed.

Telangana topped the Ease of Doing Business (EODB) Reforms Ranking, 2015–16 in India. This case study details how the government of Telangana had progressively made reforms in policies, processes, and governance, to enhance the business ecosystem in the state across sectors in a simplified manner. The aim of the government was to increase the potential to run businesses in the state, which in turn would help the growth of the state's economy. The focus of these reforms was to ensure that 'Ease of Doing Business' was attained in its true sense.

It was a challenging task for the government of the new state to meet the expectations of its people and to propel economic and community development through creating employment, maximizing growth opportunities, ensuring optimum utilization of the available resources, and harnessing the talents and skills of people. The government realized that growth was possible only through attracting new business investments and promoting rapid industrial development in the state.

The reforms focused on creating a one-stop single-window system for all investors, while addressing and making inspection procedures much simpler and transparent; implementing self-certification schemes; providing all-online systems with no requirement of physical interface; and reducing the turnaround times for 'consent of establishment' and 'consent for operation' for various approvals. This case study's findings will be a learning for APO member countries, on how, despite all the limitations and challenges, the Government of Telangana could make the state one of the best destinations for doing business in India in a span of less than two years. This case study highlights the processes and enablers by which the change was achieved.

Indonesia

Irham Dilmy in the case study, *Adoption of Merit System in the Bureaucracy, Indonesia*, explains that Indonesia had long been adopting a spoils-based system for managing its civil service organization, thereby resulting in a low Government Effectiveness Index. The index assesses the quality of the public service; the quality of civil servants or its human resources; the quality of public policies generated and implemented; and the degree by which political intervention takes place in the bureaucracy.

To enhance the effectiveness of the present system, the Indonesian government wanted to initiate appropriate administrative reforms. The case demonstrates what Indonesia has done in order to improve its national bureaucracy by adopting a 'merit system,' which puts an emphasis on people's competencies, qualifications, performance, and track records in recruitment, promotion, transfers, or any other human resource management decision. It also indicates the context applicable to the country during the time of change and the impact as well as resistance of embracing the merit system. To bring in the desired changes, the central government in Indonesia enacted and implemented a new law as a change initiative. The case study also details how the government effectively managed the challenges during an effective implementation of the enactment. These included resistance from government agencies, provincial, and local governments; impact of

reduction in role and power of heads of agencies, governors, and local-government heads; and impact of introducing an open-selection process for appointments of high-ranking officials. The process mandated that a majority of selection-panel members came from outside of the agencies or government institutions to ensure independency of panels and their fairness.

In another case study, *Agony of Building the Merit System in Bureaucracy, Indonesia*, Dilmy elaborates how the challenges and difficulties faced were successfully managed in adopting a merit system in the Indonesian bureaucracy.

The new law on civil service management adopting a merit-based approach in managing the personnel in the Indonesian bureaucracy was put into effect in January 2014. This was followed by the establishment of Indonesian Civil Service Commission (CSC) or *Komisi Aparatur Sipil Negara (KASN)*, as a merit-system watchdog, in November of the same year. Since then, the effort to build a merit culture in the bureaucracy has encountered and overcome many stumbling blocks.

The case demonstrates how CSC faced resistance, especially from local governments, and how it managed the challenges in its effort to guard the implementation of the merit system throughout the country. By using case-study methods, the case writer portrays the actual situation that was then taking place in order to bring forth the difficulties and challenges faced by the CSC in supervising the merit system's implementation.

IR Iran

Bayazaid Mardukhi, in the case study, *Insuring Construction Workers in IR Iran*, highlights the mechanism of the Government of IR Iran through legislative measures and series of amendments for solving the problems of compulsory insurance of construction workers.

Similar to many of the developing countries in Asia, the process of change management in IR Iran is also confronted by various official rules, regulations, procedures, and influence of powerful groups.

This case study focuses on the social security issues specific to the construction workers' insurance in IR Iran, and elaborates on the role and contribution of the government and the country's foremost social and economic institution, Social Security Organization (SSO) in addressing those issues. It also deals with some important aspects like problems relating to identification of real construction workers, criteria for issue of skill certificates, compilation of accurate data on the construction workers population in the country, control over the management process of construction workers' insurance, etc.

This case study further details how a new system of construction workers' insurance is designed with efficiency and transparency, and commissioned with focus on various processes related to citizen's registration, registration of construction workers' insurance, inquiring of construction workers' insurance application, issuing of the insurance policy, and renewal of the insurance policy.

The learnings from this case study will be immensely beneficial for APO member countries who are planning to upgrade their social security systems pertaining to construction workers.

Malaysia

Dr. Mazrina Mohamed Ibramsah offers an elaboration on the Government of Malaysia's initiative in managing change to ensure ease of doing business in Malaysia in the case study *Reducing Unnecessary Regulatory Burden (RURB) Initiatives, Malaysia*.

Unnecessary regulatory burdens present an obstacle to economic growth. They undermine the country's competitiveness, pose market entry barriers for new firms, deter the creation of new jobs, slow employment growth, and discourage foreign investors. Reducing unnecessary burdens faced by companies in complying with regulatory requirement is extremely important. The reduction could result in companies saving millions of dollars in regulatory compliance costs. Regulators who are enforcing and administering the regulations could reduce their operating costs as well. The regulators could also allocate their resources to higher-value-added and higher-risk tasks.

RURB methodology has been developed by the Malaysia Productivity Corporation (MPC) to resolve a specific regulatory burden faced by businesses in the course of complying with a certain regulatory requirement. The RURB methodology provides a practical and implementable solution in line with the principles of good regulation for removing the unnecessary regulatory burden, without jeopardizing the government's social and economic goals.

The RURB methodology involves both the regulators and the affected firms. This makes it easier for regulators to understand and acknowledge the existence of the burden faced by the firm. The implementation of the solution will benefit the regulator, government agencies, firms concerned, as well as other firms in a similar situation.

The case study shows that the approach and methodology developed by the MPC to reduce unnecessary regulatory burdens is proven and practical to be implemented across all sectors and agencies. Therefore, other APO member countries can benefit from this success story and replicate the methodology for transformation and change-management initiatives.

Pakistan

In the case study, *Motorway Police, Pakistan*, Muhammad Idrees Khawaja illustrates how an 'island of excellence' within the public sector can be created if the government is committed to bringing in positive changes. The National Highways and Motorway Police (NHMP) of Pakistan is a different phenomenon in the public sector. The completion of a motorway or free-highway project between Lahore and Islamabad in Pakistan triggered the establishment of this efficient police force to enforce traffic rules for smooth, safe, and speedy flow of traffic.

Comprising high-performing police officers from around the country, the NHMP organization became an 'island of excellence' within the public sector. Law enforcement by the members of the new unit has been firm but fair, despite facing many challenges as people have not been used to strict implementations of the rule of law. The police officers were also provided with latest tools and equipment in carrying out their tasks, in addition to a relatively handsome compensation package. As such, the National Accountability Bureau (NAB) had declared the Motorway Police as the only corruption-free department in the country.

From a relatively simple description of the establishment and development of NHMP in Pakistan, the case study clearly shows to the audience in other countries, how 'an island of integrity or excellence,' or a new unit within a public-sector organization can be created through the right treatment since the beginning of its formation. Members are selected through an open-selection system. Only the best ones can pass. The selected people are provided with excellent training, good remuneration, and reasonable working hours. Their leaders put strong emphasis on doing the right things while walking the talk, with a "be kind, but firm" attitude. This is an excellent example of how a merit-based approach has resulted in a phenomenal outcome. The island of

excellence can be contagious for other units in the public sector, resulting in a favorable public-sector condition.

Another case study from Pakistan on *Sindh Institute of Urology and Transplantation (SIUT)* presented by Muhammad Idrees Khawaja illustrates how a governmental health institution can be run as a role-model institution.

SIUT in Pakistan has got the state-of-the-art technology and is run by highly trained health professionals. It is the approach of compassion and humanism with which the institute gained its fame. It has more concerns for patient-oriented needs pertaining to dignity, value, and even economic situations. Most of the time, these are the main issues at hand, alongside the sufferings from the diseases. The doctors at SIUT are firm believers of a holistic approach.

SIUT receives only 30% of its budget from the government and is majorly funded by charitable donations. It has treated millions of patients in the last four decades. Operating like a big family, SIUT expects its staff to show compassion and humanism to their colleagues as well as to the patients and their families. The socioeconomic concerns of every patient are addressed with sympathy and care. The healing touch eases the patient's emotional, psychological, and economic stresses.

The approach taken by the institution towards its patients has gained a reputation that makes the organization grow exponentially. Everyone contributes in planning, expanding, acquiring, and adjusting to new methods and technologies. Leaders practice what they preach through knowledge and experience sharing.

It was important for Dr. Syed Adeebul Hasan Rizvi, as a founder of this institution, to set precedence for the next generation to abide by the values passed on by his generation. He has created an organization where personal and professional growth is addressed and developed by those who acknowledge and promote the importance of individual and team effort.

This is another example of leadership walking the talk in the public sector that generates excellence in people and organizations for the good of human beings. The reach and scope of the organization's spectrum go beyond what public and private partnerships would normally expect.

Sri Lanka

In the case study, *An Effort to Introduce a Performance Evaluation System to Public Sector, Sri Lanka*, Arjun Wickramasinghe details the initiatives taken by the Sri Lankan government in introducing a new performance evaluation system, intended at elevating the Sri Lankan public sector as an efficient and effective service provider.

Sri Lanka is a country with one of the largest public sectors in the world that is often criticized for its bloated nature and poor service delivery. This poor performance delivery has been attributed to a lack of proper scientific performance evaluation system. Sri Lankan government therefore decided to initiate change interventions to introduce a new performance evaluation system to elevate the Sri Lankan public sector to an efficient and effective service provider's level. The proposed new performance evaluation system is based on a rigorous process that ultimately reached the stage of performance agreement between appraisee and appraiser with a firm linkage with the organizational action plan.

This case study highly emphasizes the fact that, how even well-articulated processes on introducing a change to a prevailing issue, fails, due to a lack of prominence given to the new initiative and commitment from the relevant stakeholders. It is an example for the rest of public-sector entities, that a lack of commitment granted by the stakeholders or prominence given to the initiative would bring down any effort to change.

In the case study, *Introduction of PMS by Department of Pensions*, Arjun Wickramasinghe details a story of using modern technology to transform a government entity in Sri Lanka that was highly unwilling to change, by making very precise changes to the system.

Pension payment in Sri Lanka started way back in 1815, and it took 81 years for the pension ordinance to become a law in the country in 1901. In 1970, Department of Pensions (DOP) was established under the purview of the Ministry of Public Administration to take care of all matters related to pension payments.

With the rapid expansion of the public sector in Sri Lanka, around 1,200 pensioners were being added to the community of pensioners annually and the DOP was receiving those applications through 4,000 entities around the country. It had become a herculean task for the DOP to register pensioners and disburse the payments. Hence, having a comprehensive pension management system in place was indispensable for providing an efficient and effective service to pensioners and also for the efficient dissemination of public funds.

This case study elaborates how DOP has introduced a new Pension Management System (PMS) that is quite a revolutionary system compared to the system it replaced in order to provide efficient and effective service to its clients. Unlike the previous manual system that took more than a month to disburse a pension to a retiree, PMS is an innovative idea that started with the existing human and physical resources at the DOP with the aim of providing pension benefits on the date of retirement.

The study findings will be useful for public sectors in other countries to understand the ways and means of transforming a conservative government entity into an efficient and effective service provider through existing resources with the use of appropriate technology.

Conclusion

The findings of this APO project on change management in public sector reveals examples of how governments in some APO member countries were able to formulate, initiate, implement, and ensure sustainable positive changes in various government departments, agencies, and institutions. This in turn, led to enhancing the performance, productivity, and socioeconomic and community development in these countries. This study highlights how various obstacles and challenges related to public policies; legal framework, rules, regulations, procedures, and systems; socioeconomic conditions, cultures, and attitudes of people; and political interventions were considered, addressed, and managed successfully while facilitating change management.

This study also elaborates the importance of various aspects like leadership, people's participation, institutional networking, evolving innovative administrative policies, and reforms; focus on customer satisfaction and retention; and involvement of NGOs, adoption of new technologies, etc. in the process of managing change.

The findings of the study will be of great help to governments in APO member countries who are seriously considering change management and are in search of relevant experiences to draw lessons from and to implement similar interventions. However, caution is required to take their own socioeconomic and cultural aspects in consideration and make suitable modifications while doing an implementation.

CASE STUDY 1

GOOD GOVERNANCE WITH LOCAL GOVERNMENT, BANGLADESH

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Abstract

A proactive, autonomous, and participating but accountable local-government system is essential for ensuring good governance in any country. Like many other countries, the Constitution of Bangladesh calls for a separate and empowered local government that is free from the influence of the national government. However, in order to ensure good governance, the local government needs a significant participation of local people in devising and executing the development plans and strategic decisions.

Notably, over time, the activities and priorities of the central government have significantly changed. The central government alone cannot ensure people's grassroot-level participation in the preparation of policy and implementation of projects and programs of the local government efficiently, unless people are encouraged to take part in these processes through these local governments. In order to ensure such participation, there have been ongoing reforms in the local government bodies and their systems for more than last two decades. These include, but are not limited to, the Local Government Support Project (LGSP), which has helped ensure good governance through people's participation quite successfully and has significantly contributed to the recent economic growth of the country. This paper has critically analyzed the project and identified how it has effectively strengthened the local government. Simultaneously, it has identified how the project can be made even more effective and successful through implementation of some suitable measures.

Introduction

Bangladesh inherited the colonial structure of local government because the country was under the British rule for two hundred years, and under Pakistan's rule for around 24 years. During the British and Pakistani periods, different changes were made to the local government institutions' (LGIs') structure. Even after independence, several changes were made to the structure of the local government bodies where people's participation and good governance received priority under different regimes. The research objective of this study is to explore the performance of the local government, i.e., Union Parishad (UP), by ensuring people's participation in the economic development programs. Morshed [1] mentions, that to foster people's participation, reforms in local government bodies and governing systems have been going on for more than two decades in Bangladesh.

ADB [2] investigates the barriers to engaging people in implementation of rural development programs. As people's participation supports the quality of governance by influencing other causal

factors such as transparency, accountability, and predictability, development agencies demand participatory local governance for effective development. Almost everywhere, rural development programs have mainly been implemented through local government bodies. Therefore, this study attempts to investigate the strengths and weaknesses of the present UP local governing system in Bangladesh with respect to participation. The study also attempts to explore how the meaning and mechanisms of the concept of people's participation that has been imported from the developed democratic economies through international aid agencies are perceived and understood in a developing country like Bangladesh.

Sharmin [3] investigated that historically, local government has always been there in the country. Only its forms have differed from age to age. The ancient and medieval governments of erstwhile Bengal were heavily dependent on village institutions, which formed the structure of the local government. After the independence of Bangladesh, many changes were made to constitute and reconstitute the local government system. This study is an effort, mainly to know about the local-government problems in Bangladesh and provide a comprehensive solution in order to strengthen the local government properly. Various problems have restricted the local-government system from realism, such as financial control, control by the central government, limited budgetary allocations, and interruptions by politicians. The study has been conducted using secondary sources of data. Moreover, different scholars' views have been incorporated so that a comprehensive reform strategy can be provided properly.

Panday [4] explores whether or not the much-needed autonomy has been built into the decentralization process. The paper is essentially based on the review of secondary materials. However, efforts have been made to consult all the available local-government commission reports. The study findings suggest that, despite having constitutional recognition of the establishment of a strong and independent local-government system, the political leadership of Bangladesh has initiated different reforms to bring changes to the structure of the LGIs in the name of decentralization. Often, the primary intentions of political leaders behind most of the reforms are to strengthen their political base in certain areas. As a result, LGIs could not be established as focal points of development where people would also have the power to monitor and control their constituencies.

Boex [5] argues in favor of effective local government bodies for several reasons. First, the implementation of any poverty-reduction strategy requires improved access to and delivery of basic local public goods and services (e.g., primary education, health, water, sanitation, road access, flood protection, and drainage).

Second, local government is in an advantageous position with regard to financing, planning, management, and oversight of these local public goods and services (if not in their actual delivery).

Third, local democratic governance mechanisms can be created for local governments. These may ensure positive interactions between citizens, the civil society, government departments, and the private sector.

Study Objectives

The main objective of this study is to identify legal and practical constraints to people's participation and good governance in the development activities in rural areas of Bangladesh through the lowest-level local government, i.e., the UP. In accordance with the findings, the study will provide rational,

effective, and practical recommendations to remove these constraints for making UPs more capable and vibrant. Considering this, the broad objective is to find out ways and means for people to participate in every decision of development activities of UPs in ensuring good governance and rapid rural economic development. The final objective is to make recommendations on amendments to constitutional provisions and ordinances relating to the local government, to enable it to function for more people's participation. This would ensure further economic growth and good governance.

Methodology

It employs a secondary-source-based study combining data collection from primary sources. In-depth interviews and focus group discussion (FDG) methods have been used to collect primary data. Practical experience (of the author) as an official of the related field is the principal source of information. Discussions were held with the leaders of local-government representatives in a very unstructured way. In-depth interviews and open discussions were conducted with local-government experts and officials. Secondary data were collected by reviewing relevant research materials, articles, journals, and reports of various committees and commissions on local government.

Defining People's Participation

Participation has a wide range of definitions. On one hand, some researchers like Bishop and Davis [6] take participation to mean simply engaging with any particular activity; on the other hand, researchers like Arnstein [7] define participation as a process through which people influence and share control over development initiatives. Supporters of the latter view have recommended different stages of people's participation process in local development programs. A metaphoric eight-rung ladder of the participation process has been developed by Arnstein [7], which includes the steps of (1) manipulation; (2) therapy; (3) informing; (4) consultation; (5) placation; (6) partnership; (7) delegated power; and (8) citizen control. In contrast, Wilcox [8] and the International Association for Public Participation proposed five stages of people's participation, which are (1) inform (one-way communication); (2) consult (two-way communication); (3) involve (deciding together); (4) collaborate (acting together); and (5) empower (supporting independent community interests).

This research will adopt the participation process described by Wilcox [8] and the International Association of Public Participation, but will consider four stages of participation instead of five. The stages 'involve' and 'collaboration' are symbiotic, together covering people's participation as working jointly, so this study merges them, and identifies the four stages as (1) informing; (2) consulting; (3) involving; and (4) empowering.

Stage 1: Informing

It is a one-way process, where people are mere recipients, and the agency is the supplier. At this stage, the governing agency tells people about the decision before or during the implementation of development programs.

Stage 2: Consulting

It is a two-way communication, where the governing agency comes to people with its proposal and consults over the matter in order to make the decision on implementation. However, the engagement of people is usually limited to the duration of the decision-making process of the program. Moreover, people are heard by the project implementation body without any confirmation that their opinion will be taken into account for the final decision. Further, people

have no scope to be involved in all phases of the project's implementation. The governing body usually informs people, so as to get token feedback, after which it takes a decision and implements the program unilaterally.

Stage 3: Involving

At this stage, the governing agency involves people in decision making, engages them with budget distribution, and implements the whole program together. However, at this level, the community or stakeholders are not given the scope to be engaged as a whole. This is because of the factional involvement of people that can occur in this kind of process. In practice, at this stage, the authority tends to consult only with a selected group of people and lets that group to be involved in the program instead of including the whole community.

Stage 4: Empowering

At this stage, the governing agency creates the scope for developing the capacity of people to come forward with their decisions and resources to implement development programs jointly. In reality, people control the government, and the agency plays the role of facilitator for a development program's implementation at this stage. Carley [9] mentions that participation of people in development programs can define the accountability of the authority, make the program transparent, and force the authority to follow the local laws. Thus, most critics describe it as essential to the sustainability of development programs. However, as per Cole and Caputo [10], all participation might not confirm the sustainability of development programs, unless the participation is an effective one. Here, the word 'effective' refers to instances where people's participation makes a difference within the decision-making processes or policy outcomes of the government. Brett [11] defines that the participation process is a social transformation mechanism, where the power of the implementing agency is transformed by the civil society. In this way, 'effective participation' is evident when people's empowerment reaches a position that enables cooperative and collective actions to be performed by the implementing agency, resulting in enhanced influence over decision-making, monitoring, and evaluation processes.

However, some researchers have opposed the idea of people's participation, not always seeing it as good for controlling a program towards an effective outcome. Innes and Booher [12] mention that participation sometimes causes delays in decision-making or increases costs as per Olson [13] or brings conflict as per Bureekul [14]. Hence, OECD [15] mentions that some international organizations contend that participation would vary with the variations of cultural and socioeconomic conditions of a particular society, and different countries with varying socioeconomic circumstances might well benefit from different models of people's participation.

Defining Good Governance

Good governance is an indeterminate term used in the international development literature to describe how public institutions conduct public affairs and manage public resources. Governance is "the process of decision-making and the process by which decisions are implemented (or not implemented)." The term governance can apply to corporate, international, national, or local governance, or to the interactions between other sectors of society.

All have a positive effect on various aspects of local government, including consultation, policies, and practices; meeting procedures; service-quality protocols; councilor and officer conduct; role clarification; and good working relationships.

UNESCAP has stated that the UN is playing an increasing role in good governance. According to former UN Secretary-General Kofi Annan, “Good governance is ensuring respect for human rights and the rule of law; strengthening democracy; promoting transparency and capacity in public administration.” To implement this, the UN follows eight principles.

- **Good governance is accountable:** Accountability is a fundamental requirement of good governance. Local government has an obligation to report, explain, and be answerable for the consequences of decisions it has made on behalf of the community it represents.
- **Good governance is transparent:** People should be able to follow and understand the decision-making process. This means that they will be able to clearly see how and why a decision was made, i.e., what information, advice, and consultation the council considered, and which legislative requirements (when relevant) the council followed.
- **Good governance follows the rule of law:** This means that decisions are consistent with the relevant legislation or common law and are within the powers of the council. In case of the Victorian local government, relevant legislations included the Local Government Act 1989 and other legislation such as the Public Health and Wellbeing Act 2008, and the Equal Opportunity Act 2010.
- **Good governance is responsive:** Local government should always try to serve the needs of the entire community while balancing competing interests in a timely, appropriate, and responsive manner.
- **Good governance is equitable and inclusive:** A community’s wellbeing results from all of its members feeling and their interests have been considered by the council in the decision-making process. This means that all groups, particularly the most vulnerable ones, should have opportunities to participate in the process.
- **Good governance is effective and efficient:** Local government should implement decisions and follow processes that make the best use of the available people, resources, and time to ensure the best possible results for the community.
- **Good governance is participatory:** Anyone affected by or interested in a decision should have the opportunity to participate in the process of making that decision. This can happen in several ways, e.g., community members may be provided with information; asked for their opinions; given the opportunity to make recommendations or; in some cases, be part of the actual decision-making process.
- **Good governance is consensus-oriented:** It mediates differing interests to meet a broad consensus in the best interests of a community.

Relationship between People’s Participation and Good Governance

This argument thus recognizes that the level of good governance increases through people’s intensified participation in development programs. Japan International Cooperation Agency (JICA) [16] has reported that good governance is the foundation of participatory development inasmuch as it provides the government roles needed to encourage participation and create the environment in

which people can participate effectively. Effective people's participation enhances the transparency of the development works, the accountability of the implementing authority, and compliance with the local laws, which consequently establish good governance. This indicates that people's participation and good governance are inseparable from each other.

Chadwick and May [17] stated that the citizen-state relation, i.e., the quality of governance (here e-democracy) varies with the variation of people's empowerment levels that were developed through the delivery of government information. They reconfigured three models of governance, which were initially developed by Laudon [18] on the basis of interactions between citizens and governments. These three models are (1) managerial model; (2) consultative model; and (3) participatory model.

Managerial model: In this model, people are seen as passive recipients of information. Governing bodies deliver messages unilaterally to people.

Consultative model: This is in direct contrast with the managerial model. Here, a governing body uses information systems to inform people, and consequently facilitates communication between the people and the government. Chadwick and May [17] described this as a 'pull' model as it reduces the gap between citizens and their governments.

Participatory model: In this model, people are provided with sufficient information that facilitates their involvement in government programs. As there are no practical barriers to people's involvement, the information power helps people to form civil societies. All people, or at least a maximum number of them, participate in the decision-making process. The spirit of synergy and mutual assistance helps to achieve the goal.

In addition to these three models, Navarra and Cornford [19] developed the 'Disciplinary Model' of governance. In this model, people may initiate collective social programs when they are fully empowered with information. In fact, this model enforces that local governing bodies provide better policies for people, which was not possible in the last three models.

Newman [20] developed four models of governance on the basis of mode of relationships between service providers and their clients. These are discussed below:

1. **Hierarchical governance:** The mode of relationship is rule based, where providers impose standardized templates of policies and the local community receives that service. Here, the service provisioning process is bounded with legal forms, monitoring audits, and evaluation.
2. **Managerial governance:** The mode of relationship is motivational, where both service providers and receivers are likely to act instrumentally. Service receivers contract individually and participate to achieve goals jointly, encouraged by incentives.
3. **Network governance:** The mode of relationship is relational, where reciprocal communication develops trust in each other. Here, collaboration and networking between service providers and receivers evolve into a friendly environment of program implementation.
4. **Self-governance:** The mode of relationship is normative, where service providers uphold strong values and norms to facilitate receivers to govern themselves. The developed organizational culture empowers the local community to activate its own programs.

Similarly, on the basis of people's engagement, four models have been developed by researchers to describe the qualities of governance, mentioned by Gibson, Lacy and Dougherty [21]. These are discussed below:

1. **Managerial model:** It uses a top-down approach of implementation, with marginal scope for people's participation.
2. **Legislative model:** Here, a decision-making process is initiated from the top to develop a common agenda by consulting the people.
3. **Limited community participation model:** It engages the community to open up the decision-making process that finally generates harmony within the governing body and/or within the community.
4. **Community empowerment model:** It employs a bottom-up approach that happens because of extensive community participation.

As a working proposition, there seems to be a good correlation between the stage of participation and the model of governance that can be depicted as given in Table 1.

TABLE 1

CORRELATION BETWEEN STAGES OF PARTICIPATION AND MODELS OF GOVERNANCE.

Stage of participation	Model of governance
Stage 1 (Inform): It is a one-way process, when the governing agency tells people about the decision before or during the implementation of development programs	Authoritarian model: In this model, a decision comes from the top and is implemented mostly by bureaucrats. The total process of the program is not transparent, accountable, and predictable
Stage 2 (Consult): It is a two-way communication, but engagement of people is limited in the decision making of the program. The governing agency is used to inform people to get feedback, but makes decisions and implements them unilaterally	Bureaucratic model: In this model, people's participation is not enough to ensure the transfer of power. The process of the program is less transparent and less predictable. The agency remains accountable to the top and not to the people
Stage 3 (Involve): At this stage, the governing agency not only listens to people to make a decision, but also engages them for budget distribution and implements the program together. Usually, the whole community does not get the scope to be engaged in this process	Political model: In this model, people's participation is enough, but people are engaged in the development programs in different segments, which may evolve conflicts between different interest groups. The governing agency is transparent and accountable to a group of people, but not to the whole community
Stage 4 (Empower): At this stage, the governing agency allows developing the capacity of people to come with their decisions and resources to implement development programs jointly. The agency works as a facilitator	Democratic model: This model allows developing partnerships with people, delegates authority to make decisions, and implements programs with a sharing of local knowledge. The total process of the program is highly transparent, accountable, and predictable

The Meaning of Local Government

Earlier, the terms 'local government' and 'local extension of the central government' used to be misunderstood as equivalent to each other. Local government was mistakenly considered as an insignificant segment of the central government. However, such perceptions have changed with the

development of the industrialized countries where the number of civil servants at the local level is larger than commonly believed. Thus, making a distinction between ‘local governments,’ ‘local politics,’ and ‘local administration’ is very important in order to avoid confusion between these concepts. Conceptually, the meaning of ‘local politics’ is much broader than that of ‘local government,’ which includes political parties, factionalism, political competition, etc. On the other hand, local administration denotes execution of government decisions not only by the LGIs, but also by national/provincial government units located at the local level.

Local government is widely known as local self-government in most south Asian countries, as cited by Siddique [22] and Panday [4]. The UN [23] definition of local self-government is considered as the most acceptable definition that describes it as an elected or locally selected political subdivision of a nation or state. It is constituted by law and has substantial control over local affairs. It also has the power to impose taxes, or to exact labor for prescribed purposes. In the context of the present study, the Union Parishad (UP) has been chosen as a unit of the LGIs in Bangladesh, because it is the oldest LGI established through an Act. It is run by the elected people’s representatives that have control over certain local affairs. It also has the power to impose taxes. Of course, one may wonder why the Zila Parishad (ZP) and Upazila Parishad (UZP) have not been chosen despite their larger sizes, more functional responsibilities, and greater political importance. In this regard, the argument is that the ZP exists in law and on paper without the elected representatives. Thus, despite having the revenue raising power, the ZP has remained merely a government agency. On the other hand, the UZP had not been in operation for a long time. Although it started functioning in 2009, it is too early to evaluate its utility and functionality as a local self-government institution. It is yet to be established in its desired form. Many changes have been made to its mode of operation under different regimes. Thus, the UP has been found to be an appropriate organization to focus on.

The Central Government and Local Administrative Units

In any sector, the central government in Bangladesh means the headquarters of the concerned ministry. The sponsoring ministry for the sectoral development programs plays a vital role, especially if it is an aided project, like a growth center or a primary school. The ministry of Primary and Mass education is sponsoring the development of primary schools all over the country, and the Ministry of Local Government, Rural Development and Co-operatives (LGRD&C) is sponsoring the development of rural growth centers. In both the cases, the construction is implemented by the Local Government Engineering Department (LGED) as it is positioned at the upazila level. On the basis of the work schedules prepared by the LGED, the sponsoring ministry seeks aid from the Ministry of Finance and the Planning Ministry [24]. If the cost involves huge funds, then the finance ministry requests donors for aid. Thus, the ministry plays a vital role in controlling the funds. The line government officials posted in the UZP are responsible for monitoring the development work, while the engineering department and Upazila Nirbahi Officer (UNO) are responsible for the construction work. As a whole, these officials are accountable to the Upazila Parishad for their performance. Hence, ultimately all local development works are apparently controlled by the elected representatives.

Bangladesh is divided into eight administrative divisions, and 64 districts. Central government officials, who are working at these levels, have the authority to control their subordinates working at UP levels. However, Ahmad [25] mentions that these administrative units have little power over fund distribution within upazilas or unions, though they can monitor any development works within their administrative jurisdictions.

UZP is an elected institution, which is responsible for selecting and implementing all local development programs. According to the Upazila Parishad Law 1998, UZP is the lowest administrative unit of the central government. Government officials of most of the development ministries are working in the UZPs. However, from 1991 to 2008, there was no elected UZP. Instead, a Union Development Coordination Committee (UDCC) performed the assigned works. In the absence of UZP chairpersons, UDCCs were chaired by UP chairpersons by rotation and were responsible to make final decisions regarding any development within the upazilas. After sixteen years, on 9 January 2009, the rural people voted for 485 UZPs all over the country.

A Brief History of Union Parishad

Union Parishad (UP) is the smallest rural administrative and local-government unit in Bangladesh. Each union is made up of nine wards. Usually, one village is designated as a ward. There are 4,554 unions in Bangladesh. A Union Council consists of a chairman and twelve members, including three members exclusively reserved for women. Union Parishads are formed under the Local Government (Union Parishads) Act, 2009. The boundary of each union is demarcated by the Deputy Commissioner of the district. A Union Council is the body primarily responsible for agricultural, industrial, and community development within the local limits of the union.

The term union dates back to the 1870 British legislation titled the Village Chowkidari Act, which established union panchayets for collecting taxes to maintain chowkidars (village police) in Bengal. Later the rural layer of the local government became known as union councils. After Bangladesh's Independence in 1971, the name of 'Union Council' was changed to 'Union Panchayet' and an administrator was appointed to manage the affairs of the Panchayet. In 1973, Union Panchayet's name was changed to Union Parishad. A more significant change was brought about in 1976 through the Local Government Ordinance, which provided for a union parishad to be composed of one elected chairman and nine elected members, two nominated women members, and two peasant representative members. A major change was initiated through the introduction of the Local Government (Union Parishad) Ordinance in 1983. Under this ordinance, every union council should have one chairman, nine general members, and three women members. The present law dealing with the union councils, the Local Government (Union Parishads) Act, 2009, came into effect on 15 October 2009.

Evolution of Functions of Local Government and the Current State

During ancient age, village councils equivalent to the present union parishads, were competent bodies. Practically, all government tasks were performed within their jurisdiction. The control exercised by the central government over them was marginal. They had adequate financial resources to perform their multifarious functions. Siddiqui [26] stated that these included civic, police, and judicial functions, such as the maintenance of law and order, punishment of crimes, settlement of disputes, maintenance and management of community lands and public utilities, construction of roads, collection of revenue, and other public works. During the medieval age, the village panchayet was entrusted with the task of looking after education; irrigation; religious practices and moral conduct; holding of fairs and festivals; maintaining law and order; and so on. However, evidence suggests that the village-level government at this time was significantly controlled by the central government and thereby lost its traditionally independent and self-sufficient character.

However, under the Mughal regime, the panchayet was engaged in multifarious public-welfare and civic activities and thereby became the main driving force of local-level development. The inception

of the British rule considerably weakened the traditionally independent village government system. It made the panchayet a local police body, which had little to do with public welfare.

The Bengal Local Self-Government Act 1885 established Union Committees (UCs) entrusted with responsibilities such as construction of unsealed roads, primary education, sanitation, upkeep of tanks and ponds, and registration of vital statistics. Siddiqui [26] also mentions that the UC had the power to raise funds from villagers owning or occupying adequate properties. Such power on panchayets was conferred for administrative convenience only. The Act of 1919 did nothing other than the conferment of power to form the Union Court for settlement of minor offenses. Other functions remained the same as that under the Act of 1885. So, the 1919 Act was a minor improvement over the 1885 Act. Village governments used to enjoy much more judicial power during ancient and medieval ages.

Under the Basic Democracy Order (BDO) during the Pakistani period, the functional jurisdiction and financial resource base of the Union Council were significantly increased on paper but in practice this council was under complete political control of the central government. The orders and ordinances relating to the UP during the post-independence period was in continuance of the BDO in terms of functions and taxation power. Siddiqui [26] says that although the Local government Ordinance 1976 delegated forty functions relating to law and order, public welfare, revenue collection, development, and adjudication to the UP, it did not rearrange the revenue sources of the UP to match the assigned tasks. The 1983 Ordinance conferred some 38 functions on the UP, which included civic and public welfare, police, revenue, development and judicial. In effect, UP-type village-level governments gradually lost their significance in the administrative role from the British period onward.

This trend of gradual disempowerment of local bodies might have been caused by improved communication systems and the need for the regime's stability. The beginning of the development era, following the independence of the subcontinent, spread the need for effective village governments for grassroot development. However, a relative political immaturity and an absence of enlightened citizenry made the concept of functionally independent UPs nonviable. This realization was evident from the widening gulf between the responsibilities assigned to the UP and the legal authority conferred to them and their technical competency. This study has attempted to explore the legal and practical constraints that UPs are facing in effectively performing their functions.

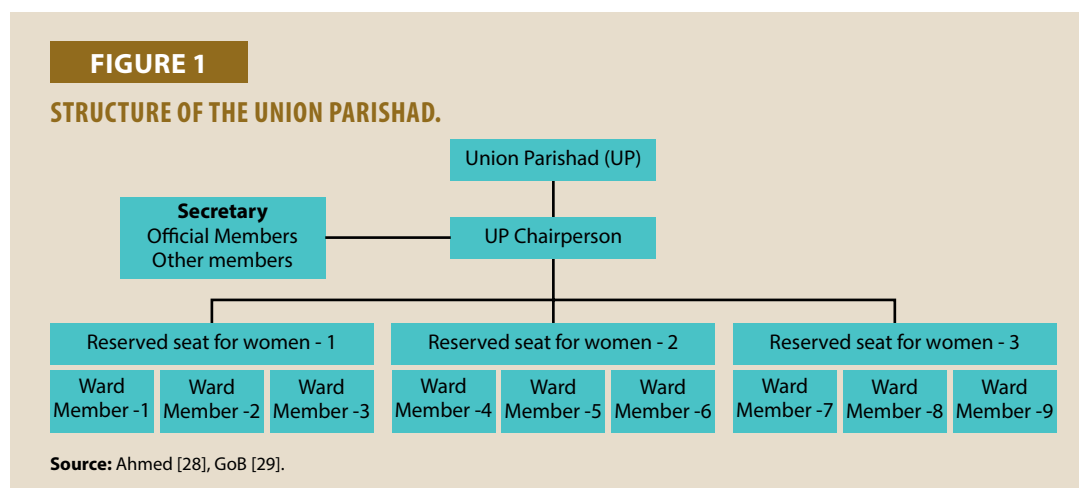
The UPs and People's Participation for Ensuring Good Governance

The UP is one the oldest functioning local-government institutions in Bangladesh. The common people's affiliation with this institution is very close and intimate. The enacted Local Government (Union Parishad) Act 2009 has added a few new dimensions to the traditional functions of UPs, which are vital institutions for local governance and local development. These are ward committees, ward meetings, participatory budget, and participatory planning. Chapter II (structure, function, power, and operation) of the Act deals with the formation of ward committees and the functions and procedures of ward meetings. Section 47 and Schedule 2 under the same section placed preparation of five-year and annual plans as the first function of the UP.

Chapter X (on budget and audit) of the Act under Section 57 (1 and 2) mentions the open budget and the role of ward meetings in the process of preparing the yearly budget. Ward meetings, participatory budgets, and placing of budgets in public meetings were introduced and practiced

under the initiative of a few civil-society organizations and NGO-led projects, and the latest law (2009) has made those practices mandatory from 2010 for all UPs.

The UP is constituted of people's representatives through direct voting. Under each union, there are nine wards. Nine members are elected (one from each ward), and three seats are reserved for women (one from every three wards). There is an elected chairperson in the UP from the nine wards under the union. A secretary to the UP is appointed by the government. Figure 1 shows the formal arrangement of the UP, as relevant to the study.



According to the Local Government (Union Parishad) Act, 2009, every ward must hold at least two ward-level open meetings. A ward shobha (meeting) should consist of the persons in the voter list of the respective ward and have a quorum of 5% (one-twentieth) of the voters in the ward. Legal provisions state that the UP chairperson must ensure ward-level open meetings, which must be chaired by the concerned ward member while the member in a reserved seat must act as an advisor to the meeting. This is where the constituency of the ward puts forward their grievances and demands. Some of the ward shobha's functions include prioritizing the demands of the citizens that need to be actualized into schemes/projects in their areas and creating lists of beneficiaries concerning welfare-related programs. For instance, the rules specify forming committees at the ward level for old-age welfare allowance where the concerned ward member is the chairperson and the woman member (whose seat is reserved) is the advisor to the committee. There are ward-level committees such as the Ward Committee (WC). Formation of WC is mentioned in the Union Parishad Operational Manual and not necessarily according to the Local Government (Union Parishad) Act, 2009. The manual stipulates that the total number of WC members is to be seven, comprising two UP members and representatives from the civil society and a total of two female members.

The WC helps in the preparation of the projects/schemes concerning the Local Government Support Project II (LGSP II). All UPs are eligible to receive funds from the LGSP-II project. There are two types of 'grants' under the LGSP-II project. Basic Block Grant (BBG) is provided to all UPs, while Performance Block Grant (PBG) is only received by selected UPs, based on their performance as per the criteria mentioned in the Union Parishad Operational Manual.

Formally, the UP has a total of 110 functions listed by Ahmed [27] and GOB [28]. Similar to the UZP, the law requires the formation of 13 committees at the UP level (see Appendix for the list of committees). The committees must be chaired by UP members, with one-third of the seats being

reserved for women. The law, as per GOB [28] stipulates that the UP chairperson can only chair the law-and-order committee. At the same time, there are several other committees at the UP level that are prescribed by rules and guidelines, including the Scheme Supervision Committee (SSC) for the projects under LGSP-II. Other committees are for Test-Relief (TR), Food-for-Work (FFW), Vulnerable Group Feeding (VGF), and other similar (social-safety net) programs.

The SSC is formed by members of the citizenry with a total number of seven members. The committee must be formed during the ward shobha in front of the voters and representatives of the UP. The committee members are to select a committee chairperson and member-secretary, and no WC members can be members of the SSC. The function of the SSC is supervisory and they monitor the implementation of the LGSP-II schemes, along with giving advice to the WC in the implementation of the project. If any problem/issue arises, they must inform the UP, and if no actions are taken, they must then inform the upazila-level LGSP-II Committee. In this context, it is notable that Block Grant Coordination Committee (BGCC) is a committee at the upazila level under the LGSP-II project. BGCC's members mainly comprise the upazila administration officials, with the UNO being the chairperson and UE the member-secretary, as well as some members of the civil society.

The TR, FFW, and VGF committees, formed at the UP level and in charge of finalizing the beneficiary lists at the union level, are generally chaired by the UP chairperson. These committees are formed of the UP members as committee members, UP secretary as member-secretary, and other relevant government officials and local elites/important members of the society/women appointed by the UNO. Implementation of development-related projects, e.g., for TR and FFW, require the formation of a project implementation committee (PIC). Also, approval of the UP chairperson at the union level is obligatory in the process of approval of projects and programs. PIC formation and member selection are subject to type of program/project allocations and circulated guidelines. For instance, there are special allocations reserved for the MPs and the UNO is required to form PICs on behalf of the MP (for special TR allocations) at the union level.

As evident, the relationship between the UP and the UZP is not hierarchical but collegial where the UP chairpersons have a membership to the UZP, as elucidated by the equal voting rights of the UP chairpersons as the upazila chairpersons (UZC). The UZP channels government funds under clear-cut directions and rules, thereby limiting their control and decision-making over the UP. The UP budget, which must be prepared by an open budget meeting, is not approved by the UZP, according to law. The UP submits a budget to the UNO and the UNO forwards it to the office of the Deputy Commissioner (DC). Also, the administrative reports are sent to the office of the DC through the UNO as per GOB [28]. In terms of political jurisdiction, the constituencies of the MP, UZC, and the UP chairpersons can and do overlap, and vested political interests and interests within their constituencies can coincide. The formal rules can also create and aggravate asymmetric power-relationships between the tiers of the government and the relevant actors.

In section 47 of the Local Government (Union Parishad) Act, 2009, there are 39 specific activities. Of these, the most important activities are to

1. prepare a comprehensive union plan, with inclusion of inter-ward development projects after identification and prioritization;
2. assist and cooperate in the development of primary schools, supervise their functioning, and motivate people for spreading literacy;

3. ensure provisioning of health services at the union health centers, and supervise family planning-related activities and services;
4. arrange for supply of safe drinking water and promote the sanitation program;
5. take up construction and maintenance of inter-ward roads, and management of small-scale irrigation and water resources;
6. implement forestation program, along the union parishad roads and all earthen embankments;
7. conduct peaceful resolution and amicable settlement of inter-ward disputes;
8. promote social resistance over violence against women, terrorism, and all types of crimes, and cooperate with administration for maintenance of law and order;
9. maintain up-to-date registration of births, deaths, and marriages, based on reports received from gram parishads;
10. assist the Upazila Parishad in the preparation of inter-ward agricultural and fisheries development projects and take necessary actions;
11. cooperate with and advise all agencies within the union having credit programs and help rural poor to participate in the same;
12. increase awareness on women and child development and take concrete actions where necessary; and
13. encourage people to undertake cottage industries with good potentials and facilitate the involvement of disadvantaged and poor people in various income-generating activities.

Women's Participation in UPs

The Constitution of Bangladesh safeguards the women's rights through a number of articles including 9, 10, 19 (1), 19 (2), 27, 28 (1), 28 (2), and 28 (4). In order to convert the Constitutional guarantee into reality, the Government of Bangladesh has reserved one-third of seats for women in each UP. Even one-third of the membership in the standing committees has been reserved for women, according to Clause 45 of the Local Government (Union Parishad) Act, 2009.

Now, the pertinent question is whether the reservation of quotas has ensured the meaningful participation of women in the decision-making process of the UP. Panday [4] mentions that as a matter of fact, despite the reservation, the state of women's participation in politics is not so encouraging. Although nearly 14,000 women were elected as members of the UPs, they have not been able to influence the decision-making process. Patriarchate and a male-dominated social structure have created a hindrance in the process of their participation in the UP decision-making. Findings of an Asian Development Bank study suggest that the majority of female members (70% of female members were interviewed) lacked adequate knowledge and skills required to discharge responsibilities of people's representatives. Mukhopadhyay [29] cited that an even higher

percentage of the female members interviewed in the study identified the lack of confidence as one of the main hindrances that prevent them from dominating the meetings. Thus, they are forced to play an ornamental role.

The study findings are corroborated by the findings obtained by Panday [30] in his study, in which he found that more than 70% of the elected female members were not able to exert any influence on the decision-making process in the UP. An interesting finding of the study was that a group of respondents that expressed positive views regarding exerting influences on the decision-making process lacked concrete ideas on how to do that. As a matter of fact, such responses are an indication of their inferior mental makeup. When it comes to the female members of the standing committees, in his study, Panday [30] has found that committees are formed, but they do not function properly because chairmen and members do not offer women equal memberships in committees (73% of the respondents expressed such views). In his study, the majority of the female members expressed that “The male chairmen and members cannot bypass us in the committees that have been particularly created for women, but they do not offer us equal membership in other committees. There is always the tendency to keep us away from everything. They want us to gossip and spend time conversing with one another. They do not have faith in us. Another important thing is that they believe if we participate in the activities that were previously carried out by them, their supremacy in the society would be reduced” [30].

Finally, it can be said that paternalistic and discriminatory attitudes of male representatives have marginalized women’s role in the local governance. Mukhopadhyay [31] stated that these groups of people, which are the majority in most cases, hold the view that men enter political office on merit, while the government-favored female quota has made women’s entry into the political process easier. In order to overcome such a situation, the government should ensure proper monitoring of the UP activities. Any discrimination against female members should be prevented. In addition, the government should take the necessary initiative to organize more capacity-building programs in order to make the female members aware of their rights and responsibilities. Only then can the situation of women’s participation in the local government decision-making process improve.

People’s Participation and Good Local Governance through LGSP II Projects

LGSP is a very effective project for enhancing people’s participation and good governance in rural areas of Bangladesh. The Second Local Governance Support Project (LGSP-II) is a collaborative effort of the Government of Bangladesh and The World Bank’s International Development Association (IDA) to strengthen local governments in providing services that meet community priorities, supported by an efficient and transparent intergovernmental fiscal system. The project, since its inception in 2012, has been providing fiscal transfers directly to the UPs, which are the smallest rural administrative and local-government units in Bangladesh.

Funds are disbursed biannually. Currently, all 4,553 UPs are receiving LGSP funds. Annual fund allocation is determined by population and area (basic block grants) and an evaluation of the implementation and reporting performance (performance-based grants). There are four slabs for performance-based grants (PBGs). The top performing UPs receive an additional 30% of their basic block grant (BBG). The next tier receives 20% of BBG; and the third ranking group of UP is eligible for 10% of BBG. The least performing group does not receive any PBG.

Within the territory of a multi-year midterm budgetary framework (MTBF), LGSP grants are used to design and implement activities following the guidelines set forth by the project commonly termed as ‘schemes.’ Each UP undertakes multiple schemes annually. The scheme selection is expected to be participatory, involving the elected UP representatives and the local citizens. The key elected UP officials include the chairman, nine elected ward commissioners representing each of the nine administrative wards, and three female ward commissioners. The secretary of the UP plays an active role in the documentation and reporting of LGSP activities.

Recommendations for Gaining More Participation for Good Governance

1. LGSP activities can broadly be categorized as (1) local-level budget process; (2) design and implementation of schemes; and (3) fund management and audit. In each of these areas, LGSP II has made considerable improvements over the years. The level of citizen awareness and participation has increased, the delays in fund disbursement have been mitigated, the documentation and monitoring of activities have improved, and the audit process has become more transparent and accountable. Nevertheless, there are rooms for improvement in each of the three areas through further refinements and reforms. The chairman and the secretary play the lead role in the design, fund management, and disbursement across the wards. These two individuals are involved in the three-year budget preparation exercise and in the annual budget meeting. The participation of the ward councilors is limited, with many of them not well-informed of the outcome of these meetings.
2. Citizen participation is limited in the public gatherings for varied reasons. These include a lack of awareness, preoccupation with their personal lives, and doubt if their views will be seriously considered. Women’s participation is less than men as some are hesitant to participate in a public forum with men and/or because of their immediate needs of attending to household responsibilities.
3. The local officials are hesitant to increase the frequency of such public gatherings as they have logistic and resource constraints. Also, the modest size and number of LGSP schemes that can be undertaken manifest in the lack of interest to capture views and opinions from a larger audience.
4. Women in general are less inclined to attend a public forum to discuss community issues where both men and women participate. A more concerted and strategic effort is necessary to encourage women’s attendance and participation. The female ward councilors need to be more active in organizing women-only courtyard sessions, and in briefing women about LGSP and other local projects.
5. LGSP has made progress in augmenting UPs’ capacities and intentions to become accountable and responsive, through an efficient and transparent fiscal transfer system. Nevertheless, households are divided about the transparency and accountability of UPs in fund utilization. Local officials differ in their experience in timely receipt of LGSP funds. While the chairpersons are well informed about the audit process, the ward councilors are not. The chairpersons do not have practical complaints about the audit and the appeal process. There is a lack of understanding and appreciation of the merits of audit among the local elected officials.

6. There is minimal external influence from the upazila or higher strata of public administration, and very little influence from the MPs, in fund utilization. It is desirable that the MP is kept informed of the status and performance of LGSP activities in his/her constituency. However, including the MP in different supervisory or monitoring committees is not recommended.
7. The integrity of the financial and performance audits can be further strengthened by making them more transparent and accountable. The potential for collusive behavior between the local officials and auditors should be monitored and discouraged. Random checks to verify correspondence between financial and physical audits should be carried out by LGSP monitoring bodies.
8. Under Bangladesh's RTI Act of 2009, UP officials are obliged to share information on request to any citizen relating to tendering, costs, and audit reports. Involving local NGOs in enhancing citizens' awareness and appreciation of the LGSP grants is recommended.
9. At the UP office, the list of ongoing schemes is expected to be publicly displayed on a bulletin board or as a large-size poster. The list should provide information on the type, amount of money allocated, and location of the project. However, at only around 33% of the UP offices, the list of the LGSP project was found in public view. When queried about the missing LGSP information on display, some officials provided very unconvincing answers that it was stolen or damaged.
10. LGSP grants are expected to be disbursed biannually, during August/September and in January/February. However, the arrivals of funds are sometimes delayed, which becomes problematic in implementation, as schemes have to address the tendering process, face bad weather, floods, etc. While some projects are extended beyond a fiscal year, others are hurriedly executed, which may compromise the quality of work. Therefore, timely disbursement of funds is strongly recommended.
11. There is a widespread demand for enhancing the size of the LGSP grants. With each union having nine wards, one scheme per ward is implicitly allocated. This implies that only small-sized interventions are feasible. Larger schemes targeting a larger beneficiary group therefore cannot be undertaken with current budgetary allocations.

Recommendations for Ensuring People's Participation and Good Governance

1. **Abolition of multi-tier vertical local government:** Article 59 and 60 in the Bangladesh Constitution have the provisions for the local government system. According to Article 59(1), local government in every administrative unit of the republic shall be entrusted to bodies composed of persons elected in accordance with law. There are four-tier administrative units in Bangladesh, namely, division level, district level, upazila level, and union level. As per Constitutional obligation, there should be four-tier local governments. Besides, the city corporation and porosova are two types of horizontal urban local governments. The many tiers of local government system create complexity in administration. There can be two or more types of horizontal local governments, e.g., urban and rural. However, there should not be multiple vertical local governments, e.g., at union level, then upazila level, district level, and division level. The government has to decide to retain any one tier of vertical local government.

In case of Dhaka metropolitan city, all its area is also the administrative area of Dhaka District Parishad. As there are many tiers of the local government, people do not have sufficient time to participate in all the development activities. If only one tier of local government exists, then the transparency and people's participation will increase. Chakraborty [32] mentions that as three tiers of local governments are existing, very few amounts of resources are generated by every tier of local government, but they have to bear about the same administrative cost. There is no coordination or arrangement between the existing vertical local governments due to the obligation of law (as every local government is a statutory body). So, most of the time, development projects get overlapped and create distortion and misuse of resources, due to which the economy has achieved suboptimal output. As a result, the system is a hindrance to good governance.

2. **Empowering local government by providing executing capacity of law and order and the judiciary:** At present, the local governments are basically empowered only to implement some development activities. They have no control over law and order. In most of the developed countries, local government is empowered to appoint police and to control the law and order. In many cases in Bangladesh, ethnic minorities have felt insecure in rural areas due to inadequate law-and-order situations. So, they become more comfortable living in mega cities. Chakraborty [32] has stated that including police, all the development departments should be completely controlled by the local government administrations. However, in every local government, there should be a representative of the central government with some judicial power. He should also be independent of the local government, while observing and advising the local government to follow the administrative and financial rule of the central government. These types of local governments can create growth centers in their respective areas, thereby enhancing the economic activities, which in turn will further ensure good governance.
3. **Work redistribution among ministries, departments, and divisional subordinate offices:** A ministry should work only in policy preparation and monitoring. At present, not only policy preparation and monitoring but also the implementation, transfer, leaves, appointment, promotion, fund allocation, and many other works are done by the ministry. As a result, the ministry cannot give proper attention to the policy preparation. Officers are attracted to the ministry as they can enjoy both the preparation and execution of the policy. This is one of the main problems in the development of the economy and good governance.
4. **Addressing constitutional contradictions:** If any chairman of the UP is absent for three consecutive meetings of the UZP or does not attend at least nine meetings of the UZP in a year, then the chairmanship of the UP will be vacant. It is contradictory to the constitution. Since every local government is a statutory body, one local government should have no functional relationship with another. However, for ensuring transparency and efficiency, the relationship is required.

According to the Constitutional obligation, there is no functional relationship between two local governments. However, according to the Act of the Union Parishad, a few of the department's officers are transferred to the Union Parishad. They are also transferred to the Upazila Parishad. This is quite contradictory. These types of contradiction are hindrances for good governance.

5. **Using cellphone message for ensuring peoples participation:** It is required that 20% of the citizens should be present at ward meetings, which is rarely achieved. The information should be sent to all the citizens in the concerned ward through mobile messaging. This mechanism can be formed by conducting an MOU with the mobile operator. The UP would simply give the message to the operator and the operator would send the message to all the citizens in the ward.
6. **Taking regulatory measure:** There should be a provision that if a certain percentage of men and women do not participate in a ward meeting, then the ward member, general or reserved, would not participate in the next election.
7. **Using digital technology:** Every UP has an individual website and union information center. The date of the ward meeting, the resolution, and participants' list should be uploaded on the website, which may automatically be visible to the UNO at the local government division (LGD). This will help ensure transparency, people's participation, and good governance.
8. **Set up a permanent local government finance commission:** In order to ensure objective distribution and allocation of national government funds to the local government bodies, there should be a permanent local government finance commission. The commission should also look after auditing and financial monitoring systems of the local governments.
9. **Lack of coordination:** The participants in general observed that there has been a lack of coordination between the UP and extension service delivery workers of the government at the field level. In fact, there are no formal linkages even between the standing committees of the UP and the extension workers of the corresponding line agencies of the government. Such isolation makes many of the UP's services dysfunctional and ineffective. It also deprives the UP of getting technical assistance and other professional support from the government line agencies. UP standing committee members in particular have noted that they do not have enough authority to oversee/monitor the activities of the extension workers of the government. There is no regulatory/legal framework through which the UP can insist a government official to be accountable to the local elected bodies. This is essential for ensuring good governance.
10. **Use of UP complex as a service delivery hub:** Although the UP complex is supposed to be the base station for a number of specialized government extension workers, at present there is hardly anyone stationed there. The mere presence of the extension workers of livestock, fisheries, agriculture, education, health, and family planning would bring a significant change in the quality of delivery of services. The concerned line ministries should therefore take necessary measures to develop appropriate rules/instruction manuals for their respective extension workers to work with and for the UPs. Those who are covering a number of UPs should also be advised to maintain an office at the UP level, at least for some specified days in a week. The LGD should also approach different line ministries to issue circulars/memos/instructions so that the field-based extension workers of different line agencies attend UP monthly meetings regularly. This certainly would ensure good governance.
11. **Activating and strengthening UP standing committees:** By law, every UP must form 13 standing committees concerning different areas of operations and development activities. However, in most cases such committees are formed as 'rituals' rather than necessities.

Activating such committees could significantly enhance the service delivery in their respective areas. By inducting coopted members from the community and also representatives from the line agency, such committees could make substantial contribution to the quality of management, supervision, and monitoring of the development activities of the UP. There is also a need to ensure effective coordination between standing committees and government officials so that the line agencies can synchronize their development activities and extension programs in line with the priorities and demands of the UP.

12. **Being innovative in mobilization of local resources:** Resource mobilization is one of the major concerns for the UP to deliver quality services to the community. UPs should explore the windows of opportunities to seek and generate funds from nonconventional sources. As a matter of fact, the UP is formally recognized as ‘Partner Organization’ of Palli Karma Sahayak Foundation (PKSF). The UP should take initiatives to develop pro-poor projects and income generating activities to cater to the needs of the poor. It could even go for partnership projects with NGOs using its own resources. Keeping in view the central government’s policy priority on PPP, the UP may also consider joint-venture projects with the private sector to generate income and employment opportunities for the rural communities. However, in order to develop such projects by the UPs, there is a need for a policy guidance and corresponding rules to be framed by the LGD.
13. **Preparation of priority list for ensuring people’s participation and good governance:** Every year, the UP would create a survey that lists beneficiaries for projects implemented by local and central governments, priorities of the required projects, and the people targeted for the safety-net program. This list would be verified and confirmed by the ward meeting and then it would be signed by the UNO as he is the representative of the central government and then have to be uploaded in the Union/Upazila Parishad website. To implement any program or project by any authority, only this list is followed. This will reduce duplication and it would ensure good governance.

16.0 Conclusion

It is essential for any working democracy to have a local government system that is self-governed and yet accountable to a higher authority. It is a recognized philosophy that for rapid economic development, ensuring good governance through people’s participation in decision-making is essential. It is not possible for the central government to ensure grassroot-level people’s participation in the preparation of policy and implementation of projects and program efficiently.

Local government is the proper mechanism to ensure it. As in other countries, the Constitution of Bangladesh calls for a clear separation of power between the national and local governments. In most countries, an appropriate balance of centralization and decentralization through the local government is essential to an effective and efficient functioning of the government. Not all functions can or should be financed and managed at a local-government level. Even when national governments decentralize responsibilities, they often retain important policy and supervisory roles. They must create or maintain the ‘enabling conditions’ that allow local units of administration to take on more responsibilities.

Central ministries often have crucial roles in promoting and sustaining decentralization by developing appropriate and effective national policies and regulations for decentralization, and by strengthening the local institutional capacity to assume responsibility for new functions. The

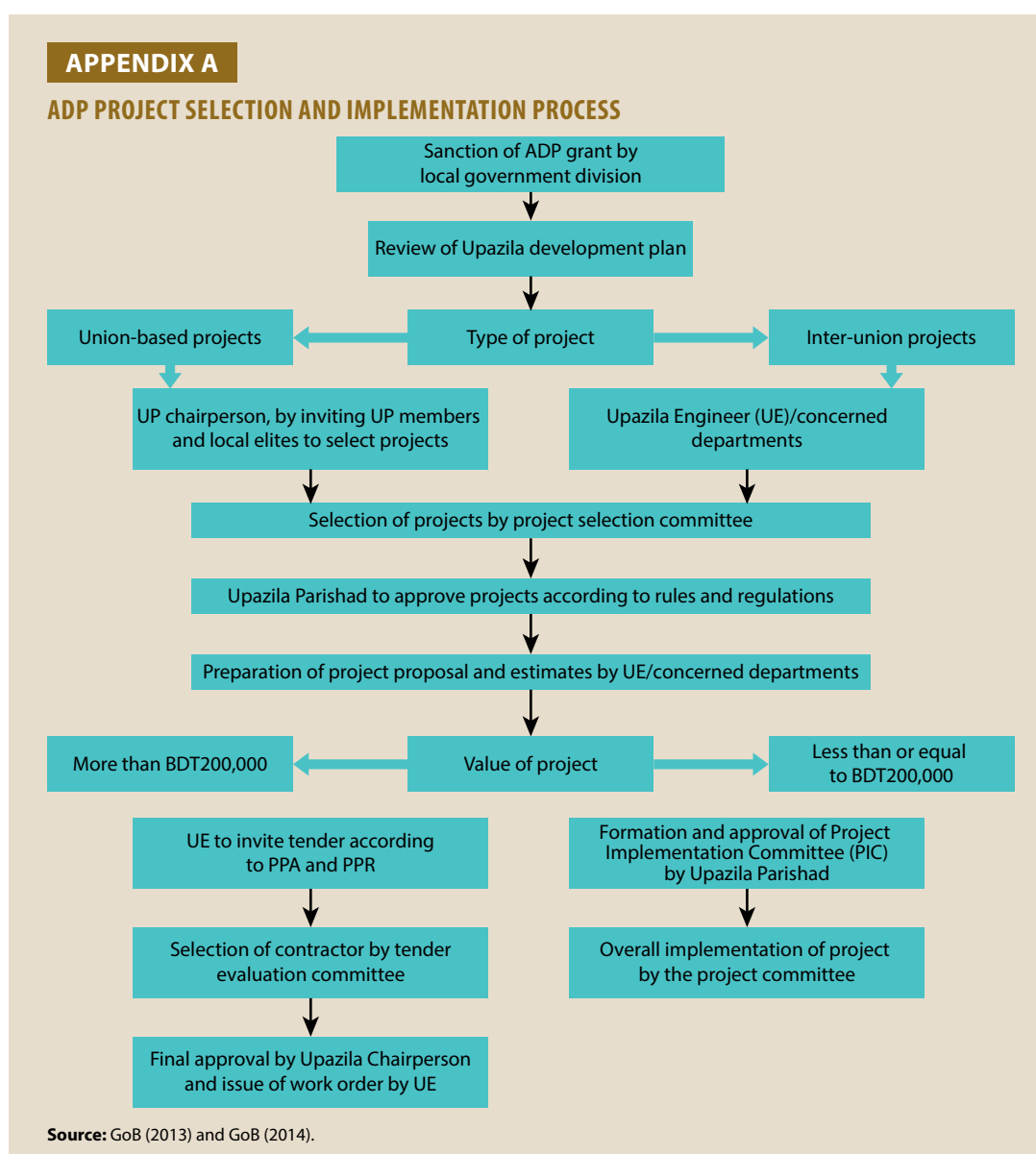
success of local government frequently depends heavily on ensuring people's participation in every decision in its projects and programs. This will ensure good governance, which will ultimately lead to a rapid economic development.

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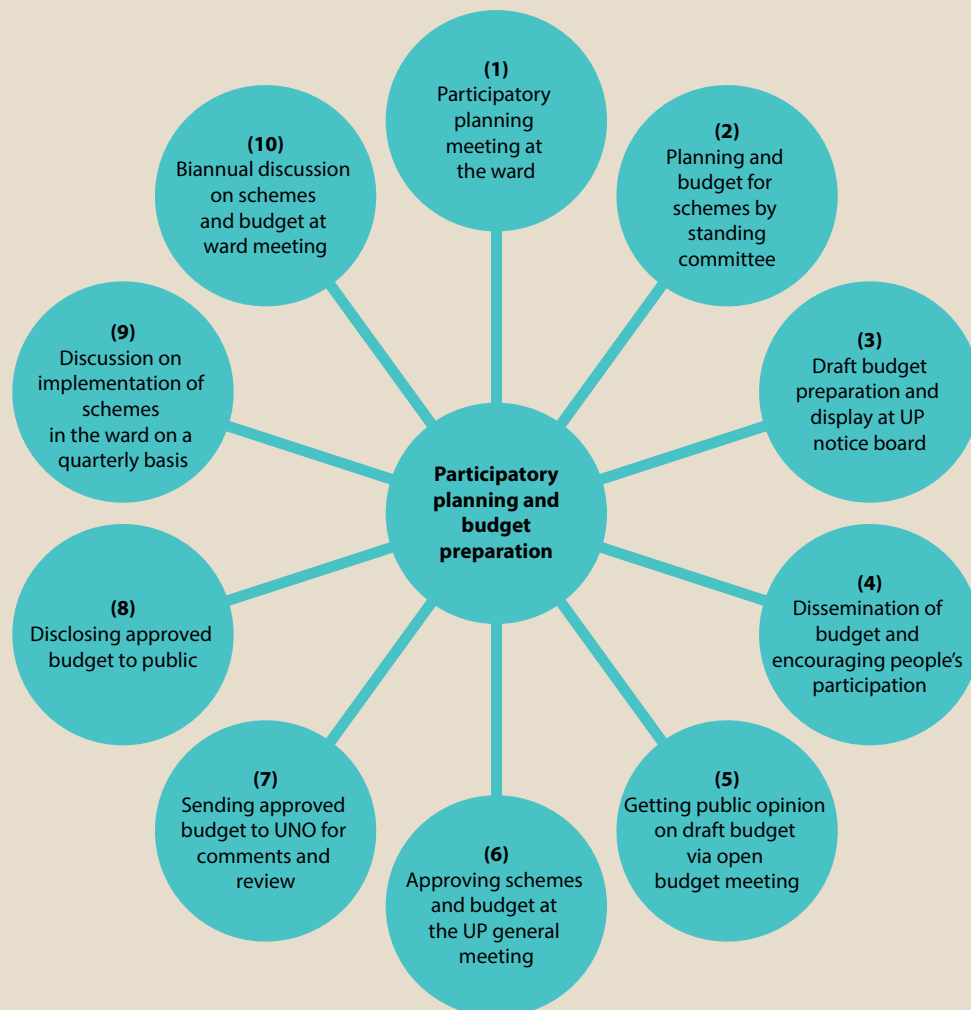
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APPENDIX B

LGSP II SCHEMES PLANNING AND BUDGET PREPARATION.



Source: LGSP II: End-of-project evaluation.

CASE STUDY 2

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Abstract

The public sector usually comprises organizations that are owned and operated by the government and exist to provide services to citizens. Similar to the voluntary sector, organizations in the public sector do not seek to generate a profit. Funding for public services is usually raised through a variety of methods, including taxes, fees, and financial transfers from other levels of government.

The National University of Management (NUM) is a public university that was founded in 1983 as the Economic Science Institute (ESI), and received assistance from the National Economics University of Hanoi, Vietnam until 1991. The university experienced substantial changes after the Cambodian government introduced a royal decree on legal status of public administrative institutions (PAIs). The reform was attempted to reduce the financial burden on the government; shorten budgetary processes of public higher education institutions (HEIs); and enhance the quality and relevance of higher education to meet the requirements of labor markets and socioeconomic development. The objectives of this study are to find out the change-related challenges for NUM and the strategies applied to deal with those challenges to achieve sustainable competitive advantages. This case study uses a combination of the secondary and primary data from NUM and focuses on the change-related challenges since the NUM became a PAI in 2005. Recommendations are also proposed for NUM's sustainable development as one of the leading public universities in business and management in Cambodia.

Introduction

The public sector is part of the society controlled by national, state or provincial, and local governments [1]. It is funded by the public to which it provides services as well [2]. The public sector usually comprises organizations that are owned and operated by the government and exist to provide services to citizens. Similar to the voluntary sector, organizations in the public sector do not seek to generate a profit. Funds for public services are usually raised through a variety of methods, including taxes, fees, and financial transfers from other levels of government. Sometimes, the public sector will partner with an organization in the private sector to create a public-private partnership. These hybrid organizations work together to jointly deliver a service or business venture to a community. Public-sector services include education, electricity, healthcare, police services, public transit, fire service, etc. [3].

Universities, along with many other institutions rendering higher-education services, are experiencing an environment of change and transformation. Their traditional structures and

strategies are being challenged and problems are getting highlighted, including the slowness of decision-making processes, internal bureaucracy, corporatism, teaching competencies, standards, and forms of management that account for the poor performance of this organizational type [4].

In the current market reality, the university can be considered to be a ‘company’ providing educational services to its clients, i.e., students. Like other companies and institutions, it should also be natural for HEIs to change their ongoing processes and activities, and implement a new institutional model reflecting the provision of educational services within a new social environment [5]. Hence, at the very core of universities is a need to be ‘companies’ offering knowledge, teaching, research, and outreach activities without ever losing sight of the business vision contained within its administrative structure [6, 7]. This is due to the fact that HEIs are forced to explicitly prove to the society that they make effective and efficient usage of resources and that their activities bear relevance to the employment market. This is achievable through modern management acting in accordance with the prevailing environment [8]. Thus, the management challenge facing contemporary universities refers to the multiple roles assumed by universities and the extraordinary increase in the number of subjects, heightening the complexity of the university environment [8]. Simultaneously, financial restrictions, rapid technological changes, and rising coordination difficulties raise the level of uncertainty and dynamism in a university’s context. The implications of this scenario for the organization and management of universities may be analyzed within the scope of the university’s evolution from a classical institution to its current form [9, 10].

Research Questions

In accordance with the positions of Hardy and Fachin [11], managing universities means striving for ambiguous objectives involving various electoral groups, relatively ill-defined technologies, and highly specialized core professionals; and working in an exposed and vulnerable environment. Correspondingly, university management has to incorporate such factors and to develop an approach with an appropriately matching style. Frequently, questions of shared governance, the role of leaderships and the changeover from bureaucratic management to a more professional approach have been some major concerns.

In Cambodia, the number of public universities increased from eight in 1997 to 39 in 2004, and the number of students increased from nearly 10,000 to more than 200,000 [12]. However, Cambodian higher education has been analyzed by different educational experts as “a cause for concern,” “plagued with difficulty,” and “in a ferment of concern.” It reflects a number of problems among higher learning institutions. They are centrally supervised by the government ministries, operate with limited financial resources, and are fraught with political interference. Moreover, there is lack of transparency in academic recruitment, university leader’s appointment, and program approval [13].

The NUM was founded in 1983 as the Economic Science Institute (ESI), and received assistance from the National Economics University of Hanoi, Vietnam until 1991. With the opening up of Cambodia to the international community during early 1990s, the ESI was renamed to the Faculty of Business (FOB), which was supported by Asia Foundation and then USAID (1994–97). In 1998, the FOB was transformed into the National Institute of Management (NIM), and in 2004, renamed as the National University of Management (NUM). From time to time, the university faced many challenges in managing change in areas such as management system, financial system, curriculum development, organizational culture, and quality of education and services.

Research Objectives

The main objectives of the study were to

1. provide an overview of key concepts of change management in public-sector organizations;
2. an overview of the change management of public universities in Cambodia;
3. examine the evolutionary changes of the National University of Management (NUM);
4. discuss change challenges in the NUM;
5. find out the strategies for dealing with the change challenges at the NUM as well as other public universities in Cambodia.

Research Methodology

The research was designed around one case-study site, i.e., the NUM, using the qualitative method. Historical data for NUM was collected through interviews with university management, deans, faculty, staff, and students. A set of questions was developed, based on the key variables identified in the conceptual change management model. The statistical tool used the descriptive analysis from data collection of 32 questionnaires along with respondent interviews. The respondent mix included 16% deans, 19% department heads, 22% faculties and staff, and 43% master students.

Concepts of Change Management in the Public Sector

Definition of Change Management

The Sansom and Reid Oxford children's dictionary (1994) defines change as an act or process through which something becomes different. Van der Merwe says that the word change is obtained from the Latin word for better [14]. The English Collins dictionary defines change management as a style of management that aims to encourage organizations and individuals to deal effectively with the changes taking place in their work. In general, the word change means to alter, make something different or better, or the transformation of any existing thing by adding some values or giving it up for something else. The change is usually planned and there are some responses against changes. The respondent first considers what has to change and what has to be given up. Changes are always adopted for the good reasons and the subject of interest is always the outcome of the effort [15]. The Government Accountability Office [16] defines change management as “activities involved in (1) defining and instilling new values, attitudes, norms, and behavior within an organization that support new ways of doing work and overcome resistance to change; (2) building consensus among customers and stakeholders on specific changes designed to better meet their needs; and (3) planning, testing, and implementing all aspects of the transition from one organizational structure or business process to another.”

Importance of Change Management

Change is an ever-present and essential part of life, and the university a constantly evolving organization. While this can make it a dynamic and vibrant place to work, change can present challenges for individuals and groups, and needs to be expertly managed if we are to realize the benefits of making changes at any scale [15]. We are living in an era where organizations constantly need to be increasing dynamically merely to survive and cope with the rapidly changing global

economic climate. In the past, organizations assimilated change at times of stability. The relentless pace of change in today's business world has created greater anxiety, conflict, and risk but also presents amplified opportunities to organizations that are able to anticipate and respond [17]. Successful change also involves ensuring employees' capacity to adapt and work effectively and efficiently in the new environment.

The underlying basis of change management is that people's capacity to change can be influenced by how change is presented to them. Their capacity to adapt to change can shrink if they misunderstand or resist the change, causing barriers and ongoing issues. The rationale is that if people understand the benefits of change, they are more likely to participate and see that it is successfully carried out, which in turn means minimal disruption to the organization [18]. Misunderstanding the concept of change can lead to ongoing and barriers issues. Perceiving the importance and beneficial impact of change by people is more likely to lead to their participation in the change process and see that it is successfully carried out, resulting in less disruption in the organization.

Change can be an event of exciting opportunities for some and that of loss, disruption, or threat for others. How the responses to change are managed can make the difference between surviving and thriving in a work or business environment. Change is an inherent characteristic of any organization and like it or not, all organizations whether in public or private sector, must change to stay relevant. Change can originate from external sources through technological advances; through social, political, or economic pressures; or from inside the organization as a management response to a range of issues such as changing client needs, costs, or a human resource or performance issue. It can affect one small part or the entire organization. Nevertheless, all changes, whether from internal or external sources, large or small, involve adopting new mindsets, processes, policies, practices, and behavior [18].

Planned Change and Emergent Change

Planned change is a term that was first coined by Kurt Lewin to distinguish between change which was consciously embarked upon and planned by an organization in contrast with change that may have come about by an accident or impulse [19]. Kurt Lewin became the pioneer of planned change when he introduced the three-step change model in 1951. This model describes a planned or premeditated change, which is a product of conscious reasoning and action. The model is often described as 'unfreeze, move, and refreeze.'

The planned change approach largely dominated the theory and practice of change management until the emergent change approach began to gain prominence in early 1980s [20]. The term emergent change is used to describe change that unfolds in an organic or seemingly spontaneous and unplanned way. These were described either as management decisions about seemingly unrelated issues that shape the organization's future and change its direction; or factors (either external or internal) beyond the scope of management decisions that influence the change [21].

The emergent approach espouses that change is a continuous, open-ended cumulative process of adaptation to changing circumstances and conditions. It views change as a process that unfolds through recurrent variations, accommodations, and alterations in practice over time rather than a period of dramatic discontinuity or a discrete series of linear events [22]. This suggests that even planned changes will likely display some elements of emergent change. A number of authors have raised cautions related to emergent approaches to change, and highlight that this approach is relatively new, lacks coherence, and consists of a disparate group of models [23, 24, 25]. This

classification of change was adopted and modified by Orlikowski and Hofman [26] who extended it to include opportunistic change, along with anticipated change (rather than planned) and emergent change in their improvisational model for change management [27].

Developmental Change, Transitional Change, and Transformational Change

Ackerman [27, 28] distinguished between types of change by the desired end point of the change in relation to the current position and identified three classifications:

1. **Developmental change:** As the name suggests, it is linked with organizational development and as such can be either planned or emergent. It is described as a change that improves or develops the organization, either through introduction of a new process, or by refining and improving an existing function.
2. **Transitional change:** This describes a change that brings about a shift, transitioning the organization from the existing state to a new desirable state. This kind of change is usually episodic and planned. It echoes the stages proposed by Lewin of ‘unfreeze, transition or move to a new position, and refreeze.’ One such example could be making a transition from a centralized to a decentralized operational system [29].
3. **Transformational change:** It is similar to transitional change, but with a more radical shift between the new organizational state and the original state. Transformational change requires a transfiguration from one state to a fundamentally different new state [28, 29]. Change of this magnitude will require a shift in organizational norms and assumptions, which indicate ‘soft’ changes as classified by Paton and McCalman [30]. Transformational change can include restructuring, and significant changes in processes, strategy, and culture [21].

Resistance to Change

In organizations, resistance to change appears to be any attitude or behavior indicating unwillingness to support or make a desired change [31]. In fact, resistance to change is a resistance to loss of something that is valuable or loss of the known by moving to the unknown. Sometimes, people resist the imposition of change that is accepted as a universal truth [32]. Nonetheless, resistance can be passive resignation or deliberate sabotage [33]. Resistance to change is therefore likely to be overcome if these and the previous issues can be adequately addressed; academic staff are fully involved/have full ownership in the design, development, and carrying out of the changes; have an understanding of their new roles; and the results eventually produced are truly ascertainable. Even though organizational change is considered to make alterations in technology, hierarchy, or structures in the organization, it is obvious that change has tremendous impact on individuals in the organization. However, the reason why many organizations fail to accomplish change initiatives lies in underestimating the influence of change on the individual [34]. Therefore, neglecting psychological perceptions of employees toward change lead to failure of change initiatives in organizations [35]. For successful change implementations, it is necessary to manage psychological transition of employees effectively [36].

Models of Change Management

Over the past decade, multiple change management models and processes have been developed and used to direct change initiatives within industries and organizations. There are numerous models and theories about change management, and it is a topic subject to more than its fair share

of management fads and fashions. Popular approaches include the linear, step-by-step methods exemplified by Kurt Lewin's classic three-step model, John Kotter's popular eight-phase model, the McKinsey's 7-S model, and the ADKAR model. Each approach has its pros and cons, and therefore the best approach may be to use and adapt aspects of various models to suit the culture of the organization and the context of the change [18].

Kurt Lewin's Model (1951)

Lewin's model emphasizes the need to diagnose the critical steps of a change program in order to reach its goals successfully. The power of Lewin's model does not lie in a formal propositional kind of theory but in the ability to build 'models' of processes that can draw attention to the right kinds of variables that need to be conceptualized and observed. Further elaborations on the model's three stages are given below [37]:

1. *Unfreezing*: The essence of this stage is to reduce the forces that maintain an organization's behavior in its present state. It enables a better understanding of the change program and the need for it, e.g., through education, training, development, and team-building programs in order to secure acceptance by helping both managers and employees understand the need for the change.
2. *Changing* (movement/implementation): Having analyzed the present situation, the identified solutions are put into action to support the change program, e.g., by changing the organizational structure, roles, or processes; and introducing performance management systems that recognize progress as well as individual and team contributions.
3. *Refreeze*: This stage stabilizes the change program in a new state of equilibrium in order to ensure that the new ways of working are embedded, maintained, and cemented against regression. This is done through new recruitments, induction programs, performance management systems, and cultural reinforcement through the creation of new norms and behaviors.

John Kotter's Model (1996)

In generic management and organization science, the eight-step model for successful implementation of organizational change by John Kotter [38] is well-known and widely accepted. Its eight steps are given below:

1. *Establishing a sense of urgency*: A sense of urgency is crucial in the initial stages of the process. It must primarily overcome any sense of complacency within the organization.
2. *Creating the guiding coalition*: A core group with enough power to lead the change through the transition state is required to drive the process.
3. *Developing a vision and strategy*: A vision needs to be created in order to direct the course of change. In conjunction with the vision, there should be a strategy designed to achieve the vision.
4. *Communicating the change vision*: The new vision and strategies for implementation of the change process need to be continually communicated using all practical means.
5. *Empowering broad-based action*: This step pertains to creating an environment in which the actions required for change can take place. Critical empowering actions need to be taken to allow the change to occur.

6. *Generating short-term wins*: Positive feedback in the early stages of the project is a critical success factor and plays an important part in sustaining the vision, e.g., through the achievement of interim targets for short-term wins.
7. *Consolidating gains and producing more change*: Systems, structures, and policies may be further adapted to be in line with the vision.
8. *Anchoring new approaches in the culture*: Maintaining the results of change in organizational, group, and individual culture is crucial, e.g., creating better performance through effective management and leadership development and succession.

Fernandez and Rainey's Eight-step Model (2006)

Fernandez and Rainey [39] reviewed the literature on organizational culture's change in the public sector. They found 'remarkable similarities' among the models and frameworks for organizational change that they reviewed. Fernandez and Rainey identified eight factors that they suggested for change leaders and to which participants should pay special attention.

1. *Ensure the need*: Managerial leaders must verify and persuasively communicate the need for change. People have to be convinced of the need for change by crafting a compelling vision for it that is easy to communicate, appealing, provides overall direction for the change process, and serves as the foundation for developing specific strategies toward a future end state.
2. *Provide a plan*: Managerial leaders must develop a course of action or strategy for implementing change. The vision for change needs to be transformed into a strategy with goals and a plan for achieving it. The strategy should offer direction for arriving at the preferred end state, identify obstacles, and propose measures for overcoming those obstacles.
3. *Build internal support for change and overcome resistance*: Managerial leaders must build internal support for change and reduce resistance to it through widespread participation in the change process and other means. Fernandez and Rainey [39] write that a crisis, shock, or strong external challenge can help reduce resistance to change. They caution that managers run the risk of playing it too safe if the urgency rate is not pumped up enough.
4. *Ensure top-management support and commitment*: An individual or group within the organization should champion the cause for change. A successful reform requires leadership continuity and stability, which is a particular challenge in the public sector because of frequent and rapid turnover of many executives in government agencies.
5. *Build external support*: Managerial leaders must develop support from political overseers and key external stakeholders, partly because of the ability of these players to impose statutory changes and control the flow of vital resources to public organizations.
6. *Provide resources*: Successful change usually requires sufficient resources to support the process. Fernandez and Rainey maintain that change is not cheap or without tradeoffs. Planned organizational change involves a redeployment or redirection of scarce organizational resources toward a host of new activities.

7. *Institutionalize change*: Managers and employees must effectively institutionalize and embed changes. Virtually, all organizational changes involve changes in the behavior of organizational members. For changes to endure, members of the organization must incorporate the new policies or innovations into their daily routines.
8. *Pursue comprehensive change*: Managerial leaders must develop an integrated, comprehensive approach to change that achieves subsystem congruence. Similar to Stone, Fernandez and Rainey argue that systemic changes are needed to the subsystems of an organization, aligned with the desired end state.

Comparisons of Change Management Models

Based on the brief descriptions of three models above, we understand that all models share similar characteristics of identifying a process where the organization has to establish a reason and need for change. All models incorporate the development of a vision or a desired organizational result and movement from the status quo to a future state. Table 1 provides a comparison between Kurt Lewin Model, Kotter's Eight Phase Model, and Fernandez and Rainey's Eight Step Model.

TABLE 1

COMPARISON BETWEEN DIFFERENT CHANGE-MANAGEMENT MODELS.

Kurt Lewin's Three-step Model (1951) (Social perspective)	John Kotter's Eight-phase Model (1996) (Private perspective)	Fernandez and Rainey's Eight-step Model (2006) (Public perspective)
1. Unfreeze	1. Establish a sense of urgency 2. Create a guiding coalition 3. Develop a vision and strategy	1. Ensure the need 2. Provide the plan 3. Build internal support for change and overcome resistance
2. Move	4. Communicate the change vision 5. Empower others to act on the vision 6. Generate short-term wins	4. Ensure top-management support and commitment 5. Build external support 6. Provide resources
3. Refreeze	7. Consolidating change and producing more change 8. Anchoring new approaches in the culture	7. Institutionalize change 7. Pursue comprehensive change

Source: Sarayreh [41].

Kurt Lewin's Model saw successful change as a group activity, because unless group norms and routines are also transformed, changes to individual behaviors will not be sustained. In organizational terms, refreezing often requires changes to an organizational culture, norms, policies, and practices [40]. The simplicity of this model is an advantage since it is easy to understand and communicate. However, under the rapid pace of ongoing changes in today's organizations, it lacks some flexibility, adaptability, and the feature of perpetual transition [41]. With Kotter's Eight-phase Model, the focus in all eight stages is on changing people's behavior, and not on changing strategy, systems, or culture, even though these elements are extremely important. Kotter's plan is built in a corporate context and its success in a public-sector organization may be questionable. Conversely, Fernandez and Rainey [39] describe eight factors serving as a 'compass' for public managerial leaders "seeking to find their way amid the sustained, persistent, and challenging pressures for change they

confront daily.” This eight-step plan of Fernandez and Rainey clearly resembles the one of Kotter. The fact that an acknowledged specialist in the field of public-sector-oriented management theory [42] ended up with more or less the same eight-step plan as Kotter does seem to implicate that change management is generic and not specific for the public sector [43].

Change Management in Public Universities in Cambodia

Overview of Higher Education Changes in Cambodia

The Cambodian government now views higher education as an indispensable impetus to its national and economic development. The government has realized that a key challenge will be to improve Cambodia’s economic productivity through quality improvement of its higher education in order to create graduates for promoting national development [44].

Currently, there are 110 HEIs (44 of which are public) that are divided into three categories. The first category is ‘academy,’ an institution responsible for carrying out research and fulfilling a think-tank role for the nation. There is only one academy, the Royal Academy of Cambodia (RAC), which is under the supervision of the Council of Ministers. Although this institution is primarily assigned to conduct research, it also provides advanced courses ranging from masters to PhD programs. This institution calls itself a research institution, although its research output is small by international standards [45]. The second category is ‘university.’ There are now 36 universities operating in Cambodia, 13 of which are public institutions. Eight of these public universities are under the jurisdiction of the Ministry of Education, Youth and Sport (MoEYS). A university in Cambodia is entitled to deliver all higher-education qualifications ranging from diplomas to doctoral degrees. The last category is ‘institute,’ which mainly offers training in a particular field, but does not provide a wide range of research or training in multidisciplinary subjects [45].

Although most of the public HEIs were established in Norodom Sihanouk’s period and were a response in the wake of the 1979 Vietnamese invasion, the administrative management structures left over from the socialist regime of the post-Khmer Rouge era still persist in public HEIs [46]. While much of these structures have improved, these public HEIs remain handicapped by centralized ministry control and underfunding. Public HEIs are able to enroll fee-paying students into various courses which used to be free of charge and some had been doing this even prior to the establishment of private HEIs, in order to supplement teachers’ salaries and provide capital for expansion. Fees charged by public institutions blur the distinction between public and private institutions called public administration institutions (PAIs), but the expectations of greater transparency in governance and management that go with this new status are still in doubt [47].

At the moment, Cambodian higher education has reached a stage that critics describe as a system plagued with difficulties [47]. The private sector has experienced rapid growth, while public institutions are certainly plagued with difficulties such as strangulation by government control and increasing politicization. The quality of many institutions is still a cause of concern. Although the rapid expansion of higher education in Cambodia is seen as a good sign, literature on Cambodian higher education seems to be critical of this rapid growth and shows concerns around quality. For example, Ford [47] describes private universities as commercial enterprises and as bread shops [48].

According to Rany, et al. [49], a few public universities in Cambodia are given legal status as quasi-government institutions or PAIs. However, political parties and parent ministries are actively involved in making important decisions in the administration of an HEI as well as nominating high-ranking

academic officers based on political considerations rather than academic qualifications. For example, the presidents or rectors of public universities are appointed by the government without opening the positions to public competition and evaluation of academic experiences and competencies.

Reforms in Higher Education in Cambodia

The Cambodia government introduced a new policy in the mid-1990s to allow the private sector to participate in provisioning of higher education. The privatization measure was a major factor in the rapid expansion of the sector. At present, private HEIs account for a large share of enrollment in higher education.

Another important reform was the transformation of public HEIs into PAIs. In 1997, the Cambodian government introduced a royal decree on the legal status of PAIs. This reform laid down the criteria for public agencies and institutions for transforming themselves into autonomous agencies/institutions. The objectives of this reform were to reduce the financial burden on the government, shorten budgetary processes of public HEIs, and enhance the quality and relevance of higher education to meet the requirements of the labor markets and of social and economic development. In 2010, there were eight public HEIs operating under PAI status [50].

As part of the PAI reform policy, the government introduced cost-recovery measures in public institutions. It introduced the possibility for public HEIs to recruit fee-paying students in 2000. This reform also helped to boost enrollment in higher education without reliance on public funding [50]. Although a number of changes in university governance and management have taken place in Cambodia, one key change that had been pending was the transformation of public HEIs into PAIs. Hence this move of granting them a degree of autonomy and accountability to run their institutions [50].

Change in Governance Structure at the National Level

The process of gaining the PAI status requires the approval of the parent ministry and the Prime Minister. The ease or difficulty of acquiring this depends on the proven capability and accountability of the academic and financial management of the university. Once approved, a PAI is governed by a governing board consisting of at least five representative members from the ministries involved, including the parent ministry, the MoEYS, the Ministry of Economy and Finance (MEF), and the Council of Ministers. The rector/president is a permanent member of the governing board and manages the daily performance of the university. The governing board is responsible for producing the budget plan and taking important decisions, thus reducing the workload of parent ministries. This could lead to changes in the governance structure of the parent ministries, since educational quality is largely assured by the Accreditation Committee of Cambodia (ACC), an independent body of the Council of Ministers. Increased autonomy of HEIs has brought about many remarkable changes, including those pertaining to student enrollments, admissions and student management, academic programs, decision-making structures, administrative procedures, financial management and corporatization, and staff management and evaluation.

It is generally accepted that increased autonomy of HEIs has also brought about major changes in governance structure, financial management, academic freedom, and student uptake. However, in practice, the governance system within PAIs remains weak and centralized, being based on the old model. Although higher-education reforms have been underway for several years, many expected results are still to be achieved. It has thus been argued that increased autonomy in higher education has not yet been successfully implemented as a result of unclear understanding of PAIs, limited management ability, lack of experience in planning, and insufficient maturity among HEIs [50].

Change Management at NUM

The Institute of Economics, 1983–91

The NUM was founded on 18 March 1983 as the Institute of Economics under a socialist economic system and was directly controlled by the government. Its operation was supported by the National Economics University in Hanoi, Vietnam. All academic advisors and faculty members came from Vietnam. During that period, the curriculum spanned five years as per the socialist model, including one year of Vietnamese language. There were five major fields of study, namely agricultural economics, industrial economics, commerce, finance, and planning. All majors were conducted by Vietnamese lecturers in Vietnamese language. From 18 July 1989, the institution's name was changed to the Economic Science Institute (ESI) and was still supported by the National Economics University in Hanoi, Vietnam.

The changes at the university were triggered by changes in global politics, particularly the fall of the Soviet Union. Vietnamese faculties were reduced and replaced step by step by Cambodian lecturers who had graduated from socialist countries such as the erstwhile East Germany, Soviet Union, Vietnam, etc. Interviews with faculties and staff who have worked at the NUM for more than twenty years, confirm that the changes were radical due to the collapse of the Soviet Union. Most of the faculties and staff mentioned that the forces for change in the university came from external and internal factors such as the reform of the economic policy, the advancement of technology, government regulations, and the demand from the labor markets [51].

The Economics Science Institute, 1991–94

Since the opening up of Cambodia to the international community and the signing of the Paris Peace Accord in 1991, both curriculum and language policy of the ESI underwent significant changes. New courses such as micro and macroeconomics, management, marketing, accounting, and finance were added to the curriculum. In 1993, the curriculum was completely changed from the socialist model to a capitalist model. The ESI consisted of two majors, economics and business. The curriculum of economic was followed and supported by French [51].

The Faculty of Business, 1994–98

On 23 July 1994, the ESI separated into two departments, business and economics. The Department of Business was changed into the Faculty of Business (FOB) and was located in the former ESI premises. The Department of Economics was changed into the Faculty of Economic Sciences and moved to combine with the Faculty of Law to form the Faculty of Law and Economic Sciences located in Boeng Trabek School. It is now the Royal University of Laws and Economics (RULE). Initial support for the FOB was provided by Asian Foundation and later through a grant from the United States Agency for International Development (USAID) aimed at assisting the FOB in experimenting with the credit system, training teachers in English, modernizing its curriculum, and strengthening its teaching staff.

With the grant provided by USAID, training for small businesses was organized in collaboration with Georgetown University, while University of San Francisco was engaged for strengthening of the teaching faculty in the area of legal education. Marketing and accounting majors were introduced during this period, and the length of the undergraduate program was reduced from five to four years of study. Commercial law courses were also added to the curriculum. Development activities at the FOB during that time have led to the introduction of English as a second language and the establishment of subject matter content designed to support Cambodia's overall transition to a market economy. The change initiated at the FOB has assumed added significance with the recent

award of Most Favored Nation status by the Government of the United States and the anticipated membership of Cambodia in the Association of Southeast Asian Nations (ASEAN) [51].

The National Institute of Management, 1998–2004

On 14 July 1998, the FOB's name was changed to the National Institute of Management (NIM) and it was permitted to charge tuition fees from students. The mission of NIM was to serve the nation by providing competent and socially responsible managers and entrepreneurs. The vision of NIM was to be the national leader in management education, research, and entrepreneurship training in Cambodia [51]. The main objectives of NIM were to prepare undergraduate students for the day-to-day work environment by equipping them with knowledge, skills, and attitudes that lead to satisfying and rewarding careers; introducing prospective managers and entrepreneurs to real-world work problems and solutions through internship programs; providing the opportunity for more mature students to learn the basic techniques of business and management through part-time undergraduate and graduate (EMBA) programs; and establishing and maintaining educational outreach centers and campuses throughout the country.

The NIM offered different major fields including tourism and hospitality, finance and banking, and management in information technology; and also offered the first MBA program in Cambodia in cooperation with the University of Utara Malaysia (UUM), which is a state-sponsored university located in northern Malaysia. NIM also maintains a five-year faculty-exchange-and-research program with the University of Antwerp, Belgium. More than 10,000 students have attended courses at NIM's main campus in Phnom Penh. NIM also operates a full Bachelor of Business Administration degree program in Battambang with more than 700 students attending courses at NIM's provincial campus [51].

The National University of Management, 2004–Present

On 16 April 2004, the NIM was transformed into the National University of Management (NUM). There are six faculties and one School of Graduate Studies providing training for all academic levels, i.e., bachelor's, master's, and doctoral degrees. From 1 March 2005, the NUM became a Public Administration Institution (PAI), operating with a financial autonomy under the major decision-making of the Board of Directors. The members of the Board include one representative from the MoEYS, one from the MEF, one from the Council of Ministers, and one from the NUM staff. Since 2005, the NUM has had many experiences of change such as the university infrastructure, management system, financial performance, curriculum development, and faculty capacity-building. The university, actually, developed new buildings, library and upgraded classrooms, installed new technology, diversified new curriculum in both undergraduate and graduate programs, and improved financial management systems. However, it also faced many challenges in transforming NUM to a leading public university in business and management in Cambodia [52].

Change Challenges at NUM

This section discusses the challenges of the change management process faced by the university follow by the change model of Fernandez and Rainey [39]. Of the 32 respondents to the interview questions, seven had work experience of more than 20 years at the NUM, nine had 10 to 20 years of experience, six had 5 to 10 years of experience, and 10 had less than five years of experience.

The first question inquired what factors forced the university changes. Most of the respondents mentioned that external factors led to the changes, including those pertaining to government

regulations and policies, the competition from private universities, the advancement of technology, the regional economic integration, and the labor market. Some of them argued that the forces for change came from internal factors such as the leadership, lack of qualified people to handle the growth, ineffectiveness of the management system, lack of physical infrastructure, the quality of student services, the university culture, internal politics, conflicts of interests, lack of research capability, and the ability of new teaching methodology.

The second question focused on the approaches taken to make the change happen. Most of the respondents noted that the decision-making pertaining to changes was initiated by the top management rather than being a bottom-up phenomenon. They said that changes related to policy, strategy, structure, technology, financial system, infrastructure, and physical facilities were almost always initiated by the top management. The respondents also stated that the university's top management sometimes proposed changes and convinced the board of directors for approval and then implemented those changes. Very few of the respondents believed that changes initiated from the bottom, especially from day-to-day working with student services.

The third question probed if there was information communication before initiating the change. Most of the respondents agreed that they received information before a change was initiated, though the information was not enough. Some said they did not have enough information on the preparation of the strategic plan for change and they did not know of the approaches to develop the change plan. Only a few of the respondents said that they had received enough information before a change was initiated while two of them said that they did not receive any information at all.

The fourth question focused on creating a sense of urgency. Most of the respondents agreed that the university created a sense of urgency through a presentation of the needs for change. However, they said that there had not been much evidence to support the need for change, with some of them even saying that sometimes the change just initiated by the top management with not so clear evidence to support the need for change.

The fifth question pertained to the clarity of vision for change. Most of the respondents argued that they were not so clear about the vision of the university for change. Some of them criticized that the vision for change did not provide the chance for a discussion. They said that the vision statement was created by the top management or a small team, with no involvement or consultation from others. The respondents also mentioned that the clarity of vision was very important, because it could develop strong commitment from the faculty and staff to support the change.

The sixth question focused on developing strategies to implement the change. Most of the respondents said there was not much clarity around the development of action plan to implement the change or on the mechanism for monitoring and evaluating the change progress. They said that the university should have at least three to four workshops and trainings to provide clear understanding of how the change would be implemented. They also mentioned that it would be the way to offer opportunity for faculty and staff to participate and share the vision of change.

The seventh question was regarding the roles and responsibilities of people in implementing the change. Some of respondents said that the roles and authorities were not so clear in the implementation of change. They argued that generally, there were no clear job descriptions and specifications for delivering the change vision of the university. Even though the university had a strategic plan to support change, translating it into action was not clear enough and a bit hard for

them. Some of the respondents mentioned that motivation was very important for implementing the change as well.

The eighth question was on choosing the right people in leadership and management roles to sustain the results of change. Some of respondents stated that they were not so clear about ensuring that the right people were chosen for leadership and management roles to anchor the change in the university. They said there was no clear model or example of the new behavior of the cultural change in the university.

The final question was on their attitude toward the change in the university. More than 50% of the respondents seemed to hesitate to show either positive or negative attitude toward the change. They were neutral, which means that they considered it neither positive nor negative. However, some of them felt they were satisfied with the change in general, while a few of them felt very pessimistic toward the change. They argued that the change did not make sense sometime and did not offer more benefits to them.

Conclusion and Implications

The NUM has experienced substantial change from time to time, and the study found that more people were satisfied with the university after the changes. The changes in the university were responding to the changes in environmental factors. The university, however, has been achieving its mission by providing several thousands of capable and socially responsible managers and entrepreneurs to the society. It has been improving the physical infrastructure, upgrading to new technological systems, innovating toward new curriculum, building capacity of human resources, improving the work conditions, and redefining internal regulations and policy. However, the change management has also been criticized by some of the faculty, staff, and students for a lack of clear vision and strategy, lack of commitment for the faculty and the staff, insufficient communication about the needs for change, and lack of control mechanism for evaluating the change.

To deal with these change-management challenges, the following recommendations should be considered by the university management:

1. The university should verify and persuasively communicate the needs for change. The university has to convince all faculty and staff to understand the need and desirability for change, craft a compelling vision of change, and employ written and oral communication and forms of active participation to communicate and disseminate the need for change.
2. The university should develop a clear course of actions or strategies for implementing change. It should devise a strategy for reaching the desired end state; with milestones, and a plan for achieving each of the milestones. The strategy should be clear and specific, and avoid ambiguity and inconsistencies in the planned change.
3. The university should build strong internal support and reduce resistances to change. This should be done through encouraged participation and open discussions among faculty and staff. Criticism, threats, and coercions should be avoided. The activity should commit sufficient time, effort, and resources to manage participation effectively. The university should also build the support and commitment for the change among interest groups such as students, parents, and public and private sectors having a stake in the university.

4. Successful change usually requires adequate resources to support the change process. The university should provide adequate amounts of financial, human, and technological resources to implement change, as otherwise the change may not deliver the objectives.
5. All management, faculty, staff, and students must effectively institutionalize the change. The university should have a control mechanism to refreeze new way of working into a new culture. In this activity, the university should employ a variety of measures to displace old patterns of behavior and institutionalize the new ones.

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CASE STUDY 3

PHNOM PENH WATER SUPPLY AUTHORITY, CAMBODIA

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Abstract

The public sector is controlled by national, state or provincial, and local governments. It is funded by the public and provided services to the populace. Public-sector organizations have been subject to increasing demands for greater financial accountability, efficiency, and effectiveness for the last decade. These demands and the necessity to match services more closely with citizen needs has led to public-sector organizations placing more importance on the practical approaches and tools for change, in order to achieve the desired results.

The Cambodian government recognized that public-sector reform will result in effectiveness and efficiency of public-service provisioning, which is vital for long-term sustainable development. Phnom Penh Water Supply Authority (PPWSA) is a state-owned company responsible for supplying water to the city of Phnom Penh. It was granted independent financial status in 1997, in line with a 1996 decree. The institution became legally independent and gained financial autonomy, though it was placed under the supervision of a government tutelage that consisted of representatives from the Ministry of Industry, Mines and Energy and the Ministry of Finance.

The objective of this study is to examine the historical changes and challenges of PPWSA in its transformation from a state-owned enterprise to an autonomous public enterprise with economic characteristics. The objective is also to find out the key learning from the successful reform of this public-sector organization in Cambodia. The method of the study is based almost on secondary data and reviews of existing literature on the transformation of the PPWSA; the official reports published by PPWSA; and the previous research and case study of PPWSA. The study also conducted interviews with current PPWSA senior management officials and some former officers to comprehend the change challenges and success factors of the change at PPWSA. The PPWSA went through major changes that catapulted the water utility into one of the more successful water service providers. The results and achievements have been exemplary, and PPWSA has not stopped at that. It is continuously evolving, expanding, and introducing newer processes. There have been overall reforms within PPWSA, with new processes being introduced in various departments that helped to bring about the changes. The water authority was granted autonomous status with independent management. Importantly, PPWSA has been listed on the Cambodian Stock Exchange, thereby increasing PPWSA's accountability to include new shareholders.

Introduction

Global forces demand fundamental changes in social, economic, political, and administrative systems across the countries. The impact of global forces on public management, however, is

remarkably different among countries, especially between developed and developing countries [1]. Moreover, the public sector is controlled by national, state or provincial, and local governments [2]. It is funded by the public and provides services to the populace [3]. The public sector usually comprises organizations that are owned and operated by the government and exist to provide services for its citizens. Similar to the voluntary sector, organizations in the public sector do not seek to generate a profit in Cambodia. Funds for public services are usually raised through a variety of methods, including taxes, fees, and through financial transfers from other levels of government. Sometimes the public sector will partner with an organization in the private sector to create a public-private partnership. These hybrid organizations work together to jointly deliver a service or business venture to a community. Example of organizations in the public sector include education, electricity, healthcare, police services, public transit, fire service, etc. [4].

Soltani, et al. [5] stated that public-sector organizations have been subject to increasing demands for greater financial accountability, efficiency, and effectiveness in the last decade. Soltani, et al. [5] also state that tools and approaches have been developed in the field of change management to, (1) initiate and manage change; and (2) control and direct change caused by unplanned events. The driver for the development of these tools and approaches is organizations' desire to improve quality, address workforce concerns, and enhance flexibility by changing organizational structures, processes, people, and culture [4].

Public-sector management in Cambodia is undergoing substantial transformation. Although reforms are still in their early stages, planning in Cambodia exhibits strong results-oriented features [6]. Public-sector reforms have been vigorously designed and implemented by the Cambodian government to enhance good governance. A central element to government's Rectangular Strategy Phase III is aimed at poverty alleviation. The strategy includes a number of major state-reform initiatives, such as legal and judicial reform, military reform, anti-corruption initiative, public finance reform, and public administration reform including decentralization and de-concentration [7].

The Council for Administrative Reform has played a key role in supporting Cambodia's reform movement. Since its inception in 1999, the council has continuously put forth its five-year plans aimed at public administration reform (1999–2003). Built upon existing mechanism, these focused on strengthening the foundation for public-administration reform through the establishment of quintessential mechanisms and a legal framework. National Public Administration Reform (NPAR) II (2004–08) and NPAR III (2009–13) have both aimed to widen and deepen public-administration reforms via various initiatives, e.g., Policy on Public Service Delivery, Compendium on Public Service, Special Operating Agencies, Performance-based Pay, Improvement-based Salary, and Human Resource Policy and Practices [9]. Currently, the council has put renewed emphases on three interlinking components, namely, (1) quality public service; (2) quality human resource; and (3) remuneration reform. They are the key elements in achieving effective and efficient public administration in Cambodia [6].

The Cambodian government recognized that public-sector reform would result in effectiveness and efficiency of public-service provisioning and that it was vital for long-term sustainable development. Specifically, the Cambodian government laid out three visions for public-sector reforms: (1) have a government management that is more effective and efficient; (2) implement an accountable administrative management system that meets the public's demand; and (3) improve the behavior and organizational culture of civil servants [8].

In the public sector, change is viewed as tumultuous and continuous, to the point that organizations and their employees cannot absorb the impact of one set of changes before another set is imposed on them [2]. Thomas argues that the pace, scope, and depth of changes in the public sector require a “re-visitation of the models in which bureaucracies have been built upon in the past.” This refers to examining the structures underpinning the public sector and determining what characteristics of the structures can act as barriers [2].

Research Questions

Phnom Penh Water Supply Authority (PPWSA) is a state-owned company and responsible for supplying water to the city of Phnom Penh. It was granted independent financial status in 1997, in line with a 1996 decree. A law was passed in 1996, titled Law on the General Status of Public Enterprises (No. 0696/13), which provided for the very first time in the country a new legal framework for operation, management, and supervision of all public enterprises. The institutions became legally independent and gained financial autonomy, though they were placed under the supervision of a government tutelage, which consisted of the Ministry of Industry, Mines and Energy; and the Ministry of Finance [10].

According to Araral [10], Phnom Penh water utility’s privatization examines the typical limitations arising from inefficiencies and counterproductive institutional factors, including weak regulations, asymmetric information, perverse incentives, and lack of creditable commitment. Since 1993, however, a long series of transformations that started within PPWSA’s top management, based on a culture of change and donor support, led to a significant turnaround. An ADB [11] sector assessment concluded that demand for improved water supply services far outstripped the government’s ability to deliver. In 2012, 94% of the urban population had access to improved water supply. However, only two-thirds of this constituted access to piped water supply; a ratio, which fell below 50% outside of Phnom Penh. ADB [11] concluded that inadequate water supply was due to a weak regulatory environment; limited government capacity to provide services; lack of adequate funding for capital investments, operations, and maintenance; weak interagency coordination and overlap of responsibility; a shortage of qualified and experienced staff; lack of incentives to retain staff; and poor cost recovery.

What were the challenges of PPWSA in managing the transformation from a state-owned company to an autonomous public enterprise? How does the PPWSA manage the change process successfully? What can we learn from the success of change management in the public sector in Cambodia?

Research Objectives

The objective of this study is to examine the historical changes and challenges of PPWSA in the transformation of the state-owned enterprise to autonomous public enterprise with economic characteristics. The objective is also to find out the key lesson learned from the successful reform of the public-sector organization in Cambodia.

Methodology

The method of the study is based almost on secondary data and reviews of existing literature on the transformation of the PPWSA, including the official reports published by PPWSA as well as the previous research and the case study of PPWSA. The study also conducted interviews with the

current PPWSA senior management officials and some former officers to comprehend the change challenges and success factors in the PPWSA's transformation.

Concepts of Change Management in Public Sector

Change is about having something different through some kind of process, whether managed or unmanaged. Individuals, groups, and organizations of all shapes and sizes alter from one state to another, over a period of time [12]. Public sector too is undergoing dramatic change, especially in advanced economies, but also in many parts of the developing world. All countries strive to reform their administrative systems in response to the challenges posed by socioeconomic, political, and technological environments [13]. Change management in public sector can be very comprehensive and include process changes in areas such as organizational structures, decentralization, personnel management, public finance, results-based management, regulatory reforms, etc. It can also refer to targeted reforms such as the revision of the service statute [14]. Public organization management is in transition from its traditional 'public' purpose to private 'corporate' purposes. As part of globalization, privatization has been turning public enterprises corporate organizations. State-owned and government corporations are changing their character, as the general mood surrounding privatization has turned public enterprises into profit-seeking firms in search of new markets for corporate ends [15].

In the early 1980s, the New Public Management (NPM) model was formed, and provided both the model and the experience that could be applied in developing countries. New Public Management seeks to roll back the role of the state by applying private-sector management principles to government organizations. The enthusiastic dissemination of this model to developing countries was seen by some as a new attempt to colonize development administration. The separation of policy-making from implementation and the use of private partners for service delivery continues to inform the current thinking about public administration reform [14].

NPM is rooted in public choice theory [16, 17]. For many [18, 19], it is a doctrine. From its many variations [20], seven axioms are identified: (1) breaking down of public bodies into corporatized units organized by products; (2) use of competitive internal contracting processes; (3) incorporation of private-sector styles of management; (4) parsimonious use of resources; (5) strengthening of the autonomy and power of top managers; (6) reference to the concept of performance and its measurement; and (7) monitoring of results [21].

According to Pollitt [22], the key elements of new public management are

1. a shift in the focus of management systems and efforts from 'inputs and processes' to 'outputs and outcomes';
2. a shift towards more measurement and quantification, especially in the form of systems of performance indicators and explicit standards.;
3. more frequent deployment of market-type mechanisms for the delivery of public services (quasi-market solution, compulsory competitive tendering);
4. preference of lean/flat and autonomous organizational forms, and decentralization;
5. favoring contract-like relationships instead of hierarchical relationships;

6. client and quality orientation;
7. blurring the boundaries between public, private, and non-profit sectors; and
8. value orientation, i.e., favoring individualism and efficiency rather than equality and universalism.

Pak [23] found that one of the aspects of NPM applied in Cambodia is ‘contracting out,’ in which foreign aid is provided to most nongovernmental organizations operating in Cambodia. It involves the implementation of projects funded by and cooperating with development partners and donors. The decentralization of public service delivery is another aspect of the reform, whereby the Cambodian central government allocates national budgets, funds, resources, and authorities to the subnational governments including communes (sangksats) and districts (khans) to manage service delivery within their own territories of control. For instance, under Seila Program, initiated by the Royal Government of Cambodia, the Care Program was established to manage subnational projects involving collaboration among the central, provincial, and local governments to implement decentralization. However, decentralization has not been so successful as local service providers, politicians, and governments do not have sufficient knowledge of what accountability actually is [24].

Another application of NPM in Cambodia is privatization of a number of public services. The government has privatized some public services in some important sectors such as transportation, road-building projects, education, and waste management. For instance, the government has approved a 50-year contract for a private company, Cintri, to manage waste in Phnom Penh. However, Cintri has been reported to lack capacity for effective waste management according to the Phnom Penh Post on 17 May 2014.

While many public services have been ended, there has been a rise in competition between public and private enterprises in the above-mentioned sectors in Cambodia [25]. For instance, in the context of privatization of the education sector, the government has cooperated with private institutions, including language institutes, nongovernmental organizations, schools, and universities. In addition, road construction projects have also been handled by private companies, but there has been irregularity in implementation, involving corruption and lack of quality assurance. As a result, most of the roads are not long-lasting and are not conducive to transportation [25].

The NPM model arose in reaction to the limitations of the ‘Old Public Administration’ in adjusting to the demands of a competitive market economy. While cost containment was a key driver in the adoption of NPM, injecting principles of competition and private sector management lay at the heart of the NPM approach [26].

Change Management in PPWSA

Historical Changes

The Phnom Penh Water Supply Authority (PPWSA) is the municipal water utility that serves Cambodia’s capital Phnom Penh and surrounding areas. Before 1993, PPWSA was run as a government department with no administrative, operational, or financial autonomy. It was an integral part of the Phnom Penh Municipality and was under the control of the governor of the city. It needed continuous municipal authorization for all its operational expenditures, which was a time-consuming process [28].

TABLE 1

OLD PUBLIC ADMINISTRATION VERSUS NEW PUBLIC MANAGEMENT.

	Old Public Administration	New Public Management
Theoretical foundations	Political theory, naive social science	Economic theory, positivist social science
Rationality and models of human behavior	Administrative rationality, public interest	Technical and economic rationality, self-interest
Conception of public interest	Political, enshrined in law	Aggregation of individual interest
To whom are civil servants responsive?	Client and constituents	Customers
Role of government	Rowing, implementation focused on politically defined objectives	Steering, serving as catalyst to unleash market forces
Mechanisms for achieving policy objectives	Administering programs through government agencies	Creating mechanisms and incentives through private and non-profit agencies
Approach accountability	Hierarchical administrators responsible to elected leaders	Market-drive-outcomes result from accumulation of self-interests
Administrative discretion	Limited discretion granted to public officials	Wide latitude to meet entrepreneurial goals
Assumed organizational structure	Bureaucratic organizations with top-down authority and control of clients	Decentralized public organizations with primary control within agency
Assumed motivational basis of public servants	Pay and benefits, civil service protections	Entrepreneurial spirit, desire to reduce size and functions of government

Source: Adapted from Denhardt and Denhardt [13, 27].

Commencing in 1993, PPWSA's main and water distribution pipelines have been continuously replaced, upgraded and extended. Cast-iron pipes have been replaced with ductile-iron pipes, and additional distribution pipelines have been installed in many of PPWSA's service areas, to extend coverage in those areas. This differentiates PPWSA from many of other water authorities in the region that have old legacy pipelines [28].

From 1994 to 1996, PPWSA replaced 68 km of old pipelines and extended the service area in Khan Daun Penh with financing from development partners including The World Bank and ADB. The financing from both banks was used to purchase pipelines and connection materials. PPWSA contributed funds to lay the pipelines [28]. From 1997 to 1999, the grant of Japanese aid through Japan International Cooperation Agency (JICA) enabled the replacement of old pipelines and extensions spanning a length of 68 km to the service areas in Khan Daun Penh, Khan Prampi Makara, and a part of Khan Tuol Kok. This grant included the provision of pipelines and installation. At the same time, PPWSA installed new pipelines spanning a length of 99 km in Khan Chamkar Mon, financed by a loan from ADB [28].

From 1998 to 2001, The World Bank and ADB continued to provide financing for the replacement of old pipelines and extensions covering a length of 221 km to the service areas in Khan Chamkar Mon and Khan Tuol Kok. Besides, to ensure that the pipelines had adequate capacity, the existing dilapidated main pipeline, which had a diameter of 700 mm was replaced with a pipeline ranging

in diameter from 900 mm to 1,600 mm. The replacement of the main pipeline was done with financing obtained from ADB. After replacing the old pipelines and extending the distribution network in the existing service areas, 2002 onward, new pipelines were installed to expand into new service areas. This expansion is continuing with financing from The World Bank, ADB, and Agence Française de Développement (AFD) [28].

Based on the historical background of PPWSA, it has gone through three periods of change in the last 30 years: From 1980 to 1993 is the period of resuming operations, heavy government subsidies, and very poor quality of service. From 1993 to 1997 is the period of rehabilitation, restructuring and human resource development, and preparation for autonomy. From 1997 to present is the period of restructuring and renaming as PPWSA, service extension, social responsiveness, financial autonomy, and emphasis on quality services [29].

Change Management in PPWSA

The General Status of Public Enterprise for PPWSA

In December 1996, the Cambodian government established PPWSA as a public enterprise and obliged it to operate according to commercial practices and prepare annual business plans. Under the Law on the General Status of Public Enterprises No. 0696/13 [28], (1) PPWSA must organize, manage, and operate all its activities independently, in accordance with commercial business requirements; (2) PPWSA could have an independent salary and incentive package for its staff, subject to the approval of the Board of Directors; (3) the General Director had the authority to hire and dismiss staff; and (4) the General Director must submit to the Board of Directors an annual operations, investment, and financing plan [30].

Prior to 1996, PPWSA was a public agency under the jurisdiction of the Municipality of Phnom Penh. From December 1996, PPWSA became a public enterprise, operating under commercial law, under the tutelage of the Ministry of Interior, the Ministry of Industry, Mines and Energy, and the Ministry of Economy and Finance. These three tutelage ministries appoint the Board of Directors and approve the annual investment plan. The Board of Directors has seven members. These include the PPWSA General Director and one representative each from (1) the Council of Ministers; (2) Ministry of Finance; (3) Ministry of Interior; (4) the Ministry of Industry, Mines and Energy (chair); (5) the Phnom Penh Municipality; and (6) PPWSA staff [28, 31].

PPWSA has a clear vision statement. It is committed to the sustainable development of its potable water supply services, as well as providing services as a consultant and facilitator in order to ensure that people in other cities and provinces of Cambodia have access to potable water. PPWSA is also committed to assisting other developing countries to supply potable water to their people. To achieve this vision statement, PPWSA is strongly committed to ensure the supply of clean potable water 24 hours a day, seven days a week, with adequate water pressure and at a reasonable price to the people of Phnom Penh and the urban areas of the Kandal province adjacent to Phnom Penh while also considering the needs of people living in poverty. In addition, PPWSA has been sharing its experience with some provincial/city water authorities in Cambodia, as well as in the region and the rest of the world [28].

Change of Governance Structure

The governance structure of PPWSA was gradually reformed, as a necessary step to reduce corruption and maintain efficiency targets [32]. In accordance with Phnom Penh Municipality No. A78D/19, from May 1992 to 1994, the governance structure of PPWSA had a chairman and a

number of vice-chairmen. The Chairman was responsible for managing PPWSA and had reporting obligations to the Municipality of Phnom Penh. From 1995 to 1996, the governance structure was replaced by an organizational structure in compliance with Decision No. 85 dated 10 April 1995 of the Phnom Penh Municipality, which consisted of a chairman appointed by the delegate of the Royal Government of Cambodia in charge of the Phnom Penh Municipality. The Chairman was responsible to the Phnom Penh Municipality in carrying out his/her tasks. There were up to four vice-chairmen, who were directly responsible to the Chairman and indirectly responsible to the Governor of Phnom Penh [28].

After PPWSA became an autonomous unit, a new organizational structure was introduced and approved by the Board of Directors during the first meeting and the first mandate on 10 September 1997. It now comprised seven directors of the Board appointed by a sub-decree and a Director General in charge of the daily management of PPWSA, also appointed by the sub-decree. The Board of Directors delegated the power necessary to the General Director for managing the day-to-day operation of PPWSA in accordance with the resolutions of the Board of Directors. Currently, the Board of Directors of the PPWSA consists of seven directors including one representative each from the Ministry of Industry and Handicraft, Ministry of Economy and Finance, Phnom Penh Municipality, and employees of PPWSA; while one is independent director, one is a nonexecutive director representative of public investors, and one is the General Director of PPWSA. PPWSA is under the technical supervision of the Ministry of Industry and Handicraft (MIH), and is headquartered in Phnom Penh. PPWSA is acknowledged as having the economic characteristics of a public enterprise by the Ministry of Commerce under the registration number Co. 0839 Et/2012, dated 27 March 2012. However, the formal corporatization of PPWSA in December 1996 was strongly supported by The World Bank, ADB, the Ministry of Finance, and the Prime Minister [28].

Changes in Leadership and Management Structure

PPWSA's transformation began with the strategic marshalling of human resources [21]. From 1993 to 1994, there was a reshuffling of basic management structure to install the most active and dynamic managers while recruiting and promoting talented younger staff. Also, a long series of transformations that started within PPWSA's top management in 1993, based on a culture of change and donor support, led to a significant turnaround. The factors that contributed to this turnaround included investing in staff and providing incentives, promoting transparency, involving civil society, and investing in modern management procedures and technology. The top management was restructured, and dynamic younger personnel with more advanced qualifications were promoted to senior posts with more responsibilities. Senior management was given more direct responsibilities, while inefficient senior staff was moved into unimportant roles. Incentives such as higher salaries and bonuses for good performance were introduced. However, penalties were also imposed for bad performance. There was resistance from the staff in the beginning, especially from managers, who used all means, including the media, to resist change. The dogged pursuit, however, of the General Director and the top management, as well as the gains in public trust, changed the scenario. Staff members also felt a sense of ownership of the utility and took responsibility for all its operations [21].

Changes in Human Resource Management

Challenges in the twenty-first century are seldom solved without addressing the importance of human resources, including people's development and employee motivation. The challenges confronted by PPWSA in these areas were no less demanding than the tests it faced with respect to the physical delegation of the water transmission system and the ensuring fiscal difficulties. Yet, PPWSA set about addressing the challenge with boldness. The education and motivation of PPWSA

staff was the starting point. Staff salaries were increased substantially during the reforms process, with a staff member in managerial position receiving ten times more in 2008 than in 1993. Profits are shared with the employees and the utility has created a retirement system, which is the first of its kind in Cambodia. Employees are evaluated four times a year, with financial incentives being given for good performance, and disciplinary actions such as delays in pay rise or even pay cuts being implemented for poor performers. Substantial training is also provided by PPWSA, and it has professionalized the employees into a responsible, disciplined and self-motivated workforce. Ultimately, well-performing staff members are promoted and greater responsibility is placed on higher management. A culture of meritocracy is encouraged as PPWSA has demonstrated that investing in staff yields radical results [28].

Beginning in 1998, the General Director Ek Sonn Chan increased the salaries of PPWSA employees to make them equal to or better than private sector remunerations. He also implemented a strict incentive-and-penalty program for all departments, whereby an employee's salary level depends upon his/her yearly performance. Ek Sonn Chan brought to the front a 'younger generation, newly educated from Russia, and Germany' [31]. He promoted hard work, invested in training, and empowered the achievers by giving them more authority and more responsibility. He personally subjected all managers to annual written examinations [32], promoted staff and managers on merit, and fostered teamwork. "Within a few years, he created an efficient and disciplined workforce within PPWSA" [31]. ADB concluded in a post-completion report that headed by a strong and inspired leadership, PPWSA was staffed with a well-trained, managed, and motivated workforce. Over time, salaries were steadily increased and bonuses/penalties were introduced on good/bad performance. Salary levels increased between 15% and 25% annually from 1997 to 2008. Moreover, three months of bonus salaries, upon achieving a net profit of 15% of operational expenditures, were continuously paid to staff between 1997 and 2008 [28].

Last but not the least, internal management was fully reorganized around the leadership of Ek Sonn Chan and his closest colleagues, who developed a paternalistic yet modern form of human resources management, with a high stability and loyalty within the executive team. Employees benefitted in terms of large social advantages, healthcare, social housing, and even the first pension system in the history of Cambodia, similar to the European industrial paternalism of the 19th century. Ek Sonn Chan has repeatedly voiced that a company's success lies in a smart human resources management, while providing motivation and a sense of responsibility to its workforce. Exemplarity of the executive team and advantages for the employees have contributed to the dynamism of PPWSA and fostered its rejuvenation process [31].

Changing in Financial Management

One of the key strategic directions instituted for PPWSA in the early 1990s was that it would be run like a business with the ultimate aim of providing the population of Phnom Penh with affordable and reliable water supply of good quality. Water was classified as an economic and social good such that any tariff charged had to be not only socially sensitive but also financially viable [33]. Given that, even today many water utilities struggle to be financially viable as a result of the political pressure to keep tariffs at economically unsustainable levels, at the time the course was set for PPWSA was progressive and, in hindsight, perceptive [34].

PPWSA charged ahead in a three-pronged manner for becoming financially self-sufficient. The offensive was first led by an offensive on nonrevenue water (at over 70%), as a matter of 'do or die' [35]. With high operating expenses (partly caused by high power costs) and low water tariffs,

PPWSA's income barely covered half of its operating expenses. A large part of nonrevenue water was, for example, the result of leakages caused by broken pipes. Even in 2006, 83% of nonrevenue water was due to pipes damaged in road construction, though, by that time, the overall volume of nonrevenue water had decreased dramatically from the previous decades. The decrease in nonrevenue water has largely resulted from investment in a 1,500 km-long new distribution network and the division of this network into 41 zones. Each zone has its own non-revenue water control team which uses a pressure-and-flow-rate data transmitter to provide online data for analyzing big leakages in the system. An incentive-and-fine system has also been implemented for the teams that discover decrease or increase, respectively, in nonrevenue water in their zones. Hotlines have also been established for reporting leakages, and leakage-repair teams are constantly on standby to respond within two hours of reporting [35].

The more highly publicized cause of nonrevenue water has been the commercial losses, including those arising from illegal connections and lack of metering. As of 2006, PPWSA had managed to meter all 147,000 connections in Cambodia's capital [35], and had upgraded its metering equipment to the more accurate class C volumetric water meter. The consumer database has been, and is constantly, updated using a computerized billing system. However, in many respects, this was the easy part. The difficult part was confronting the issue of illegal connections and collection problems. PPWSA confronted the issue head-on with its trademark carrot-and-stick approach by imposing heavy penalties on holders of illegal connections and ensuring that PPWSA staff associated with illegal connections were removed or punished, while providing incentives to those providing information on illegal connections. High-profile non-payers were also faced with the prospect of their water supply being cut off [35].

With measures firmly in place to achieve the objective of reducing nonrevenue water, PPWSA next confronted the challenge of increasing revenues. Before 1994, the domestic water rate being charged by PPWSA was approximately KHR166/m³ (USD 0.04/m³). However, given the low levels of service being offered by PPWSA, a number of consumers were seeking the services of private water vendors (most of whom used the utility's resources and water for their own profits) and often paying significantly more than what was paid to PPWSA. By 1995, PPWSA had managed to make 24-hour uninterrupted service available in Phnom Penh. With this, despite the domestic water rate getting closer to KHR250/m³ (USD0.06/m³), private water vendors started getting squeezed out of the market [36].

In 1997, increased block tariffs were introduced and currently the rate for the lowest block of 0–7 m³ is KHR550/m³ (USD0.13/m³). Still, the water tariff in Phnom Penh remains low by regional standards, by an average of USD0.22/m³ since 1997. For example, for East Manila, it stood at USD0.33/m³ in 2008; for Kula Lumpur at USD0.45/m³ in 2007; and for Jakarta at USD0.70/m³ in 2005 [28]. However, not all residents of Phnom Penh can afford this tariff. PPWSA has made provisions to ensure that the poorest residents of Phnom Penh receive the benefits of the turnaround in PPWSA's fortunes. It has established a revolving fund to finance domestic water connections to help more than 15,000 families in 123 urban poor communities with subsidized tariffs and connection fees that can be paid in installments. Poor households are entitled to receive subsidies of 30–100% of the connection fee, depending on their financial condition, which is jointly evaluated by a committee comprising representatives from the utility as well as the local communities [36].

This is a very strong incentive for optimal management and bills collection, and now 99.7% of bills are actually collected, thanks to a deep restructuring process and the introduction of the payment

culture in every household. This spectacular improvement in commercial management results from large efforts made during 1993–96 to develop customer management out of a vacuum. First, a customer database was created, to register and keep track of every water connection. This measure was paired with the opening of claim services to collect feedback and increase customer satisfaction. This was the first revolution at PPWSA. Commercial management would later be improved, with the introduction in 2001 of computer-based billing system, command system, and digital cartography of all meters (100% of households are equipped with a meter, and the bills are calculated on a volumetric basis). The meters are checked every two months, and bills with barcodes are then sent to the clients, who can pay the bills at one of the two water towers. The payment is immediately transferred to the head office.

Changing previous habits and management methods within PPWSA and chasing away petty corruption, were not easy tasks. In this process, reformist actors and Ek Sonn Chan faced tremendous resistance from all quarters. Earlier, customers would only pay a bribe at the beginning for obtaining a network connection, but could then have unlimited access to water, without caring about the volume of water consumed. The tariff was indeed fixed instead of being volume based, and in any case, there was no enforcement to make an actual recovery of water bills by PPWSA. This situation was very advantageous to many, particularly to the wealthy and influential figures in the city, or the PPWSA employees themselves. Hence, Ek Sonn Chan obviously had to face very aggressive campaigns and lobbying pressures against the new methods he was trying to introduce. Some employees organized media campaigns to discredit him, powerful figures militantly refused to pay for the service, and so on. However, progressively, the population at large considered that it was normal to pay for this quality of service, in comparison to the former situation of erratic water supply. The cost of opportunity was so high that even poor households were ready to pay for the service, especially when the connection fees were subsidized through various schemes, as mentioned before [28].

Changes in Production Capacity

After 1979, the potable water sector in Phnom Penh commenced operations under extremely difficult circumstances as the technicians, tools, materials, and technical documents had been almost entirely destroyed during the ‘Democratic Kampuchea’ days. In 1983, after limited repairs, this plant again commenced operations with a production capacity of 40,000 m³/day. However, in 1984, because of the lack of resources to carry out repairs and adequate electricity, the operation of the plant was completely halted. In 1989, with financing from the former Soviet Union, this plant commenced operations again with a production capacity of 8,000 m³/day, compared to its initial capacity of 10,000 m³/day. In 1995, with the first phase of the grant aid from the French Government, the production capacity of the plant increased to 10,000 m³/day. In 1997, with the second phase of the grant aid from the French Government, the treatment capacity of this plant reached 20,000 m³/day. In 1995, with grant aid from the French and Japanese governments, the production capacity of the plant was restored to its original capacity of 100,000 m³/day. In 2003, with grant aid from the Japanese government, the production capacity of the plant reached 150,000 m³/day. Currently, with technical innovations made by PPWSA’s technicians as well as with innovation by the management, the plant is able to produce up to 170,000 m³/day [28].

Classification of PPWSA’s Customers

PPWSA had 309,300 connections by 2016, all of which are metered with class C and class B water meters with diameters of 15–40 mm and of 80 mm and above, respectively. All these water meters are calibrated annually. If a meter is damaged, it is replaced free of charge by PPWSA, unless the

relevant customer is responsible for the damage to the meter. In such circumstances, the customers are obliged to pay the cost of repairing the meter to PPWSA [37]

Customers are classified into six types in accordance with current billing data as shown in below Table 2.

TABLE 2

CLASSIFICATION OF CUSTOMERS AND THE CORRESPONDING NUMBER OF CONNECTIONS.

Year	Domestic (Household)	Commercial	Govt. Insti.	Wholesale	Wholesalers-		Total
					RDE	Rent Room	
2004	105,981	14,964	559	0	18	0	121,522
2005	121,426	16,209	614	0	17	0	138,266
2006	132,287	1,878	635	0	17	0	151,724
2007	140,728	20,744	659	0	20	0	162,151
2008	152,972	24,522	693	0	13	0	178,200
2009	161,545	28,819	718	0	10	0	191,092
2010	169,700	32,467	741	20	21	0	202,929
2011	183,694	35,001	782	0	21	0	219,498
2012	195,261	39,033	797	17	20	0	235,128
2013	219,955	43,850	775	0	20	0	264,613
2014	225,735	44,258	785	14	20	0	270,812
2015	232,332	51,256	796	13	24	4,603	289,024
2016	251,067	54,228	655	11	22	4,852	310,835

Type of Customer	Connection
Domestic	251067
Commercial	54228
Government Institutions	655
Wholesaler	11
Representative	22
Rent Room	4852

Source: PPWSA-Customer Services (2016)

Changes in Organizational Culture

Like the ‘Three Musketeers,’ PPWSA’s informal motto is ‘One for all and all for one.’ Integral to creating a culture of change was fostering a spirit of teamwork through (1) spearheading socially responsible programs such as ‘Clean Water for All’ and ‘Water for the Poor’; (2) staff-care program; and (3) establishing a social fund [37]. Smart teambuilding, fair salaries, and highly effective incentive programs have allowed PPWSA to get the best from the employees. Like a heart with many chambers, each of five departments pump talent and expertise for the good of the whole, thereby ensuring a pure, life-sustaining water supply for all of Phnom Penh.

“Here at PPWSA, we work as a family,” says Ros Kim Leang, Director of Finance. “I’m taking part in the setting up of all regulations and rules at PPWSA. I remember an ADB project in 2002 to lay a transmissions pipeline along Monivong Boulevard that had to be completed before schedule. All our technical managers and staff, as well as our General Director, worked together day and night

for two months to complete the project at a very critical stage. I, acting as accounting and finance manager, also worked with them during the nighttime to support them through team building. And finally, we succeeded.” “With the aforementioned changes to our management structure, our managers not only had to be knowledgeable, but needed to serve as models and mentors for their subordinates. At PPWSA, we make decisions collectively, but the individuals are responsible for their actions. For example, procurement is held accountable for the choices they make in buying pipeline materials. If an individual in procurement buys a lower-quality pipe that is prone to leakage, then that staff member is personally responsible for the nonrevenue water created by his/her purchasing decisions” [37].

Role of International Cooperation in Supporting PPWSA Reforms

The coordinated international aid that followed from France, UNDP, The World Bank, and Japan, continued to back up the reform process step by step. These external partners provided on-site advice and training opportunities in and out of Cambodia and helped restore water production and distribution networks, offering user meters and replacing old pipelines that were essential for creating a culture of payment. Specifically, the assistance for speedy restoration of production and distribution capacity during 1993 and 1996, albeit limited in scope, brought about visible improvements in the water services to citizens, leading to the creation of a favorable political climate that made people’s compliance more likely [38].

The PPWSA proactively made the best use of international aid in many ways. The presence of external experts and on-site/overseas training provided PPWSA staff members not only with opportunities for technical skill enhancement but also for nonfinancial incentives linked with specific positions. The five-year business plans spanning 1996–2001 detailed the plan for human resource development, including technical professional positions and the required number of trainees. The wise use of nonmonetary incentives associated with performance expectation fits well into the arguments of Kuwajima [38].

Change Challenges of PPWSA

An Araral [10] case study of Phnom Penh water utility privatization examines the typical limitations arising from inefficiencies and counterproductive institutional factors, including weak regulation, asymmetric information, perverse incentives, and lack of creditable commitment. Failures are often manifest in distressed assets, poor service, and low investment returns. Araral presents a largely qualitative, single-run case study of privatization in the PPWSA. The case is held as a successful example of how effective governance and sustainable pricing helped overcome the limitations that so frequently plague utility privatization initiatives in the developing world. PPWSA faced the challenge of overcoming Cambodia’s decades of political and social strife, poverty, and low governance capacity. The utility also faced the standard challenges of inefficiency, unresponsiveness, and constrained capacity [39].

As any water company, PPWSA is faced with a tridimensional sustainability challenge and has to design a tariff scheme articulating the three crucial stakes surrounding water. First of all, water should be accessible to the whole population, which has been recognized by the UN as a human right in 2010. However, water is a very specific kind of resource. It is a noneconomic good, which cannot be priced. What is subject to pricing is in fact the service of water provisioning. Any water tariff should therefore entail social equity dispositions in order to guarantee universal access to this

vital resource. So, for the consumer, prices should be as low as the economic balance of the company can allow social sustainability. For the company, prices should be sufficiently adjusted to guarantee cost recovery and maintenance of the network. When the system lacks resources, infrastructures can rapidly become obsolete, and the quality of service quickly collapse, thereby threatening the first objective of universal access. Those two first stakes are challenged by a third one, i.e., conservation of resources. Water is a precious resource and individual behaviors need to evolve toward more responsible consumption habits. Water pricing should reflect the rarity of the resource and work as an incentive in that sense [21].

Phnom Penh adopted the increasing block tariff (IBT) model, a quite popular pricing scheme that allows an articulation of this tridimensional sustainability challenge. The idea, largely advocated by development agencies and institutions, is to differentiate water usage by designing volumetric blocks of consumption. For domestic customers, the price of 1 m³ is relatively low for small consumers, and then progressively increases. For instance, domestic consumers pay a very small price the first 1–7 m³, which is estimated to be the vital minimum for an average household in Phnom Penh. This guarantees an affordable minimum even for the vulnerable. The next 8–15 m³ are slightly more expensive (USD0.20 per m³); followed by 16–50 m³ block tariff of USD0.25 per m³, and USD0.32 every m³ above that. This four-blocks tariff structure creates incentives for reducing water consumption, as beyond a threshold, every m³ of water becomes very expensive. A similar structure, with larger blocks and higher prices, is applied to commercial usage.

This tariff structure also operates a double equalization. Due to the different uses and tariffs, there is a redistribution effect from commercial customers to domestic customers, and from big consumers to small consumers. This means that households paying an expensive bill for a consumption volume higher than 50 m³ are in a way subsidizing the solidarity tariff applied to the first 7 m³. The middle blocks remain largely affordable for the average population, especially because all households have been connected to the network and equipped with meters with support from various programs [21].

The challenge of human resource management extended to the Phnom Penh populace at large, who for years under the Khmer Rouge regime had been provided water for free. A campaign to educate PPWSA's customers was implemented, where it was demonstrated that PPWSA would not be able to continue supplying water if the bills were unpaid [40]. A whole education campaign was organized, coupled with very radical sanction measures in case of nonpayment of the bills. This was to not only motivate every part of the population to get a water connection, but also to educate them to basic hygiene notions, prevent wastage of the resource, and above all, make sure that nonpayment of bills would be severely punished. In case of a nonpayment, a customer would receive a first reminder, followed by a second reminder by post. If he still did not pay, the connection would be cut outright. He would need to pay a USD180 fine to be reconnected, which was very dissuasive. Extremely radical, this exemplary policy applies to any consumer, including public administrations. This, in a country where petty corruption is still the rule in several other domains, is a very strong legitimacy element and generated respect from Phnom Penh's population, which was even more ready to pay a fair price for a fair and equitable service. Furthermore, one of the main conditions set with development agencies for bilateral cooperation and financial support was transparency. The management is quite transparent, financial reports are published every three months, and results of Board meetings are commented and presented in front of all employees. Dialog is also enhanced with bilateral partners through strategic development plans such as the Strategic Water Sector Development Plan defined with Japan [40]

Success Factors of Change Management in PPWSA

Ek Sonn Chan [29] was a humble, committed man and natural manager in PPWSA's turnaround. He was able to change the attitude of utility's management and staff, as well as of the external stakeholders. He did so through the force of argument (e.g., supplying clean drinking water comes with a cost, and everybody requires access to clean water) and by setting examples (everybody, including utility management and staff, army generals, and the Prime Minister have to pay for water). He led by example, facing resistance in person, directly engaging protestors in a dialog (be they poor city dwellers or army generals), and extending empathy, whilst staying true to his beliefs and arguments. Finally, Ek Sonn Chan invoked commitment, integrity, professionalism, and leadership among management and staff, and ensured the continuity in administration [29].

Ek Sonn Chan showed himself eager to learn and encouraged his staff to do so as well. This created a fertile bed for the second important success factor: the development assistance. Ek Sonn Chan mentioned that the external world gave us a lot of knowhow to operate the system efficiently [29]. Through the loan covenants with ADB and The World Bank, PPWSA could also galvanize domestic resistance to the reforms [31].

The third success factor was PPWSA's achievement to increase revenues by reducing energy costs, improving the collection rate, and raising the average tariff. These revenues allowed PPWSA to raise salaries, introduce performance-based remuneration schemes, and invest in the distribution network, thereby expanding the service coverage [31].

The fourth success factor was the continuous political support that PPWSA received, most notably from the Prime Minister and the Mayor of Phnom Penh. This political support included the corporatization of PPWSA and the increases in water tariffs [31].

The management and staff felt comfortable with the sustainability of PPWSA's operational and financial performance. In 2012, Ek Sonn Chan was replaced by Sim Sitha, who previously ran the private water utility in Sihanokville. Sim Sitha is supported by a seasoned management team consisting of long-term PPWSA staff. Importantly, PPWSA has been brought to the Cambodian Stock Exchange, thus broadening PPWSA's accountability to include new shareholders [30].

Future Direction and Challenges of PPWSA

PPWSA aims to work towards the Millennium Development Goals (MDGs) and is currently supplying safe water to 90% of the city's urban population. PPWSA is planning to sustain this until at least 2030. Phnom Penh's population is expected to increase to 2.3 million by 2020 and 3 million by 2034. The current infrastructure and production capacity will not be enough to sustain this future demand. PPWSA has started working toward increasing production capacity by implementing a Stage II Priority Project. It was also expected that the PPWSA will become the Phnom Penh Metropolitan Water Supplier by 2020, as coverage reaches districts in other provinces. The current 450 sq km coverage is expected to reach 1,500 sq km. The 2005–20 Master Plan includes a five-year business plan in which investment in the water supply sector has been identified.

In the long-term however, PPWSA may need to revise its tariff structure in order to remain financially balanced. There is indeed a deep transformation in the economic landscape of Cambodia's capital city, marked by a rapid deindustrialization. Commercial connections, which today account for 25–30% of total connections, are significantly decreasing. Equalization and

redistribution may be disturbed by this structural evolution and a new tariff structure may need to be designed in order to rebalance the whole system. Anticipation capacity will be the watch word in the coming years for PPWSA.

Faced with the economic evolutions of the metropolitan area, and also with the development of peri-urban areas, strategic choices will need to be made. In particular, the success story promoted and awarded by the Stockholm Industry Water Award somehow puts pressure on the institution. Populations in secondary cities, as also in every area surrounding the Phnom Penh agglomeration, have set high expectations and hopes to see PPWSA extend its activity to provide them with the same quality of service as in the capital city. This will depend on future developments and urban planning processes, under the direction of the different ministries in charge.

PPWSA having received most of the aid and loans from international cooperation and development programs is also facing a certain responsibility in reaching water objectives of the MDGs at the national scale. Last but not least, water production and distribution also heavily depend on electricity and other energy sources. In a context of price increases, PPWSA will probably have to adapt and increase its own tariffs [41].

Conclusion

PPWSA has emerged as an internationally recognized leader in the water industry. PPWSA has become a self-sufficient company, operating without subsidies from the state. The utility provides 24-hour service with 90% coverage to a city of 1.7 million inhabitants. In April 2012, PPWSA launched a successful shareholding offering on the Cambodian Stock Exchange.

This reform also borrows from New Public Management model in integrating competitive processes, restricted to competition between leakage-detection teams; implementation of the principle of parsimony in the use of resources by focusing on efficiency; empowerment and greater autonomy for top managers; mobilization of the performance concept and its measurement, which structure the strategy of the organization; and monitoring of results for the purpose of steering the organization.

Over a period of 15 years, PPWSA went through major changes that catapulted the water utility into one of the most successful water service providers. The results and achievements have been exemplary, and the utility company has not stopped at that. It is continuously evolving, expanding, and introducing newer processes. There have been overall reforms within PPWSA, with new processes being introduced in various departments that helped to bring about the changes. The water authority was granted autonomous status with independent management. Political support for the reform process came with the Prime Minister giving full support. Funds, in the form of grants and loans from various multilateral agencies, created the enabling environment. A skilled set of enthusiastic employees and a leader with vision and a focused commitment helped to change the functioning of PPWSA, leading to improved service provisioning for all consumers across the social spectrum.

For international development funds also, it was a great opportunity. PPWSA's success allowed them to justify and legitimate their actions and to define best practices. As risks of failure were limited, it was not complicated for PPWSA to raise funds. France, Japan, The World Bank, and ADB enabled the institution, which initially did not have any auto-financing capacity, to invest in infrastructures and computer-based command, plants monitoring, and customer management.

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CASE STUDY 4

T-HUB IN THE STATE OF TELANGANA, INDIA

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Background

Country Perspective and Leadership

Located in south Asia, India is the seventh-largest country by area and the second-most populous country in the world. With more than 1.3 billion people as of May 2016, amounting to nearly one-fifth of the world's population, it is the most populous democracy in the world [1].

On 26 May 2014, when Narendra Modi took oath as the Prime Minister of India, he became the first-ever Prime Minister to be born in Independent India. Dynamic, dedicated, and determined, Modi reflects the aspiration and hopes of over a billion Indians.

Ever since he first assumed office in May 2014, Modi has embarked on a journey of all-round and inclusive development where every Indian can realize one's hopes and aspirations. Through innovative ideas and initiatives, the government has ensured that the wheels of progress move at a rapid pace and the fruits of development reach every citizen. Governance has become open, easier, and transparent.

Telangana State Perspective and Leadership

The state of Telangana was officially formed on 2 June 2014. Telangana is one of the 29 states in India and is located in southern part of India. It has an area of 112,077 sq km and a population of 35,193,978, as per the 2011 census. This makes it the twelfth-largest and also the twelfth-most-populated state in India [2].

Kalvakuntla Chandrashekhar Rao, popularly known as KCR, took oath as the first Chief Minister of the new state of Telangana on 2 June 2014. K.C. Rao is a leader of the masses. He carries the elan of being a leader and an able administrator, and is an inspiring and visionary leader.

“Good planning is half success” are the words K.C. Rao has used to describe the need for meticulous planning. He has drawn both short- and long-term goals and also focused on policy reforms in the area of industries. He has handpicked bureaucrats and officials from around the country to take up development-specific responsibilities.

K.C. Rao's focus is on making Telangana self-sustained, industrially developed, and a center of skilled workforce in the country. The Industrial Policy Framework for the state of Telangana recognizes industrialization as the key source of economic growth and development in the new

state. The stated vision for industrialization is, “Research to innovation, innovation to industry, and industry to prosperity.” The Industrial Policy Framework for the state of Telangana was introduced on 27 November 2014 and came into effect on 1 December 2014. The Telangana government set a record with the new industrial policy and cleared 17 projects worth INR1,500 crore (USD230.77 million) within 15 days of its launch [5].

The proactive government has initiated many innovative policies and reforms to bring in radical changes to attract business investments and to accelerate the socioeconomic development of the state. It achieved significant changes within a span of one-and-a-half years. The formation of T-Hub as India’s largest innovation and technology incubation center and achieving the first rank in ‘Ease of Doing Business in the Country’ are among the major achievements of the new state.

Industry Focus

Startups and entrepreneurs: In catering to the aspirations of more than 1.3 billion people, India’s existing frameworks can turn out to be inadequate. There is a great need to leverage its billion minds in becoming a global knowledge superpower, and startups and entrepreneurs can be a great means to that end.

- Startup India campaign was first announced by Prime Minister Modi in his 15 August 2015 address from the Red Fort. It is focused on restricting the role of states in the policy domain and in getting rid of ‘license raj (regime)’ and hindrances in land permissions, foreign investment proposal, environmental clearances, etc. The event was inaugurated on 16 January 2016 by the then finance minister Arun Jaitley.
- The Ministry of Human Resource Development (HRD) and the Department of Science and Technology (DST) have agreed to partner in an initiative to set up over 75 such startup support hubs in the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs), the Indian Institutes of Science Education and Research (IISERs), and National Institutes of Pharmaceutical Education and Research (NIPERs).
- The Reserve Bank of India (RBI) has said it will take steps to help improve the ‘Ease of Doing Business’ climate in the country and contribute to an ecosystem that is conducive for the growth of startup businesses [3].

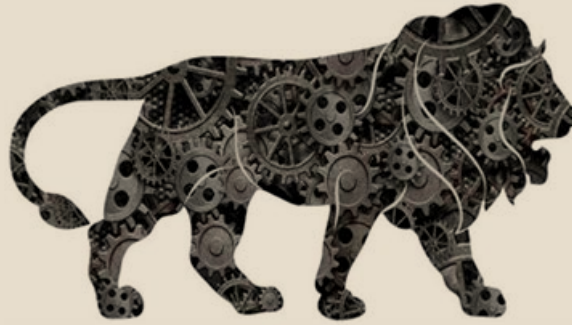
The state of Telangana, along with other southern states of the country, has taken a lead in terms of implementing policies for supporting startups. Telangana launched the largest incubation center in India, T-Hub, on 5 November 2015.

Make in India: This is an initiative launched by Government of India to encourage multinational as well as domestic companies to manufacture their products in India. It was launched by PM Modi on 25 September 2014. India emerged, after the initiation of the program in 2015, as the top destination globally for foreign direct investment (FDI), receiving USD63 billion in FDI in 2015 [4].

The primary objective of this initiative is to attract investments from across the globe and strengthen India’s manufacturing sector. The program is very important for the economic growth of the country, as it aims at utilizing the existing Indian talent base, creating additional employment opportunities, and empowering secondary and tertiary sectors. The program also aims at improving India’s rank on the Ease of Doing Business index by eliminating the unnecessary laws and

PHOTO 1

'MAKE IN INDIA' LOGO.



regulations; making bureaucratic processes easier; and making the government more transparent, responsive, and accountable.

DIPP launched an online portal in April 2016 to track implementation of reforms on a real-time basis. The online portal is aimed at providing (1) real-time ranking and tracking of the states and union territories (UTs), based on implementation of the recommendations, (2) details of the good practices to learn and replicate; and (3) information on current policies and practices across states and UTs [7].

Telangana and Andhra Pradesh have jointly topped the 2016 all-India state/UT-wise 'Ease of Doing Business' rankings, as announced on 31 October 2016 by the Commerce and Industry Minister Nirmala Sitharaman. The rankings are on the basis of a 340-point business reform action plan and its implementation by the states. This covers the period from 1 July 2015 to 30 June 2016 [8].

The data for this assessment was collected from 32 state governments and UTs, who submitted evidence of implementation of 7,124 reforms. These submissions were reviewed by The World Bank team and validated by DIPP's team to study whether they met the objectives of the Business Reform Action Plan (BRAP) [9].

The exercise is aimed at promoting competition among states with a view to improve business climate to attract domestic as well as foreign investments.

Introduction (T-Hub)

T-Hub is Hyderabad's startup revolution and Telangana government's bold experiment. T-Hub is a complete ecosystem that offers 360-degrees support for budding entrepreneurs. It has been touted as India's largest innovation and technology incubation center [6].

Genesis

On 5 June 2014, i.e., just a day after taking oath as the first Minister of Information Technology (IT) of the new state of Telangana, K. Taraka Rama Rao, known as KTR, was sitting in a conference room at the

Indian School of Business (ISB) campus in Hyderabad. He had one simple question for Srinivas Kollipara, “What can the new government do to make Hyderabad the startup capital of the country? [10].”

Srinivas Kollipara was then mentoring startups and had helped 65 teams come on board for the incubator program at the International Institute of Information Technology (IIIT) in Hyderabad,

“When KTR called, I didn’t really want to do anything with the government because of the way they usually work. But KTR was very clear from the beginning, that the government will keep away from the daily affairs,” Kollipara said. This was the genesis of T-Hub [10].

Issues and Challenges

Industrial development is one of the critical issues. Although Hyderabad is an industrial hub, the remainder of Telangana has not developed similarly. Employment is also a major area of concern for the new state. It is supposed to have 6 lakh jobs available, but in reality, only 50% of these have been provided. Entrepreneurs in Telangana were facing major challenges like lack of an ecosystem that could facilitate validation of data, support system, early-stage mentorship, coworking space, investor connects, viable exits, etc. All of these are essential for startups to scale up and can be resolved effectively through incubators.

Strengths

The city of Hyderabad has a conglomeration of talented workforce and world-class research in medicines, biotech, and agriculture. The government can bank on the strong talent pool in the state to nurture the next generation of entrepreneurs. The city has also grown significantly as an IT hub in the past decade. So Kollipara hopes that T-Hub will provide companies from various sectors the space for collaboration and innovation [11].

Given this background, to make Hyderabad the startup capital of India, what is being done? Which factors facilitate the changes? What is the result/impact and what are the lessons to be learned from this success story? The report will address these questions.

Change Initiatives

Launch of T-Hub

Telangana was formed in 2014 and the new IT minister K.T. Rama Rao, challenged his own limits to build Hyderabad as a startup hub. He and his team soon came up with a new IT policy that eventually led to the formation of T-Hub [11]. The first phase of T-Hub was formally launched on 5 November 2015 [12].

The detailed roadmap of T-Hub for catalyzing the Hyderabad startup ecosystem is impressive. It aims to equip innovators with best practices; glean actionable insights from research organizations and make it available to startups; educate investors on how startups work; and inculcate ideas by culling problem statements from various sources and transferring this knowledge to people; among other things [13].

Ecosystem Creation

T-Hub is an incubator that supports startups by creating an ecosystem in Hyderabad to address all major problems of startups. T-Hub is at the intersection of the government, corporates, venture capitalists, the research sector, and startups.

T-hub is a unique public-private partnership between the Telangana government and three central academic institutes, i.e., International Institute of Information Technology-Hyderabad (IIIT-H); Indian School of Business (ISB); and NALSAR Law University.

T-Hub is designed for technology-related startups, and its mission is to catalyze the creation of one of the tightest and most vibrant entrepreneur communities in the world in order to encourage and fuel more startup success stories in India [14].

Multipronged Strategy

For achieving its vision, T-Hub focuses on

1. attracting the best startups and entrepreneur organizations from across the world to Hyderabad;
2. working with an extensive network of partners to help entrepreneurs launch and scale innovative companies;
3. equipping innovators and organizations alike with the entrepreneurship skills required to succeed, using methodologies that transcend traditional learning; and
4. linking, educating, and promoting all entrepreneurship-related stakeholders in Hyderabad and Telangana, including startups, investors, incubators and accelerators, research centers, startup resources, etc. in order to facilitate faster connections between talents, ideas, and capital [14].

“The unique model of T-Hub enables investors and corporates to plan programs and capacity-building initiatives in a targeted and organized manner. T-Hub is also the only model where the government is working intensely with the investor and the partner to fuel innovation and facilitate enterprise,” said Jay Krishnan, CEO, T-Hub [15].

Enabling Factors for Change

In the change management process after conceptualization, the most challenging aspect is to make it a reality and achieve the desired change and impact. The factors that have facilitated in realizing the vision of T-Hub are discussed below:

Leadership

K. Taraka Rama Rao (KTR), Minister for IT and Industry, Telangana: KTR’s vision is to build Hyderabad as one of the best cities in the world for startups and entrepreneurship activities. He is the motivating force and the one responsible for establishing T-Hub at Hyderabad.

Jayesh Ranjan, Principal Secretary, IT and Industry: Ranjan has a wide-ranging public policy experience from some of the best universities and institutions in the world. He is the guiding force behind facilitating government support and reviewing and monitoring functioning and performance of T-Hub.

Srinivas Kollipara, Creator, Founder, and COO of T-Hub: Srinivas is a crusader with the cause of improving the startup ecosystem in the city. With 20 years of management experience while working with international teams and projects, Kollipara believes that the formation of T-Hub is his greatest success story.

Kollipara, KTR, and Ranjan understood that there had to be a sound business model, a clear vision, and the willingness to learn along the way. All of this had to be built on top of the existing foundations of the city. “To build something like this, we needed a strong minister, an IT secretary who could get it, and most importantly, the right person to execute the plans,” says Kollipara [10].

Jay Krishnan, CEO, T-Hub: Krishnan was the person Kollipara was looking for. Krishnan was a serial entrepreneur who had seen through successes, acquisitions, and failures in the startup world. Krishnan, along with Kollipara, is part of the team of two key heavily accented executives who run T-Hub. He has played a significant role in operation, monitoring and building up of T-Hub.

T-Hub Board of Directors

The board comprises members with impeccable performance, brilliant academic background, and renowned personas in their respective fields of businesses. The Board plays a vital role in providing direction and guidance to T-Hub in realizing its vision. Brief profiles of board members are given in Annexure 1.

Mentors

T-Hub has 60 individuals from top academic institutions to play the mentor’s role. Infosys cofounder N.R. Narayan Murthy is also a mentor, and one of the principal advisors at the hub. KTR said that he had requested majors like Microsoft CEO Satya Nadella, Adobe Systems CEO Shantanu Narayen, and Biocon’s chairman and managing director Kiran Mazumdar Shaw to come forward as mentors and address the young entrepreneurs [6].

Institutional Support

T-Hub has also managed to get institutions like Samsung and ICRISAT on board as partners, and this has helped the startups to gain exposure and help corporates keep a close eye on the fast-evolving market [10].

Public-private Partnership

As noted earlier, T-Hub is a unique public-private partnership (PPP) between the Telangana government and three central academic institutes, i.e., IIIT-H, ISB, and NALSAR Law University. This unique PPP model is one of the major facilitating factors in achieving the desired change. Let us look at the role of each partner.

1. **Role of Government of Telangana:** The role of the government is only that of a facilitator. The broad framework and policies have been created, and a capital expenditure of INR40 crore (USD 6.15 million) was done by the government. T-Hub is run by professionals with zero government intervention, and has to become financially sustainable on its own.
2. **Role of IIIT-H:** IIT-H is an autonomous private university and one of the top computer science institutes in the country. The location inside the IIIT-H campus has added institutional image to T-Hub. IIIT-H plays a vital role in extending relevant and advanced technical expertise to startups at various stages and conducts joint events with T-Hub for startups.
3. **Role of ISB:** ISB is a world-class business school in Asia, located in Hyderabad. It has excellent infrastructure for entrepreneurial activities and has produced successful ventures

since its inception. The center aims to enable creation and growth of sustainable and competitive enterprises by providing business expertise through innovative research, outreach, and pilot initiatives. ISB helps startups in organizational structuring, marketing, and branding; business model innovation; etc. ISB also played a vital role in the structuring of T-Hub, formation of its Board, and selection of its CEO.

4. **Role of NALSAR:** Located in Hyderabad, NALSAR is one of the best law schools in the country. It supports startups with legal expertise, offers customized courses to young entrepreneurs, and equips them with the necessary skills to tackle real-world business issues for legal and IPR aspects. This provides startups the possibilities to harness their core intellectual property and scale up their operations.

This PPP model facilitates in attracting entrepreneurs, investors, and advisors from across the country to come together in one place. Experts would be made available to guide companies that show potential to become industry leaders.

Infrastructure

- T-Hub is located in a state-of-the-art 70,000 sq ft building called ‘Catalyst,’ which is the largest building in India that is entirely dedicated to entrepreneurship. Located in the IIIT-H Campus, Hyderabad, it provides a platform for entrepreneurs, investors, venture capitalists (VCs), advisors, mentors, and academia to interact and collaborate, alongside providing office space and seed funding.
- ‘Catalyst’ provides coworking space where startups get access to world-class infrastructure facilities, networking opportunities, workshops, conferences, mentoring, and assistance from the senior management team of T-Hub and access to top mentors, investors, and academia.
- “Catalyst Building is a high-energy, colorful, and vibrant working space, which is extremely agile and unorthodox; creative and inspirational; and suitable for low budgets and long-working hours put in by entrepreneurs,” says Gokul Krishna of W Design [10].
- Catalyst provides early-stage startups the space and tools they need to grow their businesses. T-Hub provides flexible memberships priced per person per month, which is all inclusive and includes office space, furniture, conference rooms, superfast internet access, office hours with industry experts, networking events, lounge areas, games, and more. Membership options include open seating, dedicated desk, private office, etc.
- The facility is aimed at exploiting the engineering and scientific talents, which are in abundance in the adjoining areas, where most of the multinational IT companies, including Google and Microsoft have their headquarters.

Funding, Investors, and Revenue Generation

- T-Hub has multiple revenue streams, e.g., rental income from workspaces, events, and workshop, and divesting stake in companies that it invests in.
- T-Hub houses 23 startups that raised funding of more than USD3.5 million during 2016 [16].

PHOTO 2

T-HUB CATALYST BUILDING (L); KUMAR AT T-HUB (R)



PHOTO 3

INSIDE VIEW OF CATALYST BUILDING (L); OPEN WORK STATIONS AND THE MENTOR'S GARAGE (R).



PHOTO 4

DEDICATED DESK (L); PRIVATE OFFICE (R) IN CATALYST BUILDING.



- Large venture capital firms like Kalaari Capital, Peepul, and Sequoia are on board with T-Hub. T-Hub already had about 130 startups on board, even before its launch; while over 500 startups had shown interest in being a part of T-Hub [6].
- Life Circle Health Services, a home nursing and professional care services provider incubated in T-Hub, raised USD150,000 from European healthcare services provider Groupe SOS [10].

- IT Minister KTR, during a visit to the USA, had said that venture capitalists in Silicon Valley who are connected to Hyderabad, have shown interest in the innovation fund. Several technology companies were keen to be a part of T-Hub. He said that Tata Capital had also shown interest in participating in the fund [6].

Government Support

1. The government is aiming to support around 5,000 startups in the state, including 1,000 startups in the tech products space; 400 startups in the clean-tech segment, and 300 startups in the electronics sector.
2. There are plans to collaborate with 20 global accelerators and incubators to build 'plug-and-play' workspaces in a PPP mode.
3. Plans are in place to float an INR2,000 crore (USD 307.69 million) innovation fund across various sectors and to set up an INR250 crore (USD38.46 million) seed fund.
4. Reimbursement is provided for service tax paid by startups incubated with the help of government-supported incubators for the first three years (for revenue less than INR50 lakh or USD0.01 million).
5. Annual reimbursement is provided for VAT/CST paid by all newly incubated startups for a period of the first three years, provided their maximum turnover is INR50 lakh (USD0.08 million) during the period.
6. Reimbursement is provided for 30% of the actual costs including international travel, subject to a maximum incentive amount of INR5 lakh (USD0.01 million) per year.
7. Cost of filing and prosecution of patent applications will be reimbursed to the incubated startups, subject to a limit of INR2 lakh (USD3,076.92) per Indian patent awarded. For foreign patents, up to INR10 lakh (USD0.02 million) will be reimbursed.
8. Recruitment assistance of INR10,000 (USD153.84.) per employee for the first year is offered.
9. Startups recording 15% growth as per audit will be eligible for a 5% grant on turnover (limit of INR10 lakh, i.e., USD0.02 million) for three years from incubation.
10. Entrepreneur-in-residence (EIR) certificates to be given to failed startup founders. This will help them get a job or join companies funded by VCs.
11. Incubators in tier 2 and tier 3 cities to be set up to encourage entrepreneurship [17].

Change Process

Incubation Process

"If you look at incubators in general, they are designed to fail because you are targeting a customer base which has a probability of 10% success. 90% of the startups across the world fail. Incubators do not have the magic wand to make that any better. So, we are not here to change that, but to tell the 90% to learn from their mistakes and come back and build a successful company," Jay Krishnan, CEO, T-Hub, explains [10].

For the startups incubated at T-Hub, the partnership has catalyzed their growth immensely by providing technical, business, and legal expertise at various stages in a timely manner.

The ideas are screened by a team of experts. Although primarily a platform for promoting technology startups, T-Hub also accommodates graduates or diploma holders to encourage creativity. It permits member companies to take part in events and seminars that host experts from various fields. It allows entrepreneurs to interact and talk about tackling common problems.

Inputs Given by T-Hub at Each Stage

The National Expert for this report, Alapati Sudarsana Kumar had a series of meetings with officials of T-Hub to understand the process of incubation of startups. The incubation process varies, based on the stage of the startup.

PHOTO 5

(L TO R) T-HUB CEO; COO; AND NATIONAL EXPERT FOR THIS REPORT.



1. **Idea stage:** T-Hub provides specific workshops and events that help entrepreneurs with their ideas. T-Hub also hosts multiple events and sessions to help the entrepreneurs build their knowledge and give them the tools they need. Mentoring, if needed, is done to help with idea validation, make a business model, or help understand the next-stage requirements.
2. **T-Kickstarter workshop:** It is a workshop designed to help entrepreneurs validate their ideas. Mentors and experts will help people with their ideas. This is a weekend workshop and designed for students and people who work on the weekdays.
3. **Seed stage:** T-Hub hosts accelerator programs like the 'Yes Fintech' accelerator and also provides one-on-one mentoring by experts from related sectors on a periodic basis. T-Hub also has testing centers for mobile applications, which the startups can use to test their own applications. T-Hub also conducts training sessions to improve the ability of entrepreneurs in pitching to investors, which is an important aspect for raising funds. Mentoring helps to improve the product, the technology, and the ability to scale.
4. **Inflection stage:** T-Hub has the T-Bridge program that allows international startups a soft-landing program in India and for Indian startups to access global markets. T-Hub also

connects startups at inflection stage with its network of investors and corporates. This network helps the startups raise funds and scale. Mentoring is targeted at creating a network for the entrepreneurs and approaching multiple investors and corporates to raise funds. Mentors also give the entrepreneurs tips on how to approach the investors.

T-Hub Support to Major Sectors

T-Hub has chosen seven key sectors, namely, health technology, agricultural technology, financial technology, transport and logistics technology, sustainable technology, social technology, and smart cities, from which startups would be incubated. [17] The smart cities sector was added later.

1. **Health technology:** T-Hub is partnering with Novartis, which is a global leader in the healthcare sector to run programs to help health-tech startups to scale.
2. **Agricultural technology:** This is a sector which has the potential to affect millions of farmers. To support startups in this sector, T-Hub has partnered with Icrisat and Riverbridge to run the AgriTech Accelerator Program.
3. **Financial technology:** This is grabbing most of the attention in the startup world. T-Hub is currently running an accelerator program in partnership with Yes Bank, Anthill Ventures, and LPT.
4. **Transport and logistics technology:** This sector has the potential for startups to innovate in. By partnering with organizations like Uber, it hopes to provide mentorship and support to startups in the sector.
5. **Sustainable technology:** Renewable energy, energy management, and related technologies are another sector that T-Hub is concentrating on. It is the future of energy and offers the potential for startups to capitalize.
6. **Social technology:** Using innovative technologies to help people and make the world a better place to live is something startups are inherently good at. T-Hub will partner with the right people/organizations and provide the necessary support to startups in this sector.
7. **Smart cities:** From home automation to waste management, the future of many cities is dependent on innovative technologies. T-Hub recently conducted the Innovate for Digital India (IFDI) challenge for the top smart-city startups in the country. This program was in partnership with Intel; Department of Science and Technology (DST); My Gov; and Ministry of Electronics and Information Technology (MeitY).

Impact/Achieving Desires Changes

Feedback Interviews

To assess the real impact of T-Hub, the National Expert Kumar conducted personal interviews with the following startups:

1. **Variance.AI:** “An MBA intern provided by T-HUB has done lot of marketing groundwork for Variance.AI. Visits by international entrepreneurs such as Travis of Uber and Jack of Esri are very memorable and are great stimuli for my entrepreneurial journey. Young

entrepreneurs at T-Hub are an inspiration for me,” Bhatt Dittakavi, CEO, Variance.AI and serial entrepreneur, said.

2. **AuthBase:** “T-Hub has been a very interesting sandbox for us to build and test out our product features and offerings interacting with other startups to know what developers need and what they think of security. Access to mentors and industry connects have given us valuable insights into our products. All in all, it’s an invaluable experience and growth,” said Umesh Thota, CEO of AuthBase.
3. **Paymatrix:** Mukesh Chandra, Cofounder and CEO of Paymatrix, a fintech company said, “We had a good idea and the technology, but not all banks and payment gateways were willing to work with us. There were some lingering doubts. But once we came on board T- Hub, they were confident.

Anusha Kurupathi Parambil, Cofounder and CMO of Paymatrix mentioned, “Being part of T-Hub LAB32 incubation program has catalyzed our growth immensely and provided us access to mentors, industry leaders, and various MNCs and financial institutions. We have registered user growth of around 25% within four months of moving into T-Hub. The biggest value we gained is the great peer network and a support system, where we can tap into each other’s knowledge and experience.”

4. **Monitra Healthcare:** For Ravi Bhogu, founder and CEO of Monitra Healthcare, also incubated at T-Hub, the infrastructure and the atmosphere have won his team over. “The team’s motivation is high in this working space. We love to be here, and this has shown in our productivity,” Bhogu said. He also noted that experts facilitated by T-Hub helped him change his global strategy for the better [10].
5. **Life Circle Health Services:** Life Circle Health Services, a home nursing and professional-care services provider incubated in T-Hub, raised USD150,000 from European healthcare services provider Groupe SOS. The startup offers subscription-based caregiving and home-nursing services [10].

PHOTO 6

(L TO R) FOUNDER OF AUTHBASE; FOUNDER OF VARIANCE.AI; AND NATIONAL EXPERT.



PHOTO 7

NATIONAL EXPERT WITH CMO OF PAYMATRIX (R).



Other Achievements

1. T-Hub, which has over 2,000 startups in its database, is emerging as the first choice of top Indian startups.
2. It has partnered with 11 incubators and 18 coworking spaces across Telangana, like Microsoft Ventures, IIIT Incubator, 91 Spring Board, and Collob House on chargeable basis.
3. It has created innovative and proprietary intellectual property rights such as Sand Box and Play Book to help startups to scale.
4. It has collaborated with corporates such as IBM, Facebook, Uber, Intel, and Yes Bank to conduct programs on a global scale.
5. Corporate partnerships have been forged with more than 15 global companies such as Samsung, Cisco, Intel, PwC, DBS, Vodafone, and NVIDIA.
6. It has conducted accelerator programs like ‘Innovate for Digital India (IFDI) Challenge,’ conducted by Intel, DST, My Gov, and T-Hub, as a sector-diagnostic national-level program.
7. T-Hub has conducted sector-specific accelerator programs for agritech- and fintech-related startups in collaboration with renowned organizations.
8. T-Hub has facilitated Indian startups to visit destinations such as the USA, Europe, and Israel.
9. It designed and partnered in over 54 events and workshops in 2016 including 13 promotional events, three hackathons, seven startup boot camps, and five corporate competitions.
10. T-Hub partnered with Israeli University, Tel Aviv’s entrepreneurship center Star TAU in June 2016. Israel is one country that has pioneered the startup strategy wherein entrepreneurs think global from the word go.

Landmark Moments at the T- Hub

1. Microsoft CEO Satya Nadella, who visited T-Hub, announced that he would work for T-Hub to develop accelerators and startups. Nadella, who hails from the city, also offered assistance in providing training and technology guidance to government employees to enable better functioning of citizen-oriented services.
2. National Association of Software and Services Companies (NASSCOM) partnered with T- Hub to launch a warehouse wherein it would provide a coworking space to nurture young, entrepreneurial talent.
3. T-Hub partnered with Israeli University; Tel Aviv's entrepreneurship center Star TAU.
4. T-Hub launched the 'AgriTech Accelerator Program' in partnership with International Crops Research Institute for the Semi-Arid-Tropics (ICRISAT), powered by Riverbridge Ventures Innovations Platform (RViP), aimed at helping agritech startups to scale and hone their entrepreneurial skills.
5. The technology center inked a deal with ride-sharing app Uber. As part of this MoU, T-Hub will be leveraging its expertise in shortlisting 20 startups through both Uber's and T-Hub's existing networks.
6. Apple Inc. CEO Tim Cook launched the company's development center in Telangana, close to T-Hub [18].
7. Intel India and the Department of Science and Technology (DST) collaborated with T-Hub, to identify ideas that could solve complex issues at the country's grassroots level through technology and automation, for accelerating the transition to Digital India. Each solution is designed for scale, and to improve the quality of people's lives in the remotest corners of India [19].

Launch of T-Bridge

T-Hub, in partnership with Uber and TiE Silicon Valley, announced the launch of T-Bridge, a new program that will connect Indian startups with global market opportunities, and help bring global startups to India. T-Bridge will enable startup communities in India and around the world to cross-pollinate ideas, and innovate and create channels for knowledge transfer. It will also create a network of mentors, VCs, incubators, and accelerators that is advantageous to the Indian startup ecosystem [20].

Future Perspective

K.T. Rama Rao, IT Minister of Telangana, has said that Phase 2 of T-Hub, called 'The Reactor Building,' will be coming up in Hyderabad with an investment of INR175 crore (USD26.92 million) on an area of 300,000 sq ft. This would be approximately four times larger than the Catalyst building. Rama Rao also said that companies like Wipro, Google, Amazon, and Capgemini had expansion plans in the city.

Jayesh Ranjan, IT Secretary, Telangana, said that along with the second phase of T-Hub, the government had an idea of starting 'T-Works,' which includes a lab for researching in hardware, electronics manufacturing, and semiconductors. State IT ministry is in touch with leading

PHOTO 8

A MODEL OF THE FUTURE REACTOR BUILDING.



universities like Massachusetts Institute of Technology (MIT) and University of Texas (Houston) for their support to T-Hub. The startup incubator has already tied up with 20 VCs [21].

T-Fund

The IT Minister (K.T. Rama Rao) has said that as part of its efforts to foster innovation, the state government will also pitch in an amount of INR100 crore (USD15.38 million) to fund startups. However, the IT Secretary (Jayesh Ranjan) said that only 20% of the INR100 crore (USD15.38 million) fund would come from the state government's coffers while the rest will come from institutional investors and VCs [22].

Rama Rao had said the fund corpus of T-Hub would be Rs300 crore by 2017 and would double in three years. It was expected to generate annual employment of 3,000 by 2017 and 10,000 by 2020 [23].

Lessons Learned

For any local government in an APO member country wanting to create a startup incubation facility, there are a few lessons to be drawn from this case study. It is important to focus on the following aspects:

- The foremost important factor is government commitment. It should play only the facilitator's role. Government interference should be limited to fund support, formulating appropriate policies and procedures, and ensuring administrative convenience.
- For startups to be viable and sustainable, they need appropriate technical, business, and legal expertise at various stages. This is where the PPP model of having partnership with renowned institutions becomes essential.
- It is essential to have an excellent infrastructure facility like the Catalyst Building in T-Hub, where startups get access to world-class infrastructure facilities; networking

opportunities; workshops and conferences; and access to top mentors, investors, and academia. The biggest value addition is the great peer network and a support system where startups can tap into each other's knowledge and experience.

- To build a startup ecosystem that will drive the growth of startups and create an environment where they can thrive is what T-Hub is doing. To do this, the ecosystem needs support from different stakeholders including startups, mentors, investors, government, corporate innovation, R&D institutions, incubation centers, colleges, coworking spaces, etc.
- Different types of startups need different kinds of support. For example, a startup in the idea stage requires a different set of workshops and programs than a startup in the inflection stage.
- The other thing that APO member countries can learn from T-Hub is being connected to the ground realities of competencies in a given country. It is important to identify and focus on the key sectors and partner with some of the leading corporates in each sector to provide expertise for startups to scaleup.
- A key lesson to be learned from the T-Hub experiment is that the incubation center should be completely autonomous and free spirited, just the way entrepreneurs in a free-market economy prefer.

Annexure 1

T-Hub Board of Directors [24]

T-Hub's board has members with impeccable performance and brilliant academic background, and are renowned personalities in their fields of business. The Board plays a vital role in providing direction and guidance to T-Hub at all stages in realizing its vision. Brief profiles of board members are given below:

Jayesh Ranjan: He is the Principal Secretary, IT, Government of Telangana. Presently, he is also holding the Industry and Commerce portfolios. He has got a wide-ranging public-policy qualification and experience from some of the best universities and institutions in the world.

B.V.R. Mohan Reddy: He is a visionary who has placed India on the global map for leading-edge engineering research and development (ER&D) services and is the founder of Cyient (formerly Infotech Enterprises). It is one of the largest independent exporters of high-value R&D services from India.

C.P. Gurnani: He is the Chief Executive Officer and Managing Director of Tech Mahindra. Gurnani has been chosen as the Ernst and Young 'Entrepreneur of the Year (Manager),' CNBC Asia's 'India Business Leader of the Year,' and Dataquest 'IT person of the Year' for 2013.

Sashi Reddi: He is a successful technology entrepreneur, business leader, and an active angel investor. Reddi runs a seed-stage venture fund, SRI Capital, which is typically the first institutional investor in various technology, education, green technology, and media startups. He serves on the advisory board of Wharton Entrepreneurship; the board of Ben Franklin Technology Partners; and the board of the Pennsylvania Academy of Fine Arts (PAFA).

Rajendra Srivastava: He is the Dean of the Indian School of Business (ISB) and the Novartis Professor of marketing strategy and innovation. He comes with an experience of over 30 years as an academic and administrator.

Dr. P.J. Narayanan: Dr. Narayanan is a professor and currently the Director of IIIT Hyderabad. Previously he was the Head of Computer Vision and Virtual Reality at the Centre for Artificial Intelligence and Robotics, Defence Research and Development Organisation (DRDO). He is currently one of the board members of Center for Innovation and Entrepreneurship (CIE) and enjoys mentoring technology startups.

Prof. Faizan Mustafa: He is the Vice-chancellor of NALSAR University of Law, Hyderabad. He was the Founder Vice-chancellor of National Law University, Orissa.

V. Raman Kumar: He is the Founder, former Chairman/CEO and Board Director of Modal Inc., a leading voice recognition and clinical-documentation technology and services company. Kumar has won several awards and recognitions for his outstanding contribution to entrepreneurship and business leadership. He is currently the Chairman and Managing Director of Aeries group of companies.

Srini Raju: He is the Managing Director and Founder of Peepul Capital (formerly, iLabs Capital). Peepul Capital manages over USD1,000 million of institutional and general partner's capital across three funds. It has initiated or funded and supported over 40 companies during the past 14 years. It specializes in transforming professional managers into entrepreneurs.

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CASE STUDY 5

EASE OF DOING BUSINESS IN TELANGANA, INDIA

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Introduction

‘Ease of Doing Business’ is an index published by The World Bank. It is an aggregate figure and includes different parameters that define the ease of doing business in a country [2].

India ranked 130th out of 190 countries in The World Bank’s 2016 Ease of Doing Business index, covering the period from June 2014 to June 2015 [3]. In India, several measures have been taken by the government to make business regulations simpler. Department of Industrial Policy and Promotion (DIPP) has chalked out a number of measures that include applying for industrial license online.

The states of Telangana and Andhra Pradesh jointly topped the Ease of Doing Business (EODB) Reforms Ranking 2015–16 conducted by the Department of Industrial Policy and Promotion (DIPP) and The World Bank [1]. Telangana had got the 13th rank in the previous year (see Figure 1).

FIGURE 1

EODB REFORMS RANKING, 2016 VS. 2015.

Where they stand

Telangana, Haryana, and Uttarakhand have improved the most in the DIPP–World Bank Ease of Doing Business rankings.

	Rank (2015)	Rank (2016)	Score (in %)	
Telangana	13	1	98.78	▲
Andhra Pradesh	2	1	89.78	▲
Gujarat	1	3	98.21	▼
Chhattisgarh	4	4	97.32	◄
Madhya Pradesh	5	5	97.01	◄
Haryana	14	6	96.95	▲
Jharkhand	3	7	96.57	▼
Rajasthan	6	8	96.43	▼
Uttarakhand	23	9	96.13	▲
Maharashtra	8	10	92.86	▼

Source: DIPP.

Need for Change

People of the new state of Telangana have very high expectations from the government for creating jobs for the youth, promoting development of backward areas, maximizing growth opportunities by optimum utilization of the available resources, harnessing the talents and skills of the people; and ushering prosperity in every household.

Challenges

Investors and industrialists in Telangana were having to go through tedious procedures and processes for setting up their units and faced hardships in running around various government offices for simple clearances. The complexity of regulatory processes, difficulties in obtaining required approvals, lack of coordination among different agencies, and difficulty in compliance have often been cited as major challenges in attracting new investments and setting up and doing business in the state.

It will be a learning experience for a newly formed local government in APO member countries to know, how, with all the challenges, the Government of Telangana could bring about significant changes and make the state one of the best destinations for business in India in a span of less than two years. This case study highlights the process and enablers by which the changes was achieved.

Change Initiatives

Policies and Reforms

The government of Telangana had progressively made reforms in policies, processes, and governance, to enhance the business ecosystem in the state across sectors in a simplified manner. The aim of the government is to increase the potential to run businesses in the state, which in turn would help the growth of the state's economy. The focus of these reforms is to ensure that 'ease of doing business' is attained in its true sense [4].

Launching of TS-iPASS

One of the major initiatives to bring about the change in creating an investor friendly environment in the state was enacting the 'Telangana State Industrial Project Approval and Self-Certification System (TS-iPASS) Act, 2014' for speedy processing of applications; issuing of various clearances required for setting up of industries at a single point, based on the self-certificate provided by the entrepreneur; and creating an investor friendly environment in the state [5]. TS-iPASS was launched by the Chief Minister of the state on 12 June 2015.

A series of meetings were held by the National expert Alapati Sudarsana Kumar with S. Suresh, Joint Director, Industries and his team for information on TS-iPASS and other reforms, processes, and their impact, the details of which are discussed below. (Suresh is the Nodal Officer for EODB at the Office of Commissioner of Industries, Government of Telangana.)

TS-iPASS Objectives and Features

The key objectives of TS-iPASS [6] are to

- speed up the processing for issue of various licenses, clearances, and certificates required by industries and also provide for an investor-friendly environment in the state;
- facilitate industrial growth;
- create peaceful, secure, and progressive business regulatory environment;
- enable mass creation of jobs;
- mitigate the potential impacts and protect the environment; and
- minimize inspection and maximize facilitation.

PHOTO 1**(L TO R) NATIONAL EXPERT; ASSISTANT DIRECTOR; AND JOINT DIRECTOR OF INDUSTRIES.**

Source: DIPP.

The salient features of the TS-iPASS system [4] include

- approvals based on self-certification by the applicant, through an end-to-end online system where an investor will be guided in each step, can upload the required documents, make online payment, track status of approvals, and view and download the issued approvals;
- approvals for mega projects involving investments of more than INR200 crore (USD30.77 million) or an employment potential of 1,000 and more within 15 days, and approvals for all other projects within 30 days;
- providing model documents to be attached on the web portal;
- reducing the number of attachments to 10, which is common to all departments;
- online pre-scrutiny of applications within 72 hours, to ensure that the applicant is informed of any shortfalls before making the payment;
- issuing clearances online, which can be downloaded by the applicant and verified by any third party;
- making the applicant entitled to know the reasons for the delay in getting the clearance within time limits; and
- a provision of levying a penalty of INR1,000 (USD15.38) per day on any officer delaying the process, while the approval is deemed to have been granted after the stipulated period is over.

Telangana is the only state in the country that has accorded a legal right for the investor to get industrial clearance within a set time limit, provided all compliances are in order.

- The least possible ‘Turn-Around-Time (TAT)’ for consent of establishment and consent for operation is committed across all clearance and approval services.
- There is a single helpline number through which any investor can get his queries resolved.
- For any grievance against any service/department, an intimation can be done through TS-iPASS.
- The best practices across the globe are documented and high-quality inputs on policy and practice are provided to the government.

Other Reforms

1. **Land banks:** Land banks with nearly 1.50 lakh acer of government land have been earmarked and the details are available on the website with the required procedure timelines and geological information system (GIS) mapping and available infrastructure.
2. **Digitization of land records:** Land records have been digitized where the sub-registrar can easily verify land ownership when new transactions are initiated and made online. A citizen can view encumbrances on the property, including prohibited properties and court stay orders, and download them. Third parties are allowed to check the details of the encumbrances on the website.
3. **e-Stamp duty assessment, management, and payment system:** This is an online system where the citizen pays the stamp duty through an e-challan facility provided online. The stamp duty paid through the e-Stamp module is secure and foolproof. The payment of stamp duty is endorsed on the registered document as an endorsement/certificate.
4. **Digitized land records in municipalities:** The land records of the municipal offices have also been digitized and the citizens can search the records by using Property Tax Identification Number (PTIN) and Vacant Land Tax Identification Numbers (VLTIN) assigned to each property on the website.
5. **Automatic mutation of property:** This has also been integrated whereby the sub-registrars in Telangana collect mutation fee and initiate mutation process at the time of registration itself. This removes the need for citizens to apply to the municipal authorities and the land administration department for mutation and also brings in uniformity in records of all the departments. It removes citizen interaction with multiple departments.
6. **Municipal Administration and Urban Development (MAUD) reforms:** Hyderabad Metropolitan Development Authority (HMDA) has come up with an innovative ICT solution called Development Permission Management System (DPMS), which is an online portal where a common citizen/business organization is empowered to know approval procedures, the end-to-end assessment process from HMDA, and other linked departments. Through DPMS, building permissions are given in 14 days compared with several months earlier.

Grievances can be addressed at the conflict resolution mechanism set up within the municipal department without having to resort to courts. The conflict resolution mechanism has notified appellate authorities and also timelines for resolving the conflicts.

Appellate authorities other than the government and judges will dispose appeals within 15 days, while the appeals that are to be decided by the government will be disposed within 21 days.

7. **Labor Employment, Training and Factories (LETf) reforms:** A single integrated online return system was introduced under all labor laws and thus 57 registers are now reduced to just two forms, i.e., Form 1 and Form 2, and a total of 14 returns are now reduced to just one return. With respect to LETf, the establishment can opt to self-certify at any point of time by applying online in the portal maintained by the labor/factories department in the prescribed proforma along with remittance of security deposit in the form of bank guarantee (valid for five years). If no reply is received within 60 days of the application made the applicant shall be deemed to have been enrolled under the scheme.

8. **Inspection procedures:** The state has brought in more transparency and efficiency in the inspection procedures by introducing computerized systems of risk assessment. Establishments are categorized as per risk, i.e., low, medium, and high. The frequency of inspection and the designation/authority of inspecting officer will vary as per risk categorization. The inspecting officer will be selected randomly through a computerized online inspection module.

The inspection report will be uploaded by the inspecting officer within 48 hours of the completion of the inspection. An alert will be sent to the employer, so that he may view/download the inspection report. In case of defects, the employer will be required to take the corrective action and upload compliance report within 15 days. The compliance report will be scrutinized and an effective follow-up action will be taken.

In order to conduct synchronized/joint inspections, list of units based on factories risk classification are prepared and shared with the labor department. The system allocates the factories month-wise and shares with the labor department for conducting joint inspection. Under this system, a unit that needed to be inspected 30 times in a period of five years under six different labor laws will now be inspected only once in five years.

9. **Boilers:** Third-party certification of boilers through competent persons has been put in place under the provisions of the Boilers Act, 1923 to improve EODB in the state. The inspection of the boiler and the boiler components as well as verification of alterations can be done by a competent person. The entrepreneur, for renewal, can upload the certificate through empaneled competent persons.
10. **Factory license:** Every license granted will be valid until it has been duly cancelled. Every license has to be renewed annually by payment of annual license fee or the licensee can receive a license with a validity up to 10 years by paying up to 10 times of the annual license fee at the time of applying for license.
11. **Forest (self-certification):** If any owner decides to fell a tree that is exempted, the owner can opt for self-certification. The owner will have to inform the District Forest Officer (DFO) in a prescribed format with fees per tree and proceed to fell the tree. If any owner

decides to fell a tree that is non-exempted, the owner can inform the DFO, by submitting online application. On receipt of such application from the applicant, the designated officer will complete all necessary prerequisite actions to issue permission for felling within three days from the date of submission of application. If he does not intimate the final decision on the application, it shall be deemed that the applicant is authorized to fell the trees as requested in his application. The permission is uploaded on the website.

12. **Fire NOC:** One can submit online application for fire 'no-objection certificate (NOC),' both provisional and final.
13. **Water:** Applications and payment with procedures and timelines for water connections are made online.
14. **Tax payments:** A single ID has been created to file all taxes, to enable integration of tax payment and filing systems. All registrations can be done online and returns can be filed online through e-payment. Registration certifications are issued within one day and can be downloaded from the department website.

Helplines and service centers have been created to enable the citizens to raise queries and seek help for online filing and returns. Advance tax ruling has been extended to all the taxes in the state.

15. **Risk-based audit:** Risk parameters are defined based on categories (1) very high risk, requiring special audit based on fraud investigation; (2) high risk (specific audit); and (3) medium risk (general audit); for audit related to tax compliance. The system has been designed and is in place to identify and inspect establishments using risk-based computerized allocation. The system identifies the establishments to be taken up for advisory/post-registration inspection, based on the risk parameters.
16. **State Pollution Control Board (PCB):** Exemption to green industries for any inspections has been put in place. Renewal period has been increased from one year to five years through auto renewal.

Third-party certification for medium-risk industries and self-certification for low-risk industries have been introduced. Institutes are empaneled for third-party certifications and the criteria for empanelment and liability has been specified on the website.

17. **Law:** The High Court has set up commercial division/courts in the state at the High Court level as well as the district level from existing courts/benches. The Law Department has developed e-Court management system for commercial courts at district level, with modules for e-filing, e-payment of court fee and process fee, digitally signed orders for the commercial divisions/courts.
18. **Online Systems;** All departments have introduced online services on department portals and also integrated them with TS-iPASS. Services such as online registration, renewal, and inspection modules have been put in place. User can track his application at each level, view and download the registration/renewal certificate, inspection reports, compliance report and certificate and also can view the inspection date etc.

19. **Time frame:** All the permissions/ clearances are given according to the timelines. A maximum of 30 days is fixed for obtaining any state clearances.

Department wise approval time limits are summarized in Annexure-2

Change Enablers

It is a known fact that formulating reforms and policies alone cannot ensure the desired change. Let us look at the factors that have facilitated an effective implementation of the policies for achieving benchmarking performance levels in making the state investor friendly.

Leadership

K. Taraka Rama Rao (KTR), Minister, Industries and IT, Telangana: His vision is to make Hyderabad a global city and Telangana the most sought-after investment destination in the country.

A. Shanthi Kumari, Principal Secretary to Chief Minister: She is in charge of special chasing cell constituted in the office of the Chief Minister. She plays a major role in the successful implementation of EODB in Telangana. She is also responsible in getting the reforms done in all connected departments and make them comply with EODB reforms.

Arvind Kumar, Resident Commissioner at Telangana Bhavan New Delhi: He was formerly Principal Secretary, Industries and Commerce. With a brilliant academic background and rich experience, Kumar played a vital role in ensuring effective implementation, monitoring, and review of government policies/reforms related to EODB in the state.

Jayesh Ranjan, Principal Secretary, Industries and IT: He is responsible for regular review, monitoring, and facilitation of government support for effective implementation of policies and procedures related to EODB.

Manicka Raj, Collector of Sanga Reddy District; Former Director of Industries, Telangana: Manicka Raj was instrumental in facilitating effective coordination between various departments, and ensuring timely completion of activities related to EODB.

Chasing Cell

The cell plays a very vital role in the effective implementation and monitoring of TS-iPASS.

Government of Telangana constituted an industrial promotion/chasing cell in the office of Chief Minister under the overall supervision of Principal Secretary with the following key functions [4]:

- Address all protocol requirements and facilitation services for identified potential investors.
- Coordinate with various agencies and ensure timely approvals as per TS-iPASS.
- Provide effective facilitation to implement 'Right to Clearance.'
- Provide requisite facilitation to the industry until it is established and goes on stream in accordance with TS-iPASS timelines.

PHOTO 2

NATIONAL EXPERT MEETING WITH PRINCIPAL SECRETARY TO CM, GOVERNMENT OF TELANGANA.



- Identify process constraints at various stages of setting up of new industries, expansion, revival, etc., and make recommendations for streamlining.

A physical bureau is set up by the TS-iPASS state cell, which is headed by the commissioner and concerned department's nodal officers. Similarly, at the district level, TS-iPASS cell is headed by the General Manager.

Effective Implementation, Review, and Monitoring

Regular reviews were done at the levels of the Chief Minister, Minister of Industry, Chief Secretary, and the Principal Secretary. A total of 66 rounds of meetings were held November 2015 onwards, involving 22 departments. As many as 26 legislations got amended and 58 government orders and 121 departmental circulars were issued by different departments, all aimed at EODB. Further, 19 portals were created or updated, and in all, 113 online services were launched during this period, as per TS-iPASS documents of Industry and Commerce Department, Commissioner of Industries, Government of Telangana.

Industry-institution Interface

The government took the responsibility of providing trained and skilled manpower according to the industries' requirements and is planning to take industry-specific skills development programs. Modalities for interfacing the industries and institutions accordingly are being worked out by a high-level task force committee under the chairmanship of the Chief Secretary [4].

Industrial Incentives

To promote Telangana as the best investment destination for investors in India, the government has offered various incentives/benefits to all eligible new industrial enterprises set up in the state.

- **T-IDEA:** A new industrial incentive scheme called Telangana State Industrial Development and Entrepreneur Advancement (T-IDEA) incentive scheme 2014 was launched to extend various incentives for setting up of new enterprises in the state [7].

- **TS-PRIDE:** The Telangana State Program for Rapid Incubation of Dalit Entrepreneurs (TS-PRIDE) incentive scheme is for all manufacturing activities set up by scheduled caste and scheduled tribe entrepreneurs after 1 November 2014. The eligible entrepreneurs can avail incentives/concessions under this [8].

Impact/Changes Achieved

Key achievements of the reforms include

- creating a one-stop single-window system for all the investors' needs at one place;
- addressing and making inspection procedures much simpler and transparent;
- implementing self-certification schemes;
- providing all online systems with no requirement of physical interface; and
- reducing the TAT for consent of establishment and consent for operation committed across all clearance and approval.

Impact of TS-iPASS

With TS-iPASS, there have been marked changes in processing of various licenses, clearances, and approvals for issuance.

Along with the availability of a ready land bank with TSIIC of 145,000 acre, 145 industrial parks, 27 fully functional SEZs, 24x7 availability of quality and uninterrupted power, ready infrastructure, and one of the best law-and-order regimes, TS-iPASS makes Telangana the best investment destination in the country.

Impact of DPMS

The Development Permission Management System (DPMS) [4] has resulted in

- increased citizen satisfaction by providing 24x7 online services;
- transparency provided into the end-to-end assessment process, while ensuring data integrity;
- reduced number of visits to the HMDA department;
- increased efficiency and quality of services;
- Simplification of procedures and processes;
- Project Development Agreement (PDA)-enabled site inspection;
- increased accountability and timely delivery of services;
- real-time information on dashboards to make better and faster decisions;

TABLE 1

IMPACT ON ISSUANCE OF VARIOUS LICENSES, CLEARANCES, AND APPROVALS, BEFORE AND AFTER TS-IPASS.

Sl. No	Before TS-IPASS	After TS-IPASS
1	Separate application was to be filled up and submitted at a department for each approval	Single common application form for all state-level approvals is required to be submitted online It is processed by all departments
2	Bulky physical applications involving up to 100 or more documents were to be submitted	Rationalized attachments are sought by departments. Now, only 12 documents are required for all approvals
3	Payments were only through cash/DD/challans that necessitated visit to different offices	Easy and safe online payments
4	Multiple visits to the departments	Zero visits are needed End-to-end solutions are provided Approvals can be downloaded online
5	Delays in processing of approvals by various departments were caused as departments insisted on NOCs from other departments to process approvals	Approvals for mega projects are provided within 15 days and for other projects within a maximum time-period of 30 days. The process is initiated based on self-certification and all departments process things simultaneously.
6	Limited accountability of services and no tractability of status	Tracking of application is available A toll-free number to interact and track status is provided
7	Shortfalls/queries being asked by different departments at different times, and many a time more than once, by the same department	Shortfalls/queries can be raised only once by any department, and that too within three days of the online application
8	Limited interdepartmental coordination	Higher interdepartmental integration
9	Numerous inspections by several departments	Self/third-party certifications and joint inspections under various acts
10	No consequences for delays in the service delivery	Grievance addressable system with clear penalties against officers causing delays
11	No provision for deemed approval	Deemed approval in case of delay by departments
12	No penalty for official delay in according approval	Penalty imposed on official for delay in issuing approval

Source: Commissioner of Industries, Government of Telangana.

- integrated document management process for easy storage and retrieval of digital documents at any date;
- integrations with payment gateways, GIS, master plan, website, and real-time access to data;
- maintenance of comprehensive data and information systems; and

- PCB license validity for five years which used to be renewed every year earlier, and factory license renewal after 10 years which was earlier done every year.

Impact on Employment and Investment

- ITC Chairman Y.C. Deveshwar had announced at the launch of the new Industrial Policy that the company would set up a world-class food processing unit in Medak district with an investment of INR800 crore (USD123.08 million) [9].
- “The State has been able to attract investments from four of the world’s five top companies such as Google and Amazon as they have chosen Hyderabad as their destination outside their headquarters” K.T. Rama Rao, Minister of IT, Telangana, said [10].
- Under TS-iPASS, a total of 3,451 approvals have been accorded till 16 March 2017, involving an investment of INR58,341.15 crore (USD8975.57million). Total direct employment in these units is likely to be 220,758 while indirect employment will be another 3 lakh. Thus, there is a total employment potential of around 5 lakh. Of the approved units, 1,138 have actually commenced commercial production and another 405 were in advanced stage of completion at the time of writing this report. Thus, a total of 1543 units will be operational shortly, as per a TS-iPASS document from Industry and Commerce Department, Government of Telangana.

The impact of TS-iPASS on industries set up, and district-wise investment and employment details are given in Annexure 3.

Future Perspective

Addressing a press conference, IT and Industries Minister Rama Rao said, “Now the task for Telangana government will be to bring down the cost of doing business and to ensure that it is minimized, and also to ensure that the quality of doing business improves drastically. It should not be an individual-driven system. All these reforms will be institutionalized.”

According to Chief Minister, the state has overcome the power crisis and is marching forward by attracting investments under TS-iPASS.

“The Telangana state is gearing up for top position in EODB for the year 2017 also.” To improve the industrial environment in the state, Chief Secretary S.P. Singh held a high-level meeting on 17 January 2017, and requested all principal secretaries, secretaries, and HODs to ensure that all reforms were put to use by the end of March 2017.

Lessons Learned

Arvind Kumar, Former Principal Secretary, Industries, Government of Telangana, while speaking to Firstpost, listed out three key things [11] that other states wanting to raise their EODB profile should do:

1. **Go online:** Change traditional mindset and ensure that practically and theoretically no investor needs to ever meet a single state government official. Remove all requirements for human interaction to get clearances at the state level.

2. **Remove subjectivity in fee:** Simplify this as far as possible and make the various levies public.
3. **Define process for clearances:** Tell potential investors how long it will take for a project to get all state-level clearances and stick to those timelines. Define levels within the government to award final clearance to a project.

For creating business friendly environments for economic development, local governments in APO member countries may draw further lessons from this case study and focus on following aspects:

- **Establish an industry-institution interface:** The government should take the responsibility for providing trained and skilled manpower and plan industry-specific skills development programs in consultation with the industry.
- **Introduce self-certification:** Accord a legal right to the investor to get industrial clearance within a set time limit, provided all the compliances are in order. Enable the applicant to get approvals based on self-certification.
- **Built an online portal as a one-stop shop:** The portal should guide the investor at each step, and enable him/her to upload the required documents, make online payment, track status of approvals, and view and download the issued approvals.
- **Joint inspection:** Joint inspections by concerned departments should be introduced to minimize the number of statutory inspections.
- **Single integrated online returns and registers:** Instead of maintaining separate forms and registers for each act, a single integrated register covering all labor laws should be introduced.
- **Introduce innovative ICT solutions:** Create an online portal like Telangana's 'Development Permission Management System,' where a common citizen/business organization is empowered to know approval procedures and end-to-end assessment processes from all concerned departments.
- **Longer-term licenses:** Enhance the validity periods of licenses and approvals.
- **Time-bound approvals:** Fix time frames and ensure that all the permissions and clearances are given in accordance with the timelines. Also, make provision for deemed approvals in case of any lapses by the departments.
- **Display commitment:** In order to display government's commitment,
 - systemize effective implementation, review, and monitoring through periodic reviews at the senior levels to ensure a constant follow up;
 - impose penal action for delays;
 - ensure visible support and actions at all levels; and
 - accord legal right to the investor to get industrial clearance within a set timeframe, provided all the compliances are in order.

- **Closely monitor mega investments:** Constitute a forum/committee with senior government officials to focus on major investments that are of strategic importance to the state.
- **Political commitment:** The most vital factor above all is the political commitment of the government, which is essential for achieving desired results of any reforms in a public sector.
- **Minimum government and maximum governance:** This should be the driving principle behind all the reforms.

Annexure 2: Department-wise Time Limits for Approvals.

S. No.	Approval	Department	Time limits
1	NOC from 'gram panchayat'	Panchayat Raj Department	10 days
2	Consent for Establishment (CFE): Green category*	Telangana State Pollution Control Board (TSPCB)	7 days
	CFE: Orange category*	TSPCB	14 days
	CFE: Red category*	TSPCB	21 days
	Authorization under hazardous waste	TSPCB	21 days
3	Power feasibility and estimate Up to 33kVA connection	DISCOMs: Telangana State Southern Power Distribution Company Limited (TSSPDCL) or Telangana State Southern Power Distribution Company Limited (TSNPDCL) and Transmission Corporation of Telangana (TSTRANSCO)	2 days for feasibility 10 days for estimate
	Above 33kVA connection		25 days
4	Factory plans approval	Factories Department	7 days
5	Plot allotment	Telangana State Industrial Infrastructure Corporation (TSIIC)	7 days
6	Change of land use	Chief Commissioner of Land Administration (CCLA) under Non-Agricultural Lands Assessment (NALA) Act	14 days
7	Change of land use	Hyderabad Metropolitan Development Authority (HMDA)** and KUDA**	30 days
8	Industrial building plan approval	Directorate of Town and Country Planning (DT&CP), Industrial Area Local Authority (IALA), or HMDA/KUDA	7 days - DT&CP, IALA 14 days - HMDA/KUDA
	Provisional fire NOC	Fire Services Department	Buildings less than 15 meter exempted from taking fire NOC and occupancy 14 days for buildings more than 15 meter high
9			

(Continued on next page)

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S. No.	Approval	Department	Time limits
10	Permission to draw water (borewell permission)	Ground Water Department	14 days
11	Feasibility of water supply	Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB)	14 days
12	Allotment of water from irrigation sources	Irrigation Department	14 days
13	VAT registration	Commercial Taxes Department	1 day in Hyderabad 3 days in districts
14	Approval of the layout and building plans	Municipal Administration	14 days
15	License to store RS, DS	Excise Department	14 days
16	Firm registration	Registration and Stamps Department	7 days
17	NOC for explosive license	The District Collector	7 days
18	NOC for change of land use in urban development area if location is near water body	The District Collector	7 days
19	NOC for change of land use in urban development area if location is near water body	Irrigation Department	7 days
20	Permission for felling non-exempted trees under AP WALTA Act.	Forest Department	15 days

TIME LIMITS FOR OPERATION

S. No.	Clearance	Department	Time Limits
1	CFO: Green category*	TSPCB	7 days
	CFO: Orange category*	TSPCB	14 days
	CFO: Red category*	TSPCB	21 days
2	Factory license	Factories Department	7 days
3	Fire occupancy certificate	Fire Services Department	14 days for buildings more than 15 meter high
4	Electrical drawing approval	Chief Electrical Inspectorate	14 days
5	Boiler registration	Boilers Department	14 days
6	Drug license	Drugs Control Administration	14 days

TIME LIMITS FOR RENEWALS.

S. No.	Name of renewal document	Department	Time limit
1.	Consent for operation (CFO)	TSPCB	7 days
2.	Factory license	Factories Department	3 days
3.	Boilers license	Boilers Department	7 days

Source: Commissioner of Industries, Government of Telangana.

Annexure 3

Government of Telangana: TS-iPASS district-wise report for period 1 January 2015 to 17 March 2017

S. No	District	No of industries	Investment (in INR crore)	Investment (in USD million)	Total employment
1	Adilabad	76	631.11	97.09	1,251
2	Asifabad	40	36.81	5.67	277
3	Bhupalpally	32	34.89	5.37	459
4	Gadwal	22	827.5	127.3	12,423
5	Hyderabad	10	121.68	18.72	300
6	Jagtial	72	14.99	2.31	438
7	Jangaon	37	3,261.19	501.72	2,077
8	Kamareddy	50	219.2	33.72	1,699
9	Karimnagar	207	3,460.99	532.46	4,250
10	Khammam	118	5,415.51	833.16	4,695
11	Kothagudem	61	2,067.62	318.11	2,970
12	Mahabubabad	50	57.57	8.86	610
13	Mahbubnagar	78	2,141.35	329.44	4,661
14	Mancherial	63	5,676.31	873.28	1,644
15	Medak	110	1,563.53	240.54	6,306
16	Medchal	853	4,481.13	689.4	28,214
17	Nagarkurnool	28	592.95	91.22	667
18	Nalgonda	138	892.21	137.26	3,339
19	Nirmal	27	417.44	64.22	227
20	Nizamabad	118	257.99	39.69	7,663
21	Peddapalli	66	7,865.21	1,210.03	1,407
22	Rangareddy	293	9,329.55	1,435.32	96,164
23	Sangareddy	300	5,858.63	901.33	23,384
24	Siddipet	88	1,037.08	159.55	5,623
25	Sircilla	80	93.68	14.41	1,114
26	Suryapet	53	371.56	57.16	996
27	Vikarabad	84	566.42	87.14	1,520
28	Wanaparthy	16	345.13	53.1	548
29	Warangal Rural	68	68.82	10.59	829
30	Warangal Urban	110	143.68	22.1	1,402
31	Yadadri	103	489.42	75.3	3,601
Total		3,451	58,341.15	8,975.57	220,758

Source: Commissioner of Industries, Government of Telangana

Note: USD1 = INR65.

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CASE STUDY 6

ADOPTION OF MERIT SYSTEM IN THE BUREAUCRACY, INDONESIA

Irham A. Dilmy

Indonesian Civil Service Commission

Abstract

This case study describes the background, processes, and challenges in the enactment and implementation of a new civil service law in Indonesia using merit as the underlying principle for human resource management in civil services. The Law of 2014, which was a departure from the previous ones enacted in 1974 and 1999, took a more progressive and transparent approach, by putting emphasis on people's qualifications, competencies, and track records. This marked a shift away from a spoils management system based on comfort-zone approaches. The case discussion points out the sheer challenges and difficulties in countering resentments in the central as well as local government environments as the initiative progressed to transform the country's public sector into a world-class bureaucracy.

Introduction

The winds of change have swept through all government institutions in Indonesia with regard to human resource management practices, particularly in the appointments of high-ranking officials in Senior Executive Service (SES). The new Law on Civil Service, or Law No. 5 of 2014, which was enacted on 15 January 2014, was a departure from its predecessor regulation, i.e., the Law No. 43 of 1999, which itself was a revision of Law No. 8 of 1974 based on the principles of personnel. The new law adopted 'merit system' as a basis for appointments. While the two older laws had been focusing on civil servants from a personnel administration viewpoint, the new law regarded them as human capital and assets to be managed and developed carefully into professionals for the country's bureaucracy.

At the center of the transformation taking place in management of civil service is the new regulation stipulating appointment of high-ranking officials for the elite SES. In the past, political appointees such as cabinet ministers, heads of agencies, governors, regents, and mayors could freely pick and appoint first- and second-echelon officials by themselves. The new law, however, first requires a selection committee to select three best candidates. Subsequently, any of these candidates can be picked up by the concerned political appointees. A selection committee itself must have members in odd numbers, e.g., five, seven, or nine, with the majority coming from outside the institution conducting the selection process. The purpose is to ensure independence of the committee.

Furthermore, civil servants are only to be differentiated from one another based on their competencies, qualifications, track records, and performances. Any change of position, transfer, promotion, demotion, or termination of service should be based on the merit system. Gone are the days when a political appointee could just fire an official because he or she does not like his/her subordinate. However, all this has created discomfort and resistance from some parts of the national bureaucracy.

The watchdog behind the implementation of the merit system in the Indonesian civil service management was the newly created independent Civil Service Commission, i.e., Komisi Aparatur Sipil Negara (KASN), mandated by Law No. 5 of 2014 on State Civil Service. The Commission's seven commissioners were appointed and inaugurated by the President of the Republic of Indonesia on 27 November 2014. Chaired by Prof. Sofian Effendi, two of KASN's commissioners came from a non-civil service environment or the private sector, while the other five commissioners were former high-ranking government officials. As planned, KASN will employ a staff of staff to carry out its mandate. The names and professional backgrounds of the commissioners were selected from approximately 450 candidates.

History of Indonesia as a Nation State

The nation state of Indonesia is an archipelago consisting of over 13,000 islands in the southeast Asian region between the Indian Ocean and the Pacific Ocean. It came into existence after nationalist leaders Sukarno and Mohammad Hatta proclaimed the Indonesian Independence on 17 August 1945, two days after the Japanese Army, through the Emperor's recapitulation, surrendered in the Pacific Ocean. The next day, the Central Indonesian National Committee (KNIP) declared Sukarno as the President and Mohammad Hatta as the Vice President of the republic. However, the Dutch administration, which had occupied the archipelago territory for 350 years since the era of the East-India Company in 1602, except for the Japanese occupation period (1942–45), admitted Indonesia's independence only after the handover of sovereignty on 27 December 1949. However, many years later, in 2005, the Dutch government acknowledged the Indonesian Independence Day on 17 August 1945.

In the 75 years since its independence, Indonesia first went through the 'Old Order' of parliamentary democracy with unstable governments until 1956. In 1957, the country was led into an era of 'guided democracy' as a quasi-democracy state controlled by Sukarno's presidency before it was changed again to a presidential-government system in 1959. The Parliament was not filled only with elected members; some of them were appointed by the President himself. Sukarno's era ended in 1966 following a failed attempt for a coup d'état by the Communist Party of Indonesia.

Since then, Western-style parliamentary democracy was not seen in Indonesia until the 1999 elections of the 'Reformasi' era. As Sukarno's era ended in 1966 and was replaced by the 'New Order' era of Suharto, the Parliament stayed as a tool of power for the President to justify and prolong his time in power. Suharto, a father of economic development, regardless of his dictatorial leadership style, stayed in power for 32 years until 1998. Suharto was ousted by people's power through massive demonstrations and a no-confidence motion from members of his last Cabinet in 1997.

Vice President Habibie in Suharto's last administration took over the presidency in May 1998 and stayed President till 1999 when a special assembly of the Majelis Permusyawaratan Rakyat (MPR), the People Consultative Assembly consisting of members of Parliament and representatives from local governments elected a blind cleric, Abdurrachman Wahid, as the new President. He did not stay long since the MPR impeached him for wrongdoing and let his Vice President Megawati Sukarnoputri, daughter of the first President Sukarno, take over the national leadership.

A democratic government in a true sense began only in 2004 when retired General Susilo Bambang Yudhoyono (SBY) was democratically elected as President through a direct election system, although a democratic election for the Parliament had already taken place in 1999. Indonesia

became the third-largest democracy in the world after India and the USA. Staying for two periods in power, SBY laid down the foundation for bureaucratic and administrative reforms. It was during his second term in office that the new Law on Civil Service was initiated. It was almost a failure, but the situation turned around and both the Parliament and the President signed off the new Law.

Indonesian Civil Service Management

It has long been difficult for the Indonesian Civil Service to be free from political intervention. While in some countries like Japan and Australia, political appointees are blocked from meddling with the bureaucracy, the Indonesian bureaucracy was not free of political interventions. For the first time since President Suharto's 'New Order' regime seized power in 1966, Law No. 8 of 1974 on Civil Service (Law on the Principles of Personnel) was enacted in 1974. It adopted a career-based personnel management system emphasizing the rights, duties, and governance of individual civil servants toward developing a centralized civil service management.

In 1998, as in other parts of Asia, Indonesia underwent a tough economic crisis. The crisis was so severe that the country was forced to reform its governance, restructure the economy, and decentralize its government system. In order to support the new government, political, and economic systems as well as to provide improved public services, a paradigm shift was felt necessary in the field of civil service management. The Law No. 8 of 1974 was found to be no longer appropriate and sufficient for the times. The paradigm associated with the law had been unable to develop professional human resources that would be free from political interventions. This put greater and heavier responsibility on the shoulders of the central government in managing and developing the civil servants.

The Law of 1974 was revised in 1999 to become Law No. 43/1999, following the enactment of a decentralized government system with apparent regional autonomy. As a simple example of decentralization, the majority of civil servants serving at the provincial, regency, and municipal levels who used to be on the central government's payrolls were transferred to the local governments as their functions were delegated to the local governments. The functions left in the hands of the central government included foreign affairs, security and defense, justice, monetary and fiscal, religious affairs, and other particular functions, such as national development planning and control, fiscal balance between central and regional governments, public administration system, national economic affairs, human resources management and development, natural resources, strategic and high-technology, natural conservation, and natural standardization.

The concept of regional autonomy in the form of delegation of various functions to the local governments at the regency (kabupaten) and township/municipality (kota) levels; the establishment of provinces as administrative territories of the central government with governors serving as extension arms of the central government; and the implementation of regional autonomy as of May 1999 made it necessary for the Law on Personnel No. 8/1974 to be adjusted with the required changes. Hence, the new Law No. 43/1999, was put into effect four months later on 30 September 1999.

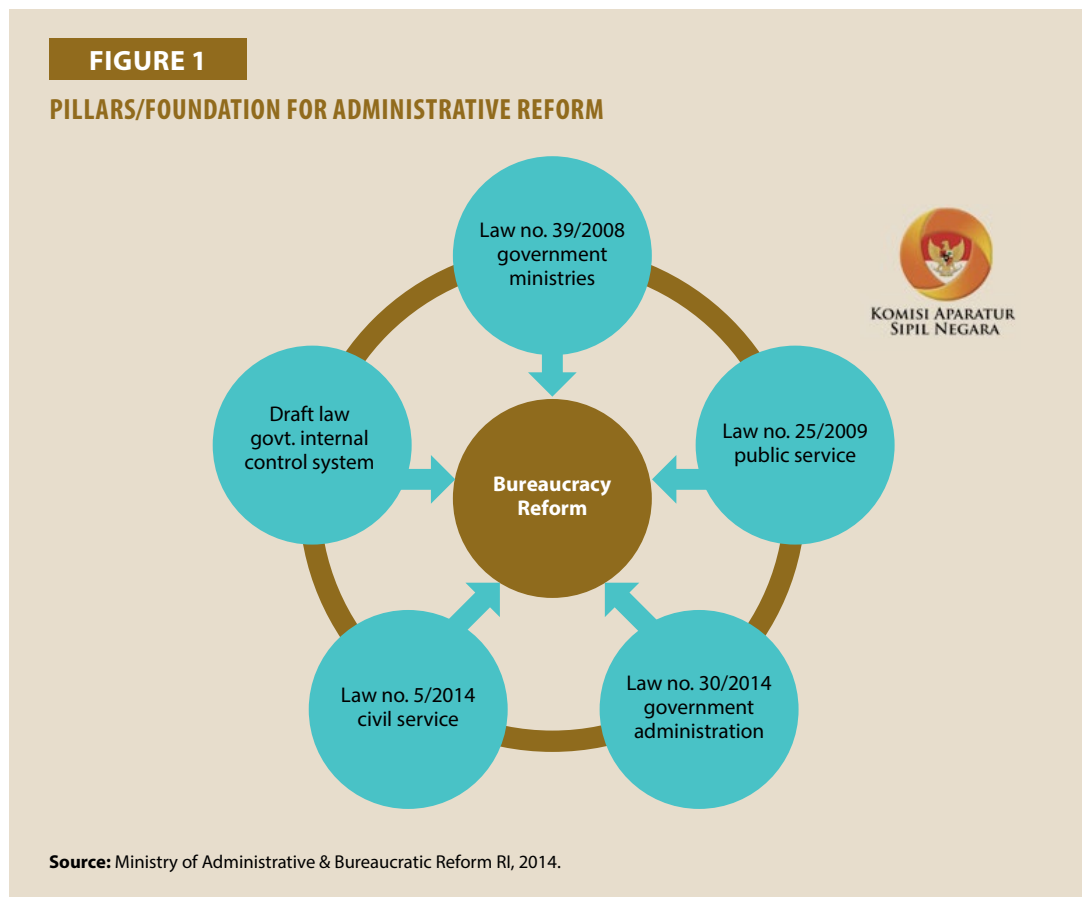
Although the new Law of 1999 was progressive enough to support the purpose of having professional civil servants for overcoming the impact of the Asian economic crises of 1998, the subsequent events of making it work, and monitoring and controlling the implementation of such new management of civil servants have been neglected. The law specified that a Civil Service Commission, Komisi Kepegawaian Negara (KKN) should be established as a policy controlling

body to complement the existing National Civil Service Agency, Badan Kepegawaian Negara (BKN), which is administratively responsible for managing people in the bureaucracy nationally.

The KKN, as mandated by Law No. 43 of 1999, for apparent reasons of resentment and resistance, has never come into existence. However, if the country is expected to run an administrative reform requiring quality human resources with particular competencies, qualifications, and levels of performance, the expected results will not likely be seen without proper control and monitoring. Although the merit system was somehow put in place in the law of 1999, it surely lacked enforcement or the existence of a controlling function to make it work. This has left the civil service with a mixed situation, whereby the bureaucracy is not free from political interventions most of the time. Changes in the political seats of power (cabinet ministers, heads of agency, governors, regents, or mayors) may have an impact on the organizations' administrative personnel. This creates unstable working environment in the bureaucracy.

Background for Law of 2014

The Law No. 5 of 2014 on Civil Service is viewed as an important pillar in the administrative reform, which mandates implementation of the merit system, development of civil servants as state assets, and an open selection system. Other pillars in the administrative reform can be seen in Figure 1.



Prior to the enactment of the new law, Indonesian civil service profile was still constrained by its number, qualification, composition, and distribution. To improve that condition, it was necessary

to make an assessment and take concrete steps to restructure the civil service management. This would enable civil servants to support the administration and development of the government, as well as enhance the competitiveness of the nation.

Indonesia has the potential to become an advanced country with high per-capita income during this century. A large productive workforce, a geographically strategic location, and a wealth of natural resources are some factors supporting its growth potential. One of the important factors for becoming a high-income country is the availability of a world-class professional civil service. Civil servants are the key personnel for implementing a national administrative reform. They are expected to possess integrity and be professional, impartial, and free from political intervention. They also need to be clean and free from corrupt practices, nepotism, and conflicts of interests so as to be able to carry out their roles as the nation's unifiers and common denominators.

Indonesia's economic restructuring policy since 1998 has been successful in developing a more open national economy, with annual GDP growth ranging between 5% and 5.5% since 2002. The efforts have brought Indonesia in the group of middle-income countries (MICs). In the political arena, Indonesia has had great success in building a democratic system safely and peacefully. Since 2004, Indonesia's President has been directly elected by popular votes, followed by the direct elections of governors, regents (bupati), and mayors (walikota). Direct elections of heads of local government are expected to enhance their accountability toward their constituencies.

However, unlike the reforms in the economic and political sectors that have been quite fast-paced, the development of civil service through administrative reforms has been relatively slow. During the first term of SBY's presidency in 2004–09, administrative reform was conducted in an incremental mode, starting with efforts in the Ministry of Finance (MoF) in 2008 and expanded to other ministries and agencies. It was expected that by 2012 all units in the central and local governments would have initiated administrative reforms in their respective organizations. As the reforms were conducted based on a unit's own needs, the civil service portion of the reform was not properly affected, so they did not change fundamentally or systematically.

Administrative reforms conducted in various ministries and agencies, both in the central and local governments, cover three basic elements, i.e., institutional, administrative, and human resource management. Indonesian civil service, with 4.7 million personnel in 2009, is the largest group of government employees aside from the military and the police force. It is the most important element as far as dealing with public services, governing tasks, and development efforts are concerned. However, the civil servants, who play a central role in the administrative reform, have not transformed themselves adequately to respond to the environmental changes and needs.

The adoption of a democratic multiparty system and presidential system as a result of the 1999 general election forced the President to form some sort of a coalition government that tended to be unstable. In order to deliver and keep continuous and consistent public services, to maintain government function, and to ensure smooth development efforts, the country needed to build a professional civil-service human resources management system that was independent of the government's political structure.

In order to develop civil services, an adjustment must be applied to its format by distinctively separating political positions from the bureaucratic positions and making the latter free of political interventions. In Indonesia, civil servants are prohibited to be members or office holders of a

political party. It was originally expected that a clear-cut division will exist between political appointees (cabinet ministers, head of agencies, governors, regents, and mayors) and bureaucrats or civil servants, and that political appointees will have nothing to do in the management of human resources in civil services.

It was envisioned by many experts that Indonesia should have had better achievements in the development of good governance, public services, and poverty alleviation. However, these achievements were constrained by the low capacity of the civil service as well as the private sector. Nevertheless, The Government Effectiveness Index published by The World Bank indicated a rising trend in the three years since 2016.

Asia's march to prosperity will be led by seven economies, two of them already developed and six fast-growing middle-income converging economies. These seven economies (PR China, India, Indonesia, Japan, the ROK, Thailand, and Malaysia) had a combined total population of 3.1 billion (78% of Asia) and GDP of \$14.2 trillion (87% of Asia) in 2010. Their share of population by 2050 is expected to be 73% and their GDP 90% of Asia. Their average per capita income would be \$45,800 (in PPP) compared with \$36,600 for the world as a whole. Between 2010 and 2050, these seven economies would account for as much as 87% of total GDP growth in Asia.

Asian Development Bank and consulting firm McKinsey predict that Indonesia will become Asia's third-largest economy. However, the potential can only be realized if the nation is able to achieve and maintain a high rate of economic growth, i.e., 7–9% per year, for three to four consecutive decades. Such growth is possible if Indonesia has an effective democratic government under the leadership of a visionary and authoritative President, and is supported by a professional, dynamic, and high-performing civil service.

Salient Features in Law of 2014 on State Civil Service

There have been deliberations in the Parliament among various interest groups represented by different political parties and local government representatives (from municipalities or regencies and provinces) on one side and the central government on the other side. The big compromise, eventually, resulted in the new bill getting endorsed by the final parliamentary plenary session and the President's approval for the bill to become formally enacted as a new law.

At the outset of the law being put into effect in January 2014, a total of 14 areas were specified as (1) manpower planning; (2) procurement/placement; (3) positions and grading; (4) career development; (5) career planning; (6) promotion; (7) transfer; (8) performance evaluation; (9) remuneration and benefits; (10) award; (11) discipline; (12) termination of employment; (13) retirement and provident; and (14) protection. However, only a few items actually attracted full attention of the stakeholders such as rank-and-file employees, heads of agencies, and SES officials. Those items were mainly placement, promotion, and transfer. While the other items may be just as important, the ones that were readily and directly impacted and attracted a great number of civil servants are discussed below:

SES Open Selection System

A major impact of the law adopting merit system as its underlying principle is seen in the appointments of SES or Jabatan Pimpinan Tinggi (JPT) personnel. When a JPT/SES position is vacant, the candidates are identified by a selection panel set up by the head of the given agency. In effect, the one who puts together the members of the panel is the secretary (the Secretary General

in case of a ministry, and a regional secretary in case of provinces, regencies, and municipalities/towns). The selection panel comprises five, seven, or nine members, with the majority of members coming from outside of the organization conducting the selection process in an effort to ensure independency. The required minimum ratio between external and internal members of the panel is 3:2, 4:3, and 5:4. In fact, one could set up a selection panel having more or even all of its members coming from outside of the organization. The assumption here is that the more the number of outsiders, the better and more independent the panel is.

Institutional Roles in Civil Service HR Management

There have been three agencies in the central government that deal with the civil service human resource (HR) management:

1. The Ministry of Administrative and Bureaucratic Reform is the policy maker in the field of people management in bureaucracy.
2. The National Civil Service Agency or the Badan Kepegawaian Negara (BKN) manages the administrative aspects of people management for 4.5 million civil servants in Indonesia, at the central and local governments.
3. The National Institute of Public Administration or the Lembaga Administrasi Negara (LAN) is an agency that conducts training and development for bureaucrats, research and development on public administration and matters related to civil service in general.

The new law added one more agency Civil Service Commission or KASN for dealing with the management of civil services. Reporting directly to the President, the main functions of the KASN, with its seven commissioners, are to ensure, control, and monitor the implementation of merit system, basic values, code of ethics, and code of conduct in the bureaucracy centrally as well as locally. It is also entrusted with maintaining impartiality of civil servants in terms of political differences, in providing public services to people, or in the event of elections of parliamentary members, members of local legislation bodies, president, governors, regents, and mayors.

KASN is responsible for maintaining the impartiality of civil servants; supervising and developing the civil service profession; and reporting the monitoring and evaluation of civil service management policy's implementation to the President. In performing the duties as referred above, KASN may

1. trace data and information on the implementation of the merit system in the management of various government agencies;
2. supervise the implementation of the civil service function as a nation-unifying organization;
3. receive reports on violations of basic values, code of ethics, and code of conduct for civil servants;
4. conduct tracking of data and information on its own initiative against alleged violations of basic values, code of ethics, and code of conduct for civil servants; and
5. undertake efforts to prevent violations of basic values, code of ethics, and code of conduct for civil servants.

Due to these particular functions of controlling and monitoring, especially in the selection and promotion of high-ranking government officials, the introduction of KASN has caused a growing resentment from many governments officials as well as from various political appointees. This is because they will not be able to pick a person of their choice when appointing someone for high-ranking positions in the government. This will particularly be applicable for positions one and two levels below for cabinet ministers in the central government, and one level below for the heads of regions (governors, regents, or mayors). For local governments' lower-ranking positions in the third and fourth echelons, open selection should be conducted as per Law No 23/2014 on Local Governments, enacted not long after the Civil Service Law had been put into effect. It was written to follow the provision in the Law No. 5/2014 on this particular subject.

Performance Management System

Another important item being focused is the correlation between performance evaluation and termination of employment. It has long been understood that there had been no dismissal of a civil servant because of poor performance. The new law, however, specifies that possibility, both for civil servants as well as contract employees, in articles 77 and 100, respectively. Salary increase will also be directly related to the individual's as well as the unit's performance. All these provisions need to be ramified in detail through lower-hierarchical regulations, namely Peraturan Pemerintah (PP), or government regulations (GRs). Initially, there were to be 21 GRs to explain the law in detail, but eventually they were reduced to six by combining certain GRs into fewer comprehensive GRs.

People Development

The new law also clearly stipulates that every civil servant is entitled to a certain amount of time in a year for competency development through formal education, training programs, seminars, workshops, courses, etc. These development programs are conducted in conjunction with career plans as well as basis for promotions and appointments to particular positions in future. One interesting feature here is that civil servants at various levels are provided opportunities to do internships for a maximum of one year in other central as well as local government agencies. Furthermore, staff exchange programs may also be conducted with corporations in the private sector or state-owned enterprises, for a maximum of one year.

These forward-looking ideas of internships and exchange programs among public- and private-sector institutions offer the probability of cross-sectoral and cross-functional fertilization to create a new breed of civil servants, who will be more open-minded with wider horizons. This will help develop a world-class civil service organization.

Promotion and Transfer

Promotions and transfers of civil servants are to be carried out based on objective assessments of their competencies, qualifications, and requirements pertaining to a position. The civil service performance appraisal team at each government agency also takes into consideration work performance, leadership, cooperation, and creativity, regardless of gender, ethnicity, religion, race, or a particular grouping. Every civil servant who meets the criteria has the same right to be promoted to a higher level of office, which is the essence of the merit system.

Promotion of administrative officials and functional officers will be carried out by the head of an agency after receiving consideration from the civil service performance appraisal team at that particular government agency. A formal civil service performance appraisal team, as referred above, is formally established by heads of agencies or other authorized officials.

Government Employee on a Contract Basis

Another somewhat breakthrough provision of the law is to enable mid-career professionals to enter the government service after the age of 35, which is otherwise the maximum age to enter the civil service. The purpose of this provision is to allow Indonesian diaspora from all over the world and individuals with special and rare expertise to enter the government service. The difference is only in the status as a Pegawai Pemerintah dengan Perjanjian Kerja (PPPK), i.e., a Government Employee on a Contract Basis. Interestingly, unlike in the private sector, the period of the employment contract here is without limit.

Moreover, the PPPK employees enjoy similar, if not exactly the same, compensations and benefits as their counterparts who are regular civil servants. A key difference was noted on the retirement plans. While the regular civil servants receive ‘defined-benefit plan,’ the PPPK employees receive ‘defined-contribution pension plan.’

Other New Provisions of the Law

Aside from the main features outlined above, there are some other provisions that are worth mentioning, albeit with less correlation with the merit-system elements used as the underlying principles of the new law. One particular point worth mentioning is the mandate to replace the civil service compensation-and-benefits system with a more appropriate approach related to results of job analysis, job evaluation, and market prices; improvement of performance allowances; and other related allowances to support the adoption of the merit system.

Another sticky point being offered in the law is the termination of employment processes, retirement plans, social security plans, and disciplinary actions. Those items are being refined and improved in terms of having clear processes and being clarified through separate government regulations specifically touching on the particular matters.

History in the Making: A Bumpy Road to Compromise

A historical day in Indonesian Civil Service was 19 December 2013. It was the day when a plenary session of the House of Representatives of the Republic of Indonesia was conducted to decide on the ratification of the bill on Civil Service called Revisi Undang-undang Aparatur Sipil Negara (RUU ASN) to become an enforced law. As it was some time before the bill was enacted, various officials in the government and in the Parliament, e.g., the Cabinet Minister of Administrative Service and Bureaucratic Reform, and Chairman of Commission II of the Parliament, as well as a number of people from the academia mentioned that it was a grand milestone. The plenary session of the Parliament endorsed RUU ASN to become a law subject to the President’s approval.

The House endorsement seemed to go through a smooth and simple ceremony, after each article and chapter in the bill was debated. While the end results did not satisfy everyone, it would be reasonable to consider that there was a great compromise of many interests of the Parliament, various interest groups within the government, corps of civil servants, and many other parties.

This law originated from the expectation to change the existing civil service employment system, which is regulated in Law No. 8 of 1974 on the Principles of Personnel, amended by Law No. 43 of 1999. An initiative to propose the bill was floated during the period of United Indonesia Cabinet I (2004–09) by the then Minister of Civil Service Taufiq Effendi and submitted to the President to be a government-initiated bill. However, due to a number of considerations, the President then decided to postpone the discussion on the bill.

During the time that the United Indonesia Cabinet II (2009–14) was formed, the proposal with the additional nomenclature of ‘bureaucratic reform’ to the Ministry of Civil Service was submerged as it was even considered unnecessary. Taufiq Effendi, who at that time, no longer himself a Cabinet Minister, became Vice Chairman of Commission II of the House of Representatives excerpted, that if the government did not want to discuss the bill as a government initiative, then let it be the initiative of the House.

Subsequently, by the end of 2010, a team of experts was formed comprising four professors from the field of public administration and economics, namely Mifthah Thoha, Sofian Effendi (both from the Gajah Mada University), Prijono Tjiptoherijanto, and Eko Prasajo (both from the University of Indonesia), to help the Parliament formulate a bill later known as the Law of Civil Service (UU ASN). Since then, the bill moved like a loose cannon, especially in the government, because there were a number of progressive ideas that were considered controversial. Some instances included the creation of KASN, which is authorized to select the highest-ranking officials (echelon 1 and 2 officials); opening the echelon 1 and 2 positions for non-civil servants; transfer of human resource management roles to the highest-ranking officers, e.g., the secretary general or head of agency; elimination of echelon 3 and below; dismissal of civil servants on the basis of poor performance; criminal sanctions for parties who cheated in the Selection Test to become a civil servant; and the promotion of civil servants.

Ideas beyond the bureaucratic norms had been predicted to receive some resistance from some circles in the bureaucracy. At any rate, it must be admitted that the ability of the legal drafters in the Parliament was also questionable. There have been substantial inconsistencies in the first version of the bill. Mistakes and resistances made the discussion on the bill drag on till until it finally got endorsed by the Parliament by the end of 2013.

Many interesting events took place before the President finally signed off the bill. Lobbying and bargaining of ideas occurred during the drafting process, until the final form of the bill was passed by the House of Representatives. Prof. Prijono, one of the academic text drafters, was disappointed to read the final bill, because a number of good ideas had been eliminated in the process when the advanced version of the bill appeared. However, as Prof. Prijono indicated, there were a number of things to be appreciated since the new law provided better nuances for human resource management of the civil service in Indonesia.

After many compromises had been made, the bill itself had been floating and going nowhere during early- to mid- 2013. It should be noted that around mid-July 2011, the Parliament approved an initiative to propose new legislation on the Indonesian civil service to replace Law No. 43 of 1999 on the Principles of Personnel. From 2011 to early 2013, at least 31 meetings were organized by the Ministry of Administrative Service and Bureaucratic Reform as well as by the Steering Committee for National Bureaucracy Reform chaired by Vice President Boediono. However, after all those efforts, no decision had been reached as of mid-May.

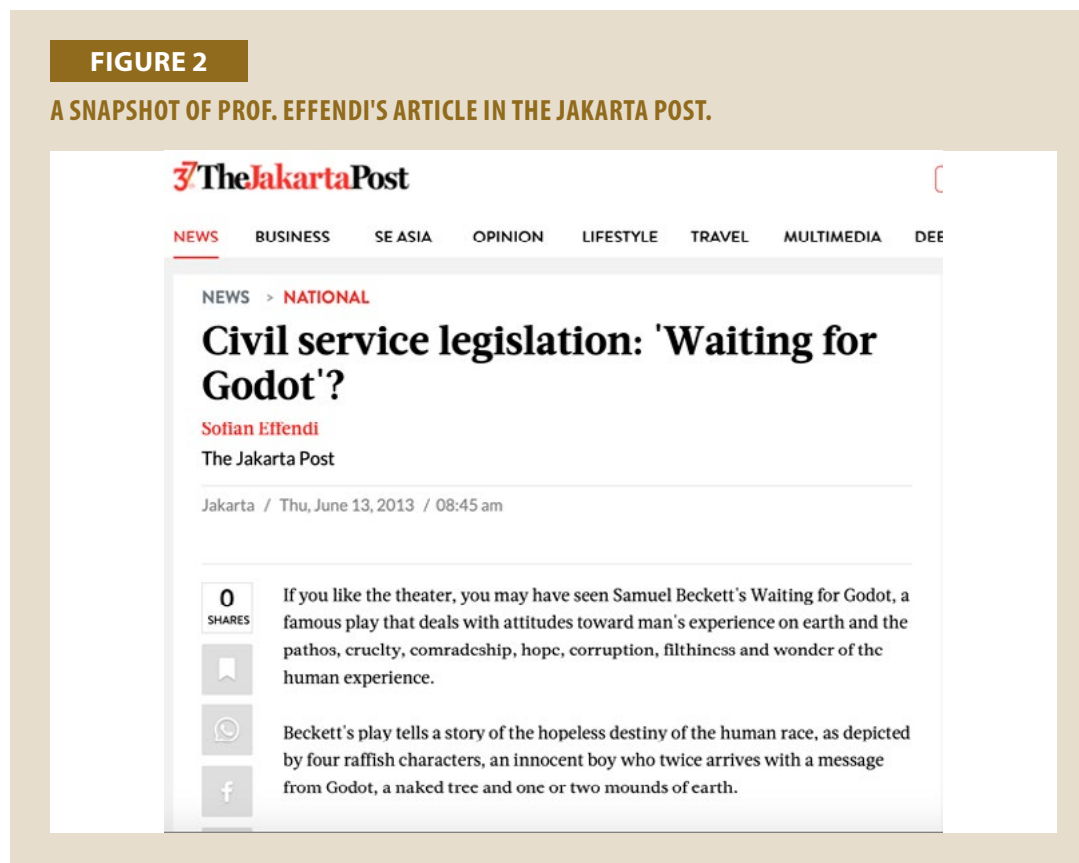
Approaching mid-June 2013, Prof. Sofian Effendi received a text message from a friend, a former senior executive at the State Secretariat, where he used to serve the former Vice President and later President Habibie, which relayed a very discouraging message,

“The inner circle in President’s executive office will plunge the RUU ASN [The Civil Service Bill] into the sea!”

Learning about the grim outlook, Prof. Effendi impulsively began to write an article to be published in ‘Kompas,’ a daily newspaper with largest circulation nationally; and in the English newspaper ‘The Jakarta Post.’ The title of his article in The Jakarta Post was “*Civil service legislation: ‘Waiting for Godot’?*” His purpose was nothing but to wake up everyone concerned about the country and the civil service, especially the President, who could make a difference and leave a legacy. Both articles were simultaneously published in 2013. A snapshot of the article is given in Figure 2.

FIGURE 2

A SNAPSHOT OF PROF. EFFENDI'S ARTICLE IN THE JAKARTA POST.



The closing phrase of the article, published in Kompas in 2013 with the title ‘Godot and the Bureaucratic Reform,’ read as follows:

“Will Godot appear in the form of President’s approval of the existing CS Bill on his desk? Or, like the climax of Beckett’s drama, Godot finally did not show up? If the President’s decision on the CS Bill is promoting ‘nothing to be done’ like the absence of Godot in Beckett’s drama, then the 2015–2019 term’s President service will be remembered for his legacy, the long-awaited Civil Service Law.”

Apparently and luckily, President SBY got to read the article that very day. A day after the article was published, the President held a limited cabinet meeting with ministers on the bill. This meeting was followed by a second meeting, which was attended by more cabinet ministers. At this cabinet meeting, the President reportedly asked a dozen very sharp questions concerning the main points of the bill to the minister in charge of the civil service. From the questions raised by the President, people could see that he seemed to have read the entire bill of more than 140 articles. At the close of the cabinet meeting, the President concluded that he wanted to further discuss the bill thoroughly in a third session. This was reflective of the President’s full attention. The bill provided a strong

legal foundation for the development of Indonesian Civil Service, which has the appropriate strength and ability to realize the 2045 vision for Indonesia: *“In 2045 Indonesia becomes an increasingly independent, more advanced, more just nation, and more prosperous in Asia.”*

The Law on Civil Service was passed by the Indonesian Parliament on 19 December 2013 and signed off by the President as Law No. 5 of 2014 on State Civil Service or *Aparatur Sipil Negara* (ASN) on 15 January 2014. It is a cornerstone for the establishment of professional, dynamic, and high-performing civil servants. The theoretical foundation used in the preparation of Law No. 5 of 2014 is ‘strategic human resources management theory’ or strategic human resource management that regards human resource as the most important asset of an organization. Therefore, the recruitment, placement, promotion, and remuneration of civil servants must be based on the ‘merit principles’ that put the right person in the right place and rely on people’s competencies, qualifications, track records, and work performance.

That several stumbling blocks hindered the new Law of 2014 from being a truly merit-based regulation is evidenced from the fact that several arguments did not reach agreements of all parties in the deliberation processes. One example is the transfer of the authority of hiring, firing, appointing, moving, promoting, demoting personnel, from the hands of a political official to the highest-ranking government official (secretary, secretary general, region secretary, etc.). This notion was rejected by the representatives from the Association of Regents and Mayors consisting of 514 members. The regional political appointees, in particular, still liked to have the authority to hire and fire civil service personnel. The compromise achieved was to let a selection panel consisting of five, seven, or nine members (with majority coming from outside of the organization with the assistance of assessors of competencies) select three best candidates for the political official. This selection process is run and administered by the secretary (as the highest-ranking bureaucrat) in his/her role as the ‘Authorized Human Resources Official’ or *Pejabat yang Berwenang*.

Another sticky point was to allow non-civil servants to become candidates for positions in SES/JPT. There are three levels of JPT, from high to low: JPT Utama, JPT Madya, and JPT Pratama. Heads of agencies (non-ministerial) reporting directly to the President are usually at the JPT Utama level. Secretary general of a ministry, director generals, and deputy ministers fall under JPT Madya. Heads of agencies under regional governors, regents or mayors are JPT Pratama.

The Indonesian Civil Service Union or *Korps Pegawai Republik Indonesia* (KORPRI), which accommodates all civil servants, strongly rejected the proposal allowing high-ranking positions of JPT to be filled by non-civil servants, fearing an unfair competition with more sophisticated private-sector executives or politically well-connected candidates from outside of civil service. In the end, the compromise here was that, with a written approval of the President beforehand, only JPT Utama and JPT Madya positions may have non-civil servant candidates. If successfully selected, they would be hired under a ‘government contract employment agreement,’ which was introduced in the bill as a new way of entrance for mid-career or higher professionals into government services, either centrally or locally.

This new avenue for entrance opened up the possibility of movement of high-ranking personnel from private to public sector, and vice versa. Contracted and outsourced government employees, in positions not recorded in the formal list of civil servants at the National Civil Service Agency or *Badan Kepegawaian Negara* (BKN), have been a huge problem for the government. Approved vacancies are

scarce anywhere in the government, because they are based on long- and medium-term needs. However, since additional headcounts are needed from time to time, organizations hire people through contract or honoraire employees receiving honoraria only (not salary) using budget posts not assigned for headcounts. The number of honoraire reached almost half a million in addition to the 4.5 million civil servants. The PPPK scheme for contract employees, as discussed earlier, was designed to accommodate personnel over 35 years of age needed to be hired from outside of the civil service.

In the end, as all parties in the Parliament and the government reached agreement, the law was implemented and the new Civil Service Commission was established. The new President Joko Widodo inaugurated the seven commissioners appointed by the previous President Yudhoyono. (Yudhoyono missed the inauguration since the handover of power was done on 20 October 2014 and the inauguration of the Civil Service Commissioners took place on 27 November 2014.)

This, however, is not the end of the story. Resentments and challenges awaited the implementation of the law. Particularly, the Civil Service Commission was facing great challenges in carrying out its task of supervising and monitoring the implementation of merit system in the government agencies nationally and locally. These challenges are elaborated in part 2 of this case study, titled, “The Agony in Building a Merit Culture in Bureaucracy.”

Civil Service Commission (CSC/KASN) of the Republic of Indonesia

Sofian Effendi: Chairman

As a retired professor of public administration and former rector of the Gajah Mada University, he was one of four college professors who wrote the academic papers of Law No. 5/2014 on Civil Service. Prof. Effendi was Head of the National Civil Service Agency during 1999–2000 under President Habibie’s administration. In Senior Executive Service, he worked at the Ministry of Research and State Secretariat. After he retired from civil service, he spent many years as Senior Consultant to the United Nations Development Programs. He is a Ph.D. degree holder from University of Pittsburgh, Pennsylvania, USA.

Irham Dilmy: Vice Chairman

Former corporate executive turned consultant, Irham Dilmy came from the business sector. He was experienced in the field of people management, having served an oil-and-gas company ARCO International and worked as Policy Officer for The World Bank in Washington, DC; and Director of Human Resources at Coca-Cola. He was also Managing Partner at Amrop International, a global executive search firm. He is an MBA from Kogod College of Business, American University, Washington, DC.

I Made Suwandi: Member/Commissioner

He was a former high-ranking official (Director General) at the Ministry of Home Affairs. Considered an expert in local autonomy and public administration, all his career was spent with the Ministry of Home Affairs. A Balinese Hindu by background, Suwandi possesses an MA and a Ph.D. in Public Administration from University of Birmingham, UK. He is a graduate from the Academy of Government Affairs. He has been consulted by some Asian country governments on issues related to local government autonomy.

Nuraida Mokhsen

As the only female member of the Commission, she has held several top positions at the Ministry of Administrative Reform, Provincial Government of Riau Islands, and the Secretariate of the Vice

President of the Republic of Indonesia. She was a member of the Association of Planning Experts (IAP) and the administrator of the Riau Archipelago Intellectuals Association (ICKR). She received a scholarship from the Australian Government for a Ph.D. program at the Research School for Pacific and Asian Studies, Australian National University. She also holds a master's degree from Duke University, North Carolina, USA.

Prijono Tjiptoherijanto

He is a professor at the Faculty of Economics and Business, University of Indonesia (FEB-UI), as well as an expert on demography. He received his Ph.D. degree from the University of Hawaii in 1981, and his master's degree from the University of the Philippines. He completed his undergraduate education at the University of Indonesia. Tjiptoherijanto was a senior researcher at the Demographic Institute of FEB-UI. He was once the Head of the National Civil Service Agency (2000–02) and Secretary to the Vice President of the Republic of Indonesia (2002–05). He also served as Chairman of Social Security Jamsostek (2001–07).

Tasdik Kinanto

A former Secretary of the Ministry of Administrative and Bureaucratic Reform, Kinanto has a law degree from Diponegoro University and a Master of Law from Gajah Mada University. He has held several structural positions at the Ministry of Administrative and Bureaucratic Reform, and has been playing an active role in fighting for various draft bills that can support improvements in civil servants' work. He was also Secretary General of the Civil Service Employee Association.

Waluyo Martowiyoto

He had more than 30 years of experience in world-class oil-and-gas companies such as British Petroleum and Pertamina across various assignments and leadership roles in operational and business-support departments. Previously, he served as Deputy for Prevention at the Commission on Anti-corruption or Komisi Pemberantasan Korupsi (KPK), and was again assigned by the President of the Republic of Indonesia as Acting Head of the KPK at the end of 2009. He has taught at the University of Indonesia, Prasetya Mulya Business School, Binus, and STP Trisakti, having obtained his doctorate degree in strategic management from the University of Indonesia.

CASE STUDY 7

AGONY OF BUILDING THE MERIT SYSTEM IN BUREAUCRACY, INDONESIA

Irham A. Dilmy

Indonesian Civil Service Commission

Abstract

This part of the case study explains the work of a new non-structural government institution, the Indonesian Civil Service Commission (CSC), as mandated by the new Law No. 5 of 2014 on Civil Service. Its controlling functions in the bureaucracy created hope but also resentment from stakeholders, civil servants, political appointees, and incumbent officials both in the central and local governments. Its existence started to change the bureaucracy's leadership landscape in favor of better-quality talents in terms of leaders' qualifications, competencies, and performances.

Introduction

The reference for establishing a merit system in the Indonesian bureaucracy was put in place with the enactment of Law No. 5 of 2014 on State Civil Service on 15 January 2014. The law was enacted with its signing by President Susilo Bambang Yudhoyono of Indonesia, nine months ahead of his 10-year presidency spread across two terms. Regardless of the imperfection of the law and some inconsistencies in the terminologies, it was a monumental and important milestone in an effort to reform the civil service. With its enactment, the adoption of merit system in civil services no longer remained a dream. The new law became a reality to be faced immediately by all stakeholders in the central and local governments. Approximately 4.5 million civil servants were to be affected by the law. It marked a radical shift from a spoils-based system to a merit-based system; from a comfort-zone model to a competitive-zone approach; and from a seniority-based human resource management system to a performance-based system.

Establishment of a Watchdog on Merit System

The sole institution overlooking and serving as a watchdog in the effort to implement a merit-based system, especially in the Senior Executive Service (SES) or Jabatan Pimpinan Tinggi (JPT) appointments, is the Civil Service Commission (CSC) or Komisi Aparatur Sipil Negara (KASN), which suddenly became a star organization nationally. The Commission has become an institution of last resort for a civil servant being oppressed or mistreated by a superior or a political appointee. Any government institution, both centrally in the nation's capital, and locally in the provinces, regencies (kabupatens), or townships/municipalities, will need to obtain a 'recommendation' in order to conduct a legal open selection process to fill vacant JPT positions. The JPT grouping consists of JPT Utama for the heads of non-ministerial agencies; JPT Madya for positions such as an agency's secretary general, prime secretary, director general, deputy minister, provincial

secretary, and other similar first-echelon positions; and JPT Pratama for second-echelon positions such as directors or assistant deputies in the central government ministries or agencies, or heads of agencies in provinces, regencies, or townships.

The whole paradigm shift is aimed at creating a world-class Indonesian civil service to help the country achieve the milestone of a high-income country with per capita GDP exceeding USD12,500 per annum. In fact, there has been a strong correlation between the Government Effectiveness Index (scale of 0 to 100) and a country's corresponding position as a low-, middle- or high-income country.

The actions of lawmakers, implementers, and change actors may be viewed from the well-known classical concept of John Kotter's eight-step process for leading change. The steps are to

1. create a sense of urgency;
2. build a guiding coalition;
3. form a strategic vision and initiatives;
4. enlist a volunteer army;
5. enable action by removing barriers;
6. generate short-term wins;
7. sustain acceleration; and
8. institute change;

The lawmakers, as per the Indonesian constitutional law, consist of both the Parliament (in this case the Parliament's Commission 2 in charge of home affairs, state secretariat, election systems, civil service, etc.) and the government (appointed parties from relevant ministries and non-ministerial agencies). Their actions represent the steps up to number 5 listed above (i.e., enable action by removing barriers). The rest of the steps, even if they overlap with the initial five steps, are the parts assigned to implementers and change actors themselves to achieve the last step of instituting change, i.e., moving from a spoils system to a merit-based bureaucracy, or from a comfort zone to a competitive zone.

Since the enactment of the new Civil Service Law in 15 January 2014 and the swearing-in inauguration of the CSC by the President 10 months later on 27 November 2014, the implementation of the law and the control and monitoring by the CSC has been carried out across Indonesia. The scope encompasses 34 ministries, 31 non-ministerial agencies, 34 provinces, 416 regencies, and 98 townships/municipalities (as per October 2017 data), which are regarded as national bureaucracy in the central and local governments, not to count general secretariates of legislative and judicative branches of power. The sheer number of government institutions being supervised and monitored seemed to overwhelm the task of the CSC. The law itself needed a number of derivative regulations and detailed guidelines to implement the broad provisions outlined in it to be in place and available within two years of its enactment. The fastest guidelines only came from the newly drafted Ministry of Administrative and Bureaucratic Reform or *Pendayagunaan Aparatur Negara dan Reformasi*

Birokrasi (PANRB) Regulation No. 13 of 2014 on “Guidelines on Open Selection to fill Senior Executive Service positions in Government Institutions.”

Article 140 of the law specifies that the CSC should have been established within six months following the enactment of the Law. However, apparently, there was a delay of four months in the appointment of the CSC and its seven members-cum-commissioners. The Presidential decree for the appointments was signed on 30 September by President Susilo Bambang Yudhoyono, while he eventually stepped down from his two-term presidency 20 days later on 20 October 2014. The swearing-in inauguration, of CSC members, was finally conducted by the newly elected President Joko Widodo almost two months after the Presidential decree had been issued, amidst rumors that it was going to be cancelled. The circumstances around the initiation of the CSC organization were viewed by many observers to be not conducive and influenced by the atmosphere of resentment from several parties that were unfavorably affected by the emergence of the new law adopting a merit system and a new body monitoring the new human resource procedures. (See section, ‘History in the making: a bumpy road to compromise’ under part 1 of this case study, ‘Building the Foundation’).

Muhammad Yusuf Ateh, Deputy Minister in the Ministry of Administrative and Bureaucratic Reform, provided an account around the prologue of the swearing-in inauguration of the seven CSC members.

“I was told and asked by Minister Yuddy Chrisnandi, that he had been summoned by President Joko Widodo a few days after his Presidential inauguration, asking how he should treat the appointment of the selected seven Commissioners of KASN (CSC) by the previous administration. ...and that Minister Chrisnandi responded to the President (after receiving my endorsement) by saying the seven selected Commissioners had gone through a rigorous selection system conducted by a top-level, very credible Selection Panel, through which the 14 best candidates had been picked.... So, it is safe to have the top seven candidates sworn-in.”

Ateh added that he sensed that the new President was initially reluctant to continue with the appointments. In the end, things moved on. After all, to dismiss an already issued decree by the previous administration would not have played well politically with the new administration, unless there was a compelling argument to justify so.

The Commission was off to an awkward beginning. It had a tough task to monitor and control the adoption of merit system in the bureaucracy, in particular in the appointment of high-ranking senior government officials; the implementation of the basic values, code of ethics, and code of conducts of civil servants; and to maintain civil servants’ impartiality or neutrality in serving the people and during the elections for public offices.

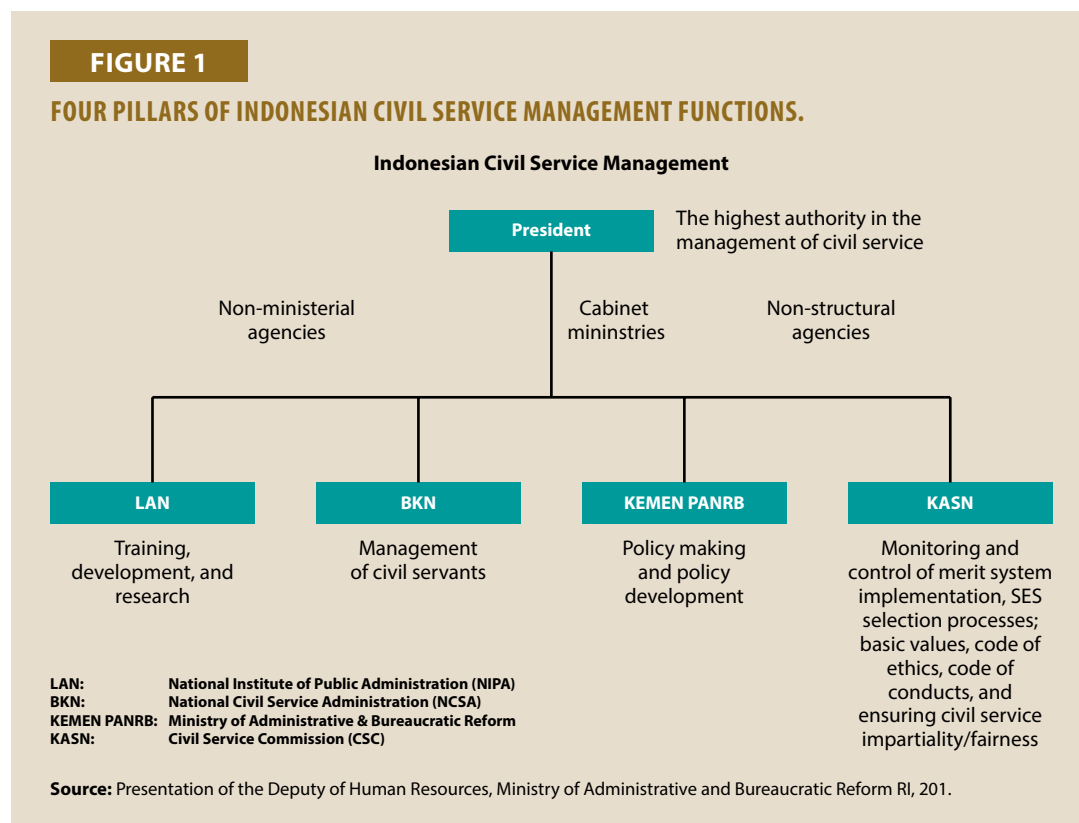
Going out to the Public

Following the appointment and the swearing in of the members/commissioners of the CSC, the organization was quickly up and running to carry out its mandates as stipulated in the new law. As noted above, there was a delay in the establishment of the CSC. Based on the mandate of the law, mid-July 2014 was the deadline. However, it was on 30 September 2014 that the Presidential decree was eventually issued. The formal swearing in was even further delayed to 27 November 2014, because of the change in the national leadership (the new President was elected and sworn in on 20 October 2014).

Even before being formally inaugurated and receiving any salary (until seven months later), the Commission with seven members and three staff started working using the office premises left by the Vice Minister of Administrative and Bureaucratic Reform at the Ministry. That position had been abolished in the cabinet of the new administration. Eight months later, the Commission began to occupy a modest two-story office building belonging to the Ministry of Cooperatives and Small and Medium Enterprises in a busy and congested major thoroughfare of Jalan MT Haryono. The building was lent to the Commission for five years, which constituted the official term of the Commission's appointment, subject to further extension as appropriate.

It was actually the task of the Ministry of State Secretariat to identify and find a property as home to the newly established government institution. These particular premises used as the Commission's home happened to be known as available coincidentally by two members of the Commission (Irham Dilmy and Prijono Tjiptoherijanto) during an investigative deliberation. These instances signify that the CSC was like an unwanted baby who had to take care of his own livelihood. While living slightly above the subsistence level, it had a paramount task in ensuring that the merit system was being implemented properly in the bureaucracy, along with other mandates according to the new law.

Being a 'new kid on the block,' the CSC quickly played its controlling roles and complemented to become one of the four pillars of the Indonesian Civil Service Management functions as shown in Figure 1. It quickly grew to become the darling of oppressed civil servants, as well as a source of dislike, even hatred, for those adversely affected by the actions of the Commission to eliminate a spoils-based system practiced in bureaucracy. This was especially true for heads of regions such as governors, regents, and mayors in the local governments, though not so much for cabinet ministers, heads of agencies, or other central government honchos.



It was now clear that the CSC office had the big task at hand of monitoring more than 600 government organizations nationally. Most problems, however, lay in remote local governments, where spoils system had been vastly practiced and maladministration was rampant. The law did not specify having remote office branches outside the capital city of Jakarta. Therefore, business travels of CSC officials became overly frequent, especially for the purpose of handling complaints and on-the-spot investigations based on reports of either appointments or demotions without solid basis, or even terminations of personnel by new heads of regions upon their elections. The rule says that anyone in a position cannot be transferred or moved before completing his/her two-year service. In reality, many were thrown out of their positions when a new head of region came to power through direct local elections. So, returning favors and revenge were rampant after elections of new or second-term governors, regents, and mayors.

Conclusion

Some political and government observers have mentioned that the adoption of merit system in civil service and its impact have so far been viewed as if a miracle had swept through the Indonesian archipelago. It has brought in significant changes to the practice of selecting and appointing leaders in the bureaucracy. Gone are the days when hanky-panky in leadership appointments was a game that most people played, even though the old habits of reciprocal favors linger in other appointments. For the most part, people see some improvement in government leadership quality throughout the country as a result of the implementation of merit system. Gradually, people have developed trust in the open selection system in both the central and local governments.

Aside from supervising and monitoring high-ranking government official appointments, the CSC was also given the mandate to ensure the implementation of the basic values, code of ethics, and code of conducts of civil servants; and to maintain civil servants' impartiality or neutrality while serving the people of the country and during general elections to deliver appointees in public offices. These seemingly simple matters turned out to be major tasks for the Commission and its personnel. Within five years of its existence, the Commission grew in size to employ a staff of nearly 170 staff housed in offices at two locations.

Still, irregularities, violations, and improper conducts by high-ranking bureaucrats take place here and there. Reports on mistreated civil servants as well as civil servants who conduct unfairly in terms of treating their customers or being partisan in general elections, and even political appointees who are clearly and deliberately violating the new law and hence violating the merit principles, are still featured in the media. Some of them are reported formally to the Commission, while some others are brought informally to the Commission's attention. All in all, improvements are clearly being made and advancement towards a more civilized behavior in accordance with the merit principles and good governance can be viewed by many elements of the society, both domestically and overseas.

CASE STUDY 8

INSURING CONSTRUCTION WORKERS, IR IRAN

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Although there are strong feeling and belief regarding the necessity for change in different economic and social areas, change management is confronted with various problems in the Islamic Republic of Iran (IR Iran). Obstacles and problems stem from laws and regulations, old enough for creating a huge burden of routine over the whole State legislative, judicial and executive branches. In some cases, because of the existence of powerful interest groups around some traditions, change becomes costly and sometimes impossible. This is true of both the public sector and the private sector.

“The world needs to stop looking backward. The pace of change has been accelerated by the interconnected nature of today’s world. It simultaneously affects economic structures, government security arrangements, and people’s daily lives. Nothing is off limits. Every practice and standard will have to be rethought. Change is inevitable, and in fact, it is an important source of opportunity to improve our systems, our strategies, and ourselves” [1].

Construction Workers Insurance System in IR Iran

The Social Security Organization (SSO) with more than eight decades of service, is one of the most important and effective social and economic institutions in IR Iran. SSO, as an insurance institution, relates with the social side of citizen’s rights, and can guarantee other aspects of citizen rights as well. SSO is currently planning to enhance and upgrade its services to all its clients (insured, entrepreneurs, and citizens eligible to be insured).

Workers employed in construction activities in general were insured by SSO, covering only damages due to accidents in the workplace (Article one, Compulsory Insurance of Construction Workers, 1973). According to clause No. 2 of Article 1, accidents due to work are those occurring during the job in the perimeter of the construction workplace.

The Construction Workers Compulsory Insurance Law of 1973 was amended many times for accounting base of premium (wage, or floor area of building under construction), registration for insurance, certificate of skill, accounting procedures of construction insurance account within SSO, etc.

In 2007, Construction Worker Insurance Law was passed, which paved the way for a comprehensive social insurance for all workers in the construction sector and their households. This law was to be implemented in 2010, but because of various implementation difficulties, it was faced with various later regulations and amendments. The main difficulties arising in the way of its implementation pertained to

1. recognition of real construction worker, i.e., the one who is handling the job and earning his livelihood;
2. legal problems with the law concerning the compensation for an injured worker during the convalescence period, when the accident happens not in a construction plant, but during reconditioning and repair of existing buildings; and
3. financial problems and lack of enough funds collected from premiums to meet the obligations.

Article 29 of The Constitution of the Islamic Republic of Iran states: It shall be the universal right of all to enjoy social security covering retirement, unemployment, old age, disability, destitution, accidents, and calamities, and mental health treatment and care services through insurance, etc. The government shall be required, according to the law, to provide the aforesaid services and financial protection for every individual citizen of the country out of public revenues and incomes derived from public contributions.

The government tried through amendments to solve the problems and shortcomings of “The Compulsory Insurance of Construction Workers Law 1973” many times, e.g., in 2008, 2009, and 2010. These amendments include ‘Commitment’ in the law (2009) against accidents and sickness, and compensations for wages, disabilities, retirement, and death.

It is the responsibility of the employer, when seeking construction permit, to pay insurance premium for each square meter of building. The Ministry of Cooperation, Labour and Social Welfare (Technical and Vocational Training Organization) is obliged to summon and educate construction workers and issue technical-skill licenses to them. The SSO is responsible for extending the coverage of social insurance to all construction workers who pay 7% of their monthly wages as premium and workers share, while their employers pay 15% of the construction permit charges when they apply for construction permit, as employers share. The government is obliged to pay 3% of the premium to the SSO as its share. A construction worker can avail the benefit of social security by payment of 7% as worker’s share and presenting his technical-skill license.

TABLE 1

COMPULSORY INSURANCE LAW (1973) VS. SOCIAL INSURANCE LAW (2007) FOR CONSTRUCTION WORKERS.

Subject	1973 Accidents due to work	2007 Social insurance
Those eligible	All construction workers if at the time of accident, the site under construction has a legal permit	Construction workers having certificates of skills, issued by Technical and Vocational Training Organization after registering and payment of the insurance premium
Method of payment	No payment by construction workers, no insurance record for the worker. Employers pay 15% of worker’s wage as insurance premium.	Part of the insurance premium (7%) is paid by the insured worker and an insurance record is registered for the worker. Employer’s share is equal to 15% of the minimum monthly wage of the worker for each square meter of the floor area, and is paid when the construction permit is issued

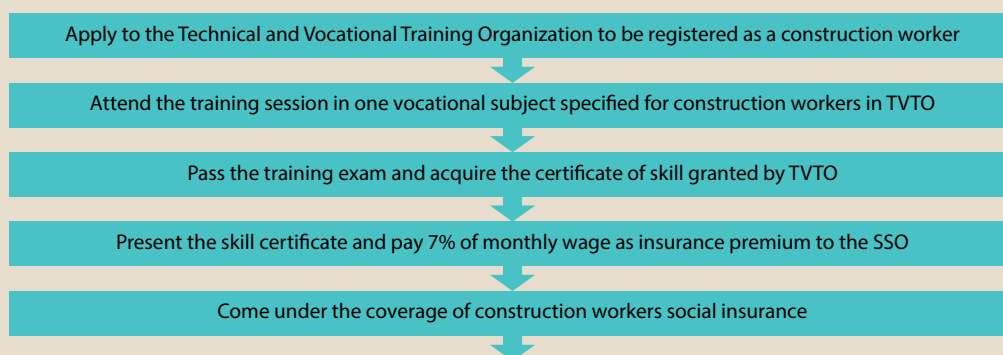
TABLE 2

NUMBER OF CONSTRUCTION WORKERS INSURED, 2010–16.

Year	Number of workers insured	Rate of growth %
2010	114,645	-
2011	237,571	194.4
2012	481,355	42.6
2013	613,622	27.5
2014	665,501	8.4
2015	723,714	8.7
2016	765,000	5.6

FIGURE 1

PROCESS OF IMPLEMENTING SOCIAL INSURANCE OF CONSTRUCTION WORKERS UP TO 2016.



Change Management Program

After the adoption of regulations governing the enforcement of the Law in 2010, construction workers were enabled to utilize the services and benefits of social security law through

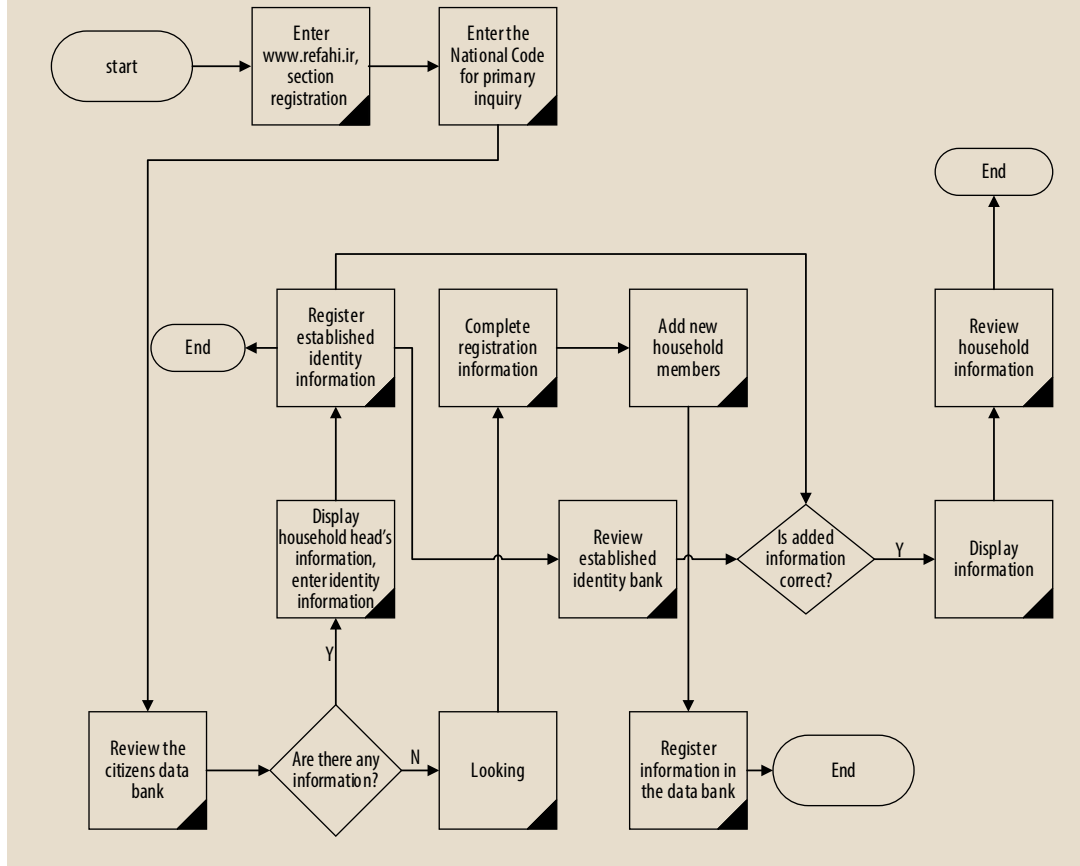
1. passing the training exams at the Technical and Vocational Training Organization; and
2. payment of 7% of their monthly wages.

During and after the enforcement of the law, it was discovered that only a limited number of the applicants were real construction workers, whose incomes and the livelihoods of their households were based on their jobs as construction workers. The rest belonged to various social strata, and while they had no roles as construction workers, they had acquired technical-skills certificates. These unlawfully insured people have created problems by crowding out the legitimate beneficiaries and amounting to financial shortages for the SSO.

Other problems relating to identification of construction workers were

1. lack of criteria for the issuance of skill certificates;
2. lack of accurate data on the number of construction workers in the country; and
3. lack of meticulous control on the management process of construction workers' insurance.

FIGURE 2
CITIZEN'S REGISTRATION PROCESS.



It is important to note the decreasing rate of growth in the number of construction workers who acquired insurance during the period 2010–16. The main reason for this decreasing rate of growth has been the enforcement of some new measures in registration. These include the requirement that workers should get skills training from the TVTO to become eligible for insurance, and better control of the SSO in the entire process.

Recent surveys and monitoring unveiled that half of those insured are not construction workers, with some being contractors, bus drivers, specialists, shop-owners, etc. To remedy the situation, the SSO has utilized the ‘Citizen Comprehensive Database’ and commissioned a system called ‘Construction Workers Monitoring System’ in four provinces and recently authorized to develop it nationwide.

All applicant workers, including those already insured, are required to register at <http://www.samanehrefahi.ir>. After being registered with the system, those recognized as construction workers will be introduced to the relevant guild of construction workers. There are 30 such construction workers guilds in the country.

The main objective of launching this program involving change management is to check the soundness of the present system of construction-workers insurance and lay a sound foundation for the whole process of insuring numerous Iranian workers, while blocking the loopholes and means of evading the rules.

There are 13 million Iranians registered and insured by the SSO, including families of workers, thus accounting for about 45% of the total population of the country. In the words of its Chief Executive Officer, SSO is the most significant provider of social security in the nation.

There are 1.8 million workers registered and insured as construction workers in the country, but according to the head of the trade union of construction workers associations, the optimistic figure for construction workers does not exceed 800,000, and the rest are neither construction workers nor have remained to be. Since the government pays a part of the insurance fee for construction workers to the SSO, as a result of this fraud, the benefit of this payment is lost and does not fulfil the SSO welfare mandate.

To become eligible for an insurance policy, the applicant is required to present a construction worker's skill license. Some rent-seeking people who had no connection with construction work, acquired skill licenses by suspicious ways and means, to benefit from the social security protection without being construction workers. It was therefore necessary to prevent this fraud by setting up a system to scan the applicants.

By commissioning a database called 'Comprehensive Citizens Data Bank,' the qualified workers are recognized and those who though presented their licenses but were not eligible to be recognized as construction workers, were deleted from the system.

The 'Refinement System of Construction Workers Insurance,' which was commissioned in four provinces as a prototype, has now been approved to be implemented in all the provinces. A committee has been set up to deal with the problems faced in the process of developing the construction workers' insurance law and its execution. Members of all relevant institutions, including Ministry of Cooperation, Labour, and Social Affairs; SSO; Technical and Vocational Training Organization; Internal Ministry; Ministry of Roads and Urban Development; members from workers' and employers' associations, and other executive agencies are present in the committee.

Both, the workers demanding insurance, and those who are already insured with SSO as construction workers, are required to register at <http://www.samanehfahi.ir>. All registered workers are recognized. Those workers who are found qualified are introduced to construction workers' associations.

The main objective of this change-management program is to design and commission a system of construction workers with efficiency and transparency. The activities within both, the general Iranian welfare system, and the specific processes, were defined:

1. General processes: every citizen, regardless of any distinctive specification, enters the processes of
 - registering as a citizen;
 - establishing the household identity;
 - adding a new member to the citizen's household;
 - commenting on the household's basic information of a citizen's household data; and
 - commenting on the geographic location of the citizen's household.

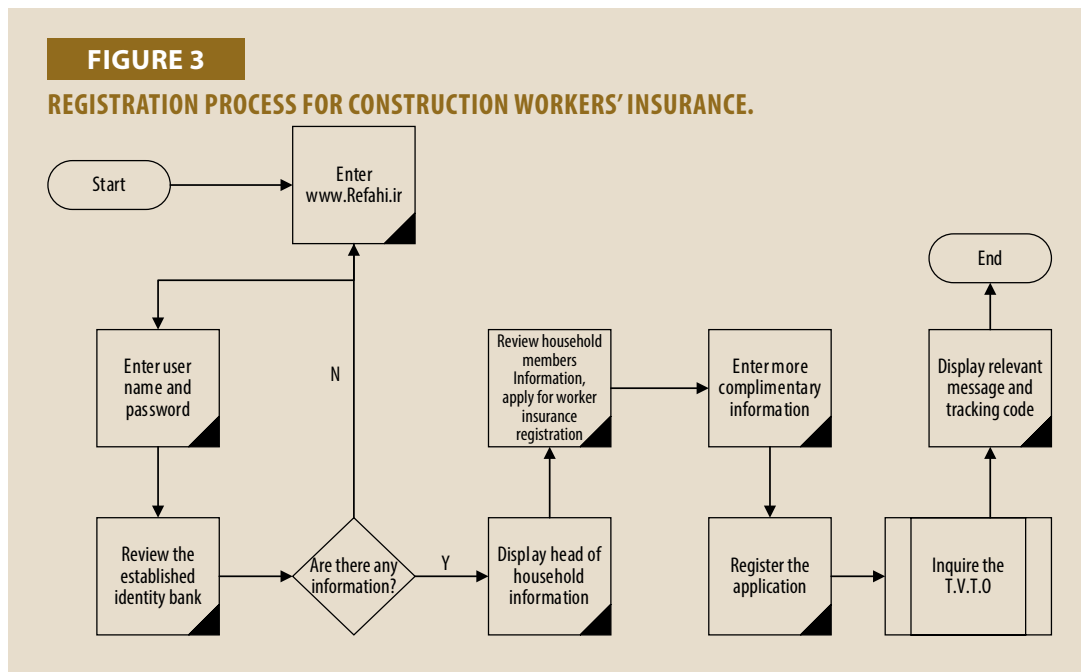
2. Specific processes: Particular groups of citizens enter these processes for specific purposes and activities including
 - registering application for insurance as a construction worker;
 - registering application for welfare services;
 - registering to refrain in case from received services;
 - establishing the entitlement to construction workers insurance; and
 - renewing the construction worker's insurance.

Citizen Registration Process

The first step in recognizing the identity of a citizen is to register one's name and the relevant household members within the household framework in the 'Samaneh Refah Iranian' system at www.refahi.ir. This is done only once for each household and involves the following steps (see Figure 2):

1. Enter the Samaneh Refah Iranian (SARA): The citizen goes to www.refahi.ir and provides the required details in the registration section.
2. Enter national code as per the Citizen's Data Bank: This is to make sure that the information has not previously been entered, before proceeding with the registration. The national code is a 10-digit figure that can be traced in the Civil Status Registration office.
3. National code is validated by Citizen's Data Bank: After ensuring the existence of the citizen's information in the Citizen's Data Bank, the household head's information is displayed for establishing the identity. In case the national code entered by the applicant is not present in the Data Bank, the citizen is directed by the system for completing the registration with the Citizen's Data Bank.
4. Information of the head of household is displayed, prompting for identity information: This phase will be conducted if the national code of the citizen wishing to register is present in the SARA Data Bank and the information of the head of household is displayed. If the head of household is already registered in the Citizen's Data Bank for entering the SARA information and performing other activities, the established identity information is asked from him or her.
5. Enter the established identity information: Since any household can and should have access to only its own information, it is important to provide the necessary information for establishing the identity before proceeding. This information can be National Code, cellphone number, or subsidy account card number.
6. Retrieval of the household information: After the validity of established identity information, the system starts retrieval of the household information.
7. Register new members: If the head of household intends to add a new member to his or her household, the identity information of that member is added.

8. Complete registration information: In case the data on the head of household does not show up in the Data Bank, the registration applicant provides the necessary information for registration.
9. Enter the information in the Data Bank: After reviewing the information provided and checking its soundness, the system provides username and password, and Data Bank establishes the identity.
10. Appearance of appropriate message and tracking code: After checking the online database and the data bank of Technical and Vocational Training Organization (TVTO), if the applicant has not been trained, this message appears: “Training is the precondition for getting service.” If the applicant is trained, the tracking code appears.
11. Successful completion of registration is conveyed: Hereafter, it is possible for the head of household to enter and utilize the Samaneh Refah Iranian (SARA) by providing username and password.

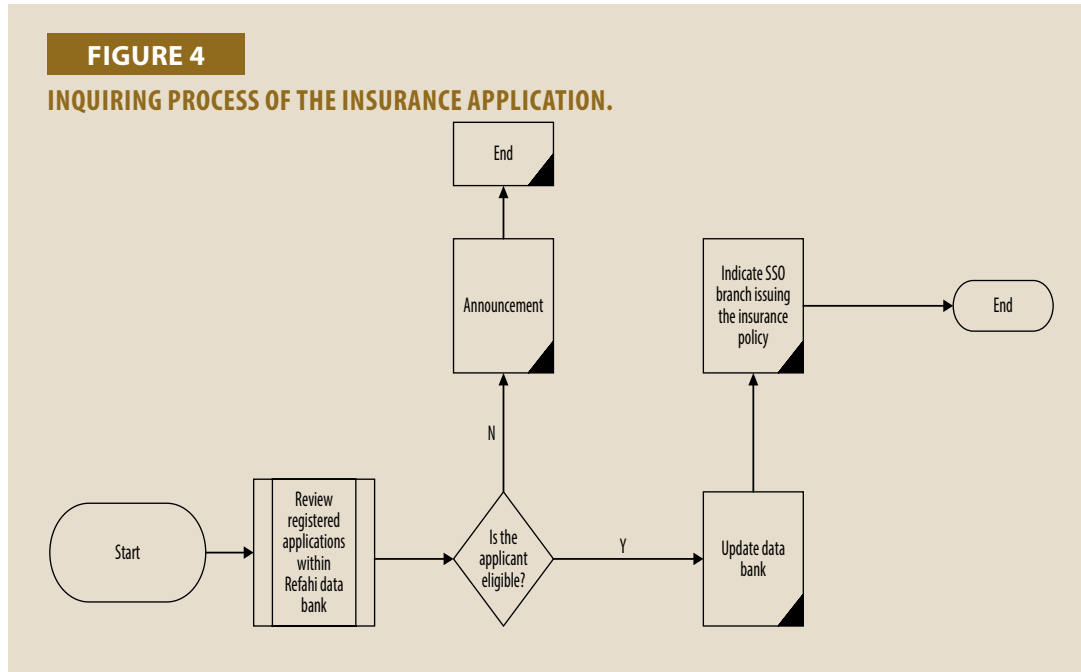


Registration of Construction Worker's Insurance

The process of applying for a construction worker's insurance, according to the law and regulations, begins with the personal application of a citizen. It includes the following steps:

1. The applicant enters the system by putting the username and password obtained during the registration process of citizens in the SARA system.
2. The system checks to establish the identity of the applicant by validating the information from the data bank.
3. The request for construction worker's insurance is registered. The construction worker can now apply for the head and other members of the household. At this stage, all information needed for the service will be provided by the applicant.

4. If the information provided by the construction worker is accepted as valid, the applicant is informed accordingly.
5. An inquiry is processed online with the Technical and Vocational Training Organization for a tracking code. To be trained and present, a license of skill is a legal requirement for any construction-worker insurance.



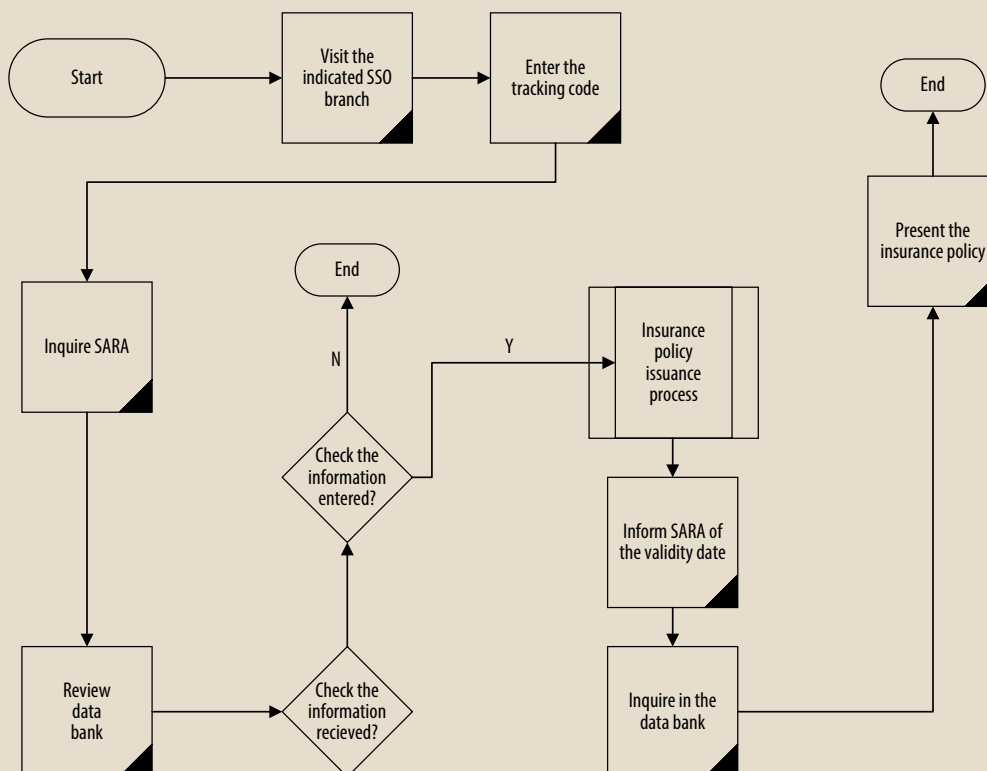
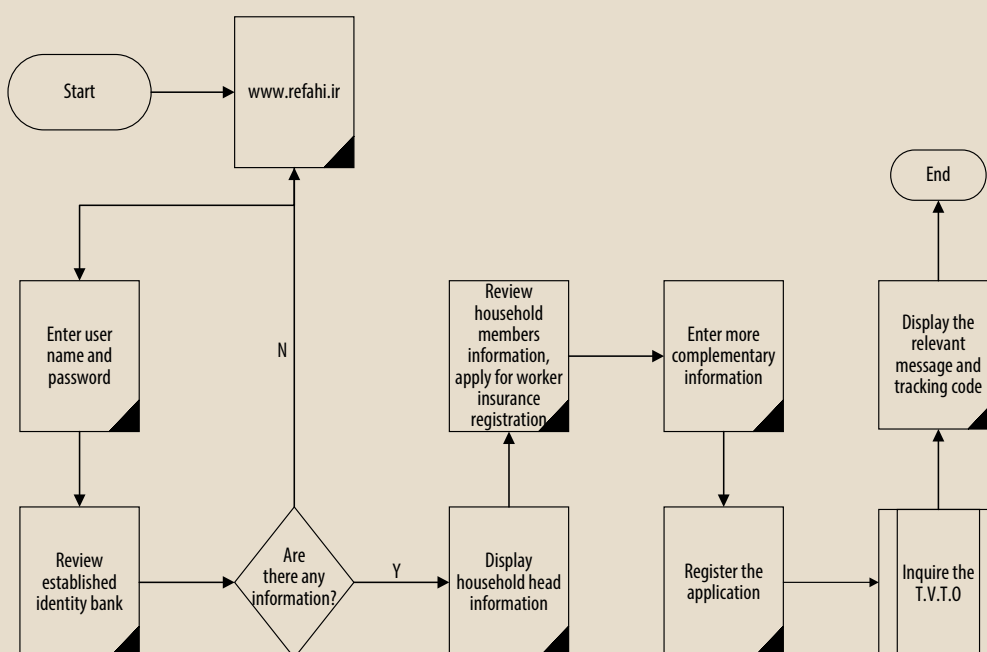
Inquiring Process of the Insurance Application

Establishing the entitlement to insurance is the important part of inquiries, which makes workers' entitlement for this service possible. This process, which is automatically repeated periodically by SARA, makes inquiries about the validity of the information received and registered, along with the data banks. By the time the conformity is reached, the applicant is informed through short messages to refer to a local branch of the SSO at a predetermined date. Finally, a tracking code for insurance policy (a national number) is presented to the applicant.

Issuance Process of Insurance Policy

Issuance of insurance policy is the last stage of activities in response to the application of a construction worker. These activities are carried out in three stages involving the construction worker, the Social Security System, and Samane Refahi (SARA). The following steps are involved (see Figure 5):

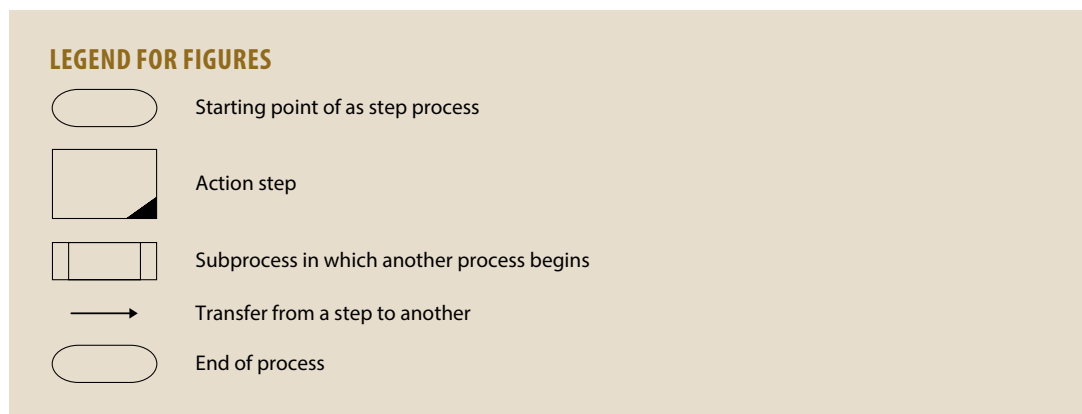
1. Refer to a branch of the SSO and provide the national number (tracking code).
2. Inquire the system (SARA).
3. Inquire the data bank.
4. Inform SARA on the expiry date of the insurance policy.

FIGURE 5**PROCESS OF ISSUING THE INSURANCE POLICY.****FIGURE 6****RENEWAL PROCESS OF INSURANCE POLICY.**

Renewal Process of the Insurance Policy

This process is just like the insurance process, intended to make the continuity of the insurance service possible. This process is carried out by three players, namely, the construction worker, Social Security System, and SARA. As shown in Figure 6, it involves the following steps (other steps are similar to the issuance of the policy):

1. After receiving the short message indicating the proximity of expiry date of the insurance policy, the construction worker visits the Social Security branch office and presents his or her national code as the head of household in addition to the national codes of all members of the household to the branch office, for the issuance of insurance policy.
2. Before issuing the insurance policy, SSO starts inquiring about the validity of information (national code number for construction-worker insurance) from SARA. After confirming the validity of information, the action for the issuance of insurance policy continues.
3. After checking its data bank, SARA reviews the results of inquiries. On being assured of the soundness of information, it conveys the results to the Social Security System. The expiry date of the insurance policy is also transmitted to SARA. This information helps workers to renovate their insurance policies before expiration.



Acknowledgment

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Reference

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CASE STUDY 9

REDUCING UNNECESSARY REGULATORY BURDEN INITIATIVES, MALAYSIA

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Abstract

Unnecessary regulatory burdens present obstacles to economic growth. They undermine a country's competitiveness, pose barrier to new firms to enter the market, deter the creation of new jobs, slow employment growth, and discourage foreign investors. So, reducing unnecessary burdens faced by companies in complying with regulators requirement are extremely important. The reduction could result in companies saving millions of dollars in regulatory compliance costs. Regulators who are enforcing and administering the regulations could also save their operating costs. The regulators could also allocate their resources to higher value-added and higher-risk tasks. This article articulates the Malaysian government's initiative in managing change to ensure ease of doing business in Malaysia. Subsequently, the case study shows that the methodology is proven for Malaysian government to improve the organization's performance by transforming its processes, systems, organizational structures and/or job roles from a current state to a future state and help the industry to grow.

Introduction

Malaysia Productivity Corporation (MPC), under the Ministry of International Trade and Industry (MITI), has always focused on and supported initiatives to enhance the country's productivity growth through its creative and innovative approaches in assisting organizations and businesses. This was clearly recognized, when in the 10th Malaysia Plan, the MPC was given a mandate by the government to review all business-related regulations as well as its activities within Malaysia. The goal for the MPC was to amend existing regulations and modernize business regulations in order to promote business growth, wealth, and employment. To make this a reality, MPC came up with Reducing Unnecessary Regulatory Burden (RURB) program for regulatory reform/review in early 2015. The program consisted of some regulatory projects which were conducted within six to nine months.

Why Regulatory Review Project?

As per the 10th Malaysian Plan, Government of Malaysia had to carry out regulatory review for making it easy to do business in Malaysia. This review process would draw on the expertise and perspectives of the public-sector and private-sector leaders, who would help identify key issues and their appropriate solutions. Mandated in the 10th Malaysia Plan, the government would address the following:

- Review existing regulations with a view to removing unnecessary rules and compliance costs. Regulations affecting National Key Economic areas (NKEAs) would be prioritized.

- Undertake a cost-benefit analysis of new policies and regulations to assess the impact on the economy.
- Provide detailed productivity statistics, at sector level, and benchmark against other relevant countries.
- Undertake relevant productivity research, e.g., the impact of regulations on growth of small and medium enterprises (SMEs).
- Make recommendations to the Cabinet on policy and regulatory changes that would enhance productivity.
- Oversee the implementation of recommendations.

The Government recognizes that the regulatory environment has a substantial effect on the behavior and performance of companies. Innovation and private-sector participation in the economy require a regulatory environment that provides the necessary protections and guidelines, while promoting competition. Too often, Malaysian firms face a tangle of regulations that have accumulated over the years and now constrain growth. At the same time, regulations that would promote competition and innovation are absent or insufficiently powerful [1].

Malaysia has consistently improved its regulatory performance over the last few years as can be seen from its ranking in the World Bank Report on Doing Business. Based on The World Bank Doing Business 2018 report [2], Malaysia remained in the top 25 among 190 global economies, with a favorable business climate. The indicators included in the year's ranking included the ease of doing business, starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

Within ASEAN, Malaysia was ranked second (after Singapore) and ahead of economies such as Thailand (26th), Brunei (56th), and Vietnam (68th). Meanwhile, in Asia, Malaysia was ranked among the top five after Singapore, Republic of Korea, Hong Kong, and Republic of China.

Unnecessary Regulatory Burdens

Regulations are needed for a government to achieve its economic, social, political, and environmental outcomes that are beneficial to the community in general. However, in order to achieve these outcomes, there are costs associated with the adoption of regulations. These costs, which are called regulatory burdens, can be direct or indirect in nature and borne by businesses, consumers, the government, or the society. [2, 3, 9, 11]

Regulatory burdens can thus be defined as costs that result from mandatory compliance with regulation placed on businesses by the government or its agencies [12]. There are different types of costs that ensue from a regulation, e.g., costs imposed on the business, direct costs to the government, and the broader community costs [12]. The costs borne by businesses include time, effort, and financial costs associated with the obligation to comply with regulations [10]. Direct costs to the government refer to the management and maintenance of the regulatory framework and the authorities, including the costs incurred by the government in the design, implementation,

and enforcement of regulation, as well as the costs involved in reviewing and updating a regulation [12].

The costs borne by businesses and the direct costs to the government form the total compliance costs of a regulation. Broader community costs refer to the effect of a regulatory burden on the economy, such as market competitiveness, investment, productivity, employment, innovation, technological progress, prices of goods and services, and consumer choice [3, 10, 12]. These regulatory costs tend to be passed on to end consumers. However, this is justifiable as long as the costs are proportionate and outweighed by the benefits achieved for consumers [2, 8, 12]. It is therefore important to employ best-practice regulations to ensure that only the least necessary burden is imposed to achieve the underlying policy goals, thereby bringing the greatest possible net benefit to the community [3].

Although regulatory measures are aimed at protecting consumers' interests and promoting economic and social growth, they can also generate unnecessary costs that add burden to the firms being regulated and cause market inefficiencies that result in poor economic outcomes and hence reduced social welfare [12, 13].

Unnecessary regulatory burdens are regulatory costs that are above the minimum necessary costs for compliance [3]. Unnecessary regulatory burdens present an obstacle to economic growth. They undermine the country's competitiveness, pose barrier to new firms entering the market, deter the creation of new jobs, slow employment growth, and discourage foreign investors [12, 13].

Unnecessary regulatory burdens are caused by additional costs involved in meeting excessive or unnecessary requirements of the regulatory frameworks. Other such burdens include the negative impacts on firms' productivity due to disincentives, price distortions, and duplications attributable to these requirements. Various other noneconomic costs associated with regulations, such as psychological stress, are also forms of unnecessary burdens [4].

Unnecessary regulatory burdens lead to inefficient allocation of resources in firms. Frequent changes to regulations might adversely affect productivity and distract businesses from their main performance goals. Additional effort, time, and money that could be used in more productive ways to enhance the firms' activities and profitability are instead put into meeting the excessive requirements of regulations [10, 12].

Resources are also diverted into lobbying activities to influence the regulatory outcomes, in circumstances where regulators enjoy the power of discretion, thereby further increasing the regulatory costs [3].

Moreover, price distortions due to regulatory interventions that dictate the maximum or minimum prices of certain goods or services can cause production and consumption losses.

Regulatory duplication between the various tiers of government also causes problems. Inefficient and ineffective processes result in delays, extra costs, and duplication [10].

Excessive regulatory costs stifle firms' innovative activities and creativity, and act as barriers to expansion and employment.

Regulatory interventions can also potentially cause firms to suffer from ‘lost opportunity.’ The compliance costs, regulatory uncertainties, and delays can reduce investor returns and increase risks, thus reducing a firm’s commercial viability. Unnecessary compliance costs and delays also act as deterrents to the entry of small and medium-sized businesses [3, 15].

There also are various nonmonetary aspects of unnecessary regulatory burdens. For example, uncertainties about a firm’s obligation or having to cope with many different regulations can cause stress and anxiety to business owners and their staff [10].

Sources of Unnecessary Regulatory Burdens

Shortcomings and inefficiencies in existing regulatory frameworks result in the unnecessary regulatory burdens that restrict the economic growth of a country. The sources of these burdens can be distinguished into three categories [3, 12], namely,

- problems with regulations themselves;
- poor enforcement and administration; and
- unnecessary duplication and inconsistency.

Problems with Regulations Themselves

Regulations themselves can be the sources of burdens. Regulatory objectives that are unclear or questionable provide uncertainty about what is expected of those being regulated and those regulating. The same piece of legislation may be interpreted differently by different regulators. They may also have conflicting objectives. Such uncertainties act as disincentives to invest and increase the compliance costs.

An overly complex regulation can be more time consuming and costlier to comply with. A regulation that is excessively prescriptive is not only complex, but also less flexible. It can stifle innovation and impose high compliance cost. Then there are regulations that remain in force even though they are no longer relevant. Regulatory confusion may arise due to overlapping obligations, apart from the additional cost of compliance. Further, the use of subordinate legislations and regulatory guidelines can influence more areas and activities than were originally intended or wanted.

Poor Enforcement and Administration

There are several factors that can result in poor enforcement and administration of regulation. Excessive reporting or recording requirements, beyond the minimum required to enforce a regulation, cause unnecessary increase in compliance costs.

Inadequate resourcing of regulators can cause delays in approval processes and poor regulatory decisions. Regulators who are inexperienced or lacking in expertise may impose unnecessary burden by requiring additional or irrelevant information [3]. However, over-resourcing of regulators can lead to excessive regulation and increase compliance costs, which represents a disincentive to investment.

There is also a possibility that regulators may take decisions favorable to certain causes they are interested in, thus resulting in regulatory bias [3].

Unnecessary Duplication and Inconsistency

Duplication of regulation between jurisdictions means having to provide information to multiple regulators and going through multiple processes, which add unnecessarily to compliance costs for the firms being regulated. There is also the burden of uncertainties regarding the boundaries of responsibilities for each regulator [3].

Businesses operating in multiple jurisdictions may experience inconsistency of regulation that increases regulatory burdens. There may be additional compliance costs due to variations in definition and reporting requirements that occur between regulators [3].

Compliance Costs

Compliance costs are the costs incurred by businesses being regulated, in undertaking actions necessary to comply with the regulatory requirements, as well as the costs incurred by the government on regulatory administration and enforcement [10, 11, 14].

The burden of these compliance costs falls initially on businesses, potentially reducing returns on investment and, therefore, possibly investment levels (in turn generating lower tax revenue). The burden of increased compliance costs is passed on to consumers in the form of higher prices or restricted consumer choice. Governments also incur significant costs in designing and enforcing regulation. Compliance costs are minimized when good regulatory practices are followed [3].

Administrative Costs

Administrative costs are the costs of paperwork activities undertaken by regulated entities in complying with specific obligations to provide information and data to the public sector or third parties. These are called information obligations (IOs), which include a duty to have information available for inspection or supply on request, as well as transfer of information to the public authority or private persons. A regulation may contain many IOs [11].

Examples of the activities that make up the administrative costs are [10, 14],

- making, keeping, and providing records;
- notifying the government of certain activities;
- conducting tests;
- making an application, and completing forms; and
- compliance costs associated with financial costs, for example, the time taken to pay a license fee.

Substantive Costs

Substantive costs are the direct costs borne by those being regulated to fulfill compliance obligations. Substantive costs include implementation costs, direct labor costs, overheads, equipment costs, materials costs, and the costs of external services [11].

Implementation costs: Implementation costs are the short-term costs incurred by regulated entities in acquiring sufficient knowledge about new or amended regulatory compliance obligations,

developing compliance strategies, and allocating responsibilities for completing compliance-related tasks. These include the costs of providing training to staff to meet regulatory requirements as well as the costs of collecting, maintaining, and understanding regulatory information [10, 11, 14].

Direct labor cost: Direct labor costs are the costs of staff time devoted to completing the activities required to achieve regulatory compliance. Only the costs of staff directly involved in undertaking these activities are considered as direct labor costs. There are two main elements in direct labor costs. These are (1) the cost of wages paid; and (2) non-wage labor costs, including pension contributions, sick leave, annual leave, payroll taxes, personal injury insurance, etc. [10, 11].

Overhead costs: Overhead costs include the costs of rent, office equipment, utilities, and other inputs used by the staff engaged in regulatory compliance activities, as well as corporate overheads, such as management inputs attributable to compliance activities [10, 11, 14].

Equipment costs: These are the capital costs of acquiring equipment to comply with many kinds of regulations, and include both machinery and software. Examples are the purchase a particular technology or equipment that conforms to new emissions standards and a software that monitors and controls emissions [10, 11, 14].

Materials costs: Materials costs are the incremental costs incurred in changing some of the material inputs used in the production process in order to ensure regulatory compliance. Thus, they are sometimes called ‘input costs.’ These are ongoing costs [10, 11].

External services costs: External service costs can be defined as the cash costs of payments made to external consultants in the course of achieving regulatory compliance, such as the professional fees paid to consulting engineers for providing their specific technical expertise on reaching compliance on emissions control and their relative costs and benefits [10, 11].

Administration and Enforcement Costs

Administration and enforcement costs are the costs incurred and borne by the government in administering and enforcing the regulatory requirements. They fall into the category of compliance costs since they are directly related to the achievement of the underlying regulatory objective and are an unavoidable part of the cost of regulation [11].

These costs include the costs of publicizing the existence of the new regulations, developing and implementing new licensing or registration systems, assessing and approving applications, and processing renewals. They also include devising and implementing inspection and/or auditing systems and developing and implementing systems of regulatory sanctions to respond to noncompliance [11].

Other Regulatory Costs

The total cost of regulation includes both the compliance costs, and other costs that fall outside the definition of compliance costs, such as financial costs, indirect costs, opportunity costs, and macroeconomic costs [11, 14].

Financial costs are the costs of capital deployed in meeting regulatory compliance obligations. These costs include the investment made on purchase of equipment or systems in order to comply with regulations [11].

Indirect costs are costs that may arise indirectly from the impact of regulatory changes and often affect third parties. For example, the adoption of a new tax on factory emissions will cause the increase in the cost of production, hence the price increment of emissions-intensive products. As a result, consumers will opt for relatively cheaper products [10, 14].

Opportunity costs are the value of opportunities that cannot be realized because of the regulatory interventions [14].

Macroeconomic costs are the cost impacts on key macroeconomic variables such as GDP and the employment caused by regulatory requirements [10].

There are also delay costs, which are the expenses and loss of income incurred by a regulated entity through an application delay, an approval delay, or both [5].

Businesses also incur costs such as fines for failing to comply with a regulation and legal fees, including costs incurred in court and tribunal processes [14].

Change Management in Government Sector

A change in an organization typically results as a reaction to specific problems or opportunities the organization is faced, based on internal or external stimuli. The goal of the change is to improve the organization's performance by transforming its processes, systems, organizational structures and/or job roles from a current state to a future state [16, 17, 18, 19].

However, for the MPC, apart from these specific impacts, change also has a significant impact on the people in the organization who have to ultimately change how they do their jobs. Problems will likely arise if change is forced on people. Therefore, a change needs to be understood and managed in a way that people can cope effectively with it [12, 18].

A systematic approach in dealing with change, both from the perspective of an organization and the individual, is also vital for government. There are two key disciplines that can provide this support. These are project management; and change management [16, 19].

Project management focuses on the tasks and activities to realize the new processes, systems, organizational structures, and job roles by effectively deploying resources such as knowledge, skills, tools, and techniques, in a structured manner to develop and implement the solution to effect the change. It is accomplished through the application and integration of the project management processes of initiating, planning, executing, monitoring, controlling, and closing [19].

Change management in the government sector also focuses on the people impacted by the change, helping each of these individuals to make a successful transition and do their jobs in the new way. It entails thoughtful planning and sensitive implementation, and most importantly, consultation with, and involvement of, the people affected by the changes. It is important that these people agree with, or at least understand, the need for change, and have a chance to decide how the change will be managed. They are to be involved in the planning and implementation of the change. Change management incorporates the organizational tools that can be utilized to help individuals make successful personal transitions resulting in the adoption and realization of change in the government [19, 20].

Principles of Change Management

The following 10 principles of change management provide a systematic and effective approach to successful transformation that can be integrated with a new methodology in the government sector in Malaysia [20, 21, 22]:

1. **Address the human side of change systematically:** Any transformation creates ‘people issues.’ There is a need for a formal change management approach to enable and facilitate the involvement of people as early and openly and as fully as possible. The approach, beginning with the leadership team and then engaging key stakeholders and leaders should be developed early and adapted often as change moves through the organization. It should be fully integrated into the program design and decision making, by both informing and enabling the strategic direction [20, 21, 22].
2. **Change starts at the top:** The leaders must embrace the new approaches first, both to challenge and to motivate the rest of the institution. The leadership team must show a united front speaking with one voice and model the desired behavior [21, 22].
3. **Real change happens at the bottom:** There must be involvement and support from people within the organization at all times as transformation programs affect different levels of the organization. Leaders throughout the organization must be identified so that change can cascade down the organization [21, 22, 23].
4. **Make the formal case:** The leadership team must know what the current state of the organization is and what the future state should be and articulate a convincing need for the change. A roadmap in achievable and measurable stages should be developed to guide behavior and decision making [21, 22, 23].
5. **Create ownership:** Ownership means leaders are willing to accept responsibility for making change happen in all the areas they influence or control. Ownership is often best created by involving people in identifying problems and crafting solutions. It is reinforced by incentives and rewards [21].
6. **Communicate the message:** There should be a constant flow of communications through various channels so that people receive the right information at the right time and are also able to give their inputs and feedbacks [21, 22, 23].
7. **Address culture explicitly:** Culture should be addressed as thoroughly as any other area in a change program. Change programs often involve amending, creating, retaining, or merging cultures to be successful [21, 22].
8. **Assess the cultural landscape early:** It is critically important that leaders understand and account for cultures and behaviors at each level of the organization. Thorough cultural diagnostics can assess organizational readiness to change, bring major problems to the surface, identify conflicts, and define factors that can recognize and influence sources of leadership and resistance [21, 22].
9. **Prepare for the unexpected:** Effectively managing change requires continual reassessment of its impact and the organization’s willingness and ability to adopt the next wave of transformation [21, 22].

10. **Speak to the individual as well as to the institution:** Individuals (or teams of individuals) need to know how their work will change, what is expected of them during and after the change program, how they will be measured, and what success or failure will mean for them and those around them. People will react to what they see and hear around them, and need to be involved in the change process [21, 22].

The RURB Methodology

While considering all of the above, the Reducing Unnecessary Regulatory Burden (RURB) methodology was developed by the MPC to resolve a specific regulatory burden faced by a business in the course of complying with a certain regulatory requirement. The RURB methodology provides a practical and implementable solution in line with the principles of good regulation for removing an unnecessary regulatory burden, without jeopardizing the government's social and economic goals.

The implementation of the solution will benefit the regulator, government agencies, firms concerned, and other firms in a similar situation.

When to Use RURB Methodology

The RURB methodology is recommended in cases where a firm's efforts to comply with a certain regulation have detrimental consequences on its productivity and the costs of doing business. Often, businesses have an ongoing obligation to fulfill a specific regulatory requirement that influences their daily business operation. Some of these obligations are necessary burdens to businesses.

The followings are some examples of regulatory requirements based on the MPC RURB project:

- a firm involved in exporting fish to the European Union (EU) market must seek a permit to export each consignment of fish, from the relevant regulatory authority;
- a commercial vehicle must undergo and pass a road-worthiness inspection prior to having its license renewed;
- it is necessary to register a new vehicle with the road transport authority; and
- a private airline service needs to obtain approval for take-off and landing from the aviation authority prior to flying.

There are obligations that are not practical for businesses to fulfill. These obligations create unnecessary regulatory burdens for businesses, which impose unnecessary costs as well as loss of revenues to the firm.

These unnecessary burdens are in the forms of

- increased compliance costs;
- delays;
- lost opportunities;
- inefficient allocation of resources in the firm; and
- lower productivity.

For example, while it is accepted that a commercial vehicle inspection is necessary, the long waiting time due to inspection backlog imposes delay costs on the firm. The backlog may be due to the inadequate resourcing in conducting the inspection. The delay in getting the inspection approval also causes a loss of business opportunity and increases the costs of doing business to the firm.

Likewise, excessive reporting requirements demanded by regulatory agents for the registration of a vehicle force the firm to channel more resources towards meeting such requirements, thereby increasing compliance costs and resulting in an inefficient allocation of resources in the firm. These resources could have been diversified towards activities that would have enhanced the firm's productivity.

Why RURB Methodology is Important

Reducing unnecessary regulatory burdens through RURB methodology benefits both businesses and regulators. As RURB addresses a specific regulatory burden, it helps convince the regulators for a 'buy-in.' The RURB methodology involves both the regulators and the affected firm. This makes it easier for the regulators to understand and acknowledge the existence of the burden faced by the firm. They are therefore willing to take into account the firm's perspective in dealing with the particular regulatory burden. The implementation of the resulting solution will not only remove the unnecessary regulatory burden but improve the regulation as well.

The compliance costs incurred by the firm will thus be significantly reduced as there would be fewer paperwork activities and resources required to fulfill the obligation. RURB initiatives will also eliminate the costs that include expenses and loss of income due to the associated delay that prevents the firm from beginning its intended operation. The removal of the unnecessary regulatory obligation will allow the firm to allocate its resources more efficiently towards improving its productivity and hence increasing its revenue.

The removal of the unnecessary regulatory burden through RURB will also result in reduced compliance costs incurred by the regulators, i.e., the costs associated with the administration and enforcement of a particular regulatory obligation.

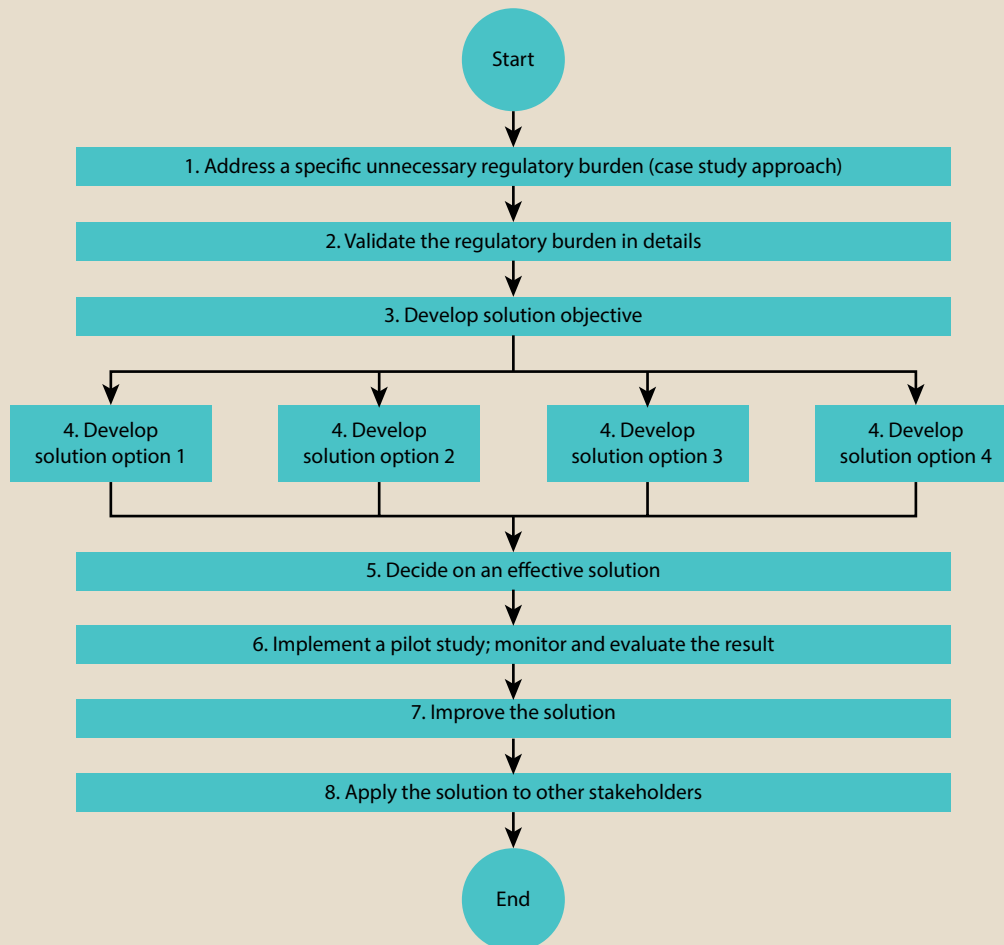
The reduced regulatory burden and improved regulation will lower the barriers to entry, thereby encouraging more firms to enter the market, while the existing firms remain. This will create a healthier competitive environment and make it more favorable for investments, and consequently increase employment opportunities in the market.

The improved market efficiency will ultimately lead to greater economic growth that benefits the whole community.

Who should Participate in RURB?

Adopting the principles of good regulation, the entire process of RURB involves the engagements between affected parties. The two main participants in the RURB methodology process are the firms being regulated and the regulators responsible for administering and enforcing the regulation. The MPC RURB team plays the role of the facilitator throughout the process.

The RURB methodology to resolve a specific regulatory burden is as shown in Figure 1 [23, 24, 25].

FIGURE 1**RURB METHODOLOGY.**

Source: Dr. Izhar Che Mee, MPC.

RURB Methodology Steps

Each step of the RURB methodology is described as follows:

Step 1: Address a Specific Unnecessary Regulatory Burden

The MPC RURB team regularly obtains information on regulatory burdens faced by businesses in Malaysia from various sources such as the media, seminars, and conferences. Information on regulatory burdens may also be acquired as a result of a study previously carried out on a certain sector. There are also occasions when the team is approached either by a business facing a regulatory burden when applying for a certain regulatory instrument, or a regulator seeking expert opinions on regulatory issues.

The various regulatory burdens are analyzed for prioritization. Priority is decided on the basis of factors such as the urgency, the impact on a business or industry in particular, and the economy in general.

Having chosen a specific regulatory burden to be addressed, the team carries out a further desk-based analysis on the subject. The stakeholders are identified. These are the regulators responsible for

implementing and enforcing the regulations, as well as some of the firms operating a similar business in the industry. Background research on the stakeholders is done to get familiarized with the industry. Efforts are also made to find out if there are similar issues occurring within the same industry. The regulations, under which the particular regulatory instrument is issued, are also ascertained. Details with regard to the regulatory instrument such as forms, checklists, and guidelines are obtained.

Step 2: Validate the Regulatory Burden in Detail

The next step in the RURB methodology process is to validate the chosen regulatory burden. The team accomplishes this by engaging on a one-to-one basis with a number of firms selected from the list of identified firms and the regulator.

Engagement with the business: The first engagement with each firm focuses on capturing its experience in applying for the particular regulatory instrument. The firm is asked to relate its activities, namely, the administrative or paperwork activities and substantive activities, carried out in order to comply with the regulatory obligations. These include making the trips to the regulatory office to make an application for the regulatory instrument, filling up and submitting the application form, gathering and providing information, getting new equipment or material, and hiring external consultants in the course of achieving regulatory compliance. Information is also acquired on the number of employees involved in obtaining the regulatory instrument. The firm is also asked on the difficulties it encountered when carrying out such activities, for example, the number of trips they had to make to the regulator's office, the accessibility of the information they needed, if the regulator's website was able to provide useful information, if the guideline was available and could be downloaded, whether or not the checklist was burdensome, how long it took to finally submit the application form, and the waiting period for the approval.

The regulatory burden is considered as valid if there are at least two firms that have experienced it.

What follows is the acquisition of hard evidence to support their claims that the regulatory burden does indeed exist. For example, if the regulatory burden is about an unnecessarily long waiting period for the approval of the regulatory instrument, then the submission date on the application form and the date on which the approval was received would be sufficient proofs.

Engagement with the regulator: Upon validation of the regulatory burden, the RURB team engages with the regulator to get an understanding of the process for the approval of the regulatory instrument. The regulator's client charter is also acquired.

If, for example, the regulator's client charter for an approval of the regulatory instrument is seven days, and the approval is given in five days after the submission of the application form, then the waiting period is well within the regulator's set target. However, from a business perspective, even five days waiting period is too long and leads to incurring associated costs, which is an unnecessary burden for the business.

Engagement with both the business and the regulator: The RURB team then brings both the regulator and the business together in an effort to establish a common understanding of the regulatory burden. The team decides on one firm to be involved in the RURB process.

The discussion centers on the information obligations that the firm needs to fulfil as well as the process for an approval of the regulatory instrument carried out by the regulator.

It is crucial that an understanding is reached on the existence of the regulatory burden borne by the business. The discussion enables the regulator to acknowledge that there is a burden and understand the firm's standpoint with regard to the burden. This would convince them to accede that further action to reduce the burden is justified.

More discussions follow, with ideas and feedback from both the parties on ways to resolve the issue. The team uses all the information to develop the solution.

PHOTO 1

ENGAGEMENT WORKSHOP TO VALIDATE THE REGULATORY BURDEN IN DETAIL.



Measuring the compliance cost using the Standard Cost Model: The next course of action is to quantify the regulatory burden by measuring the compliance costs incurred by the firm in meeting the current regulatory requirement. This would allow for a quantitative comparison of burdens under different regulatory options, thus enabling the impact of the RURB reforms to be measured.

The RURB team has adapted the Standard Cost Model (SCM) methodology for the measurement of the compliance costs. The regulator's checklist for the application of the regulatory instrument is used to identify the information obligations (IOs) arising from the regulation. The associated activities required in the firm are then determined for each IO. The costs incurred by the firm in carrying out the activities in complying with a particular IO are calculated. The sum of the costs calculated for all IOs is the total compliance costs borne by the firm in obtaining the approval for the regulatory instrument.

Step 3: Develop Solution Objective

The team develops the solution objective by studying the regulator's processes and procedures as well as the firm's compliance activities. The solution objective aims at reducing compliance activities, and hence costs, by eliminating, combining, or changing certain processes and

procedures. For example, the number of trips to the regulator's office can be minimized by introducing an online application and submission system; eliminating the need to send the same information to multiple departments with the use of a composite form; or reducing the approval period by doing away some procedures.

Step 4: Develop Solution Options

Whenever possible, the RURB team seeks to provide a solution within the bounds of the legislation that imposes the particular regulatory requirement. The team employs the principles of good regulation when developing the solution options to ensure that they are proportionate and targeted. The options are developed based on the information obtained from both the regulator and the firms. In general, there should be at least four to five solution options with the current practice being one of the options.

Step 5: Decide on a Solution

Choosing the best option for solution: Deciding on the solution that best fits a situation requires a qualitative assessment of each option using the cost-effectiveness analysis (CEA). CEA compares the costs of the options to their effectiveness, where the costs are measured in monetary terms and the effectiveness is in terms of physical units. The option with the lowest cost-to-effectiveness ratio is deemed the most cost-effective [6]. The practicality of each option in terms of implementation and enforcement is also an influencing factor.

A more difficult technique is the cost-benefit analysis (CBA), which identifies and places monetary values on the costs as well as the benefits of the options. For each option, the costs are subtracted from the benefits to obtain the net benefits [7]. The option with the greatest net benefits should be chosen.

Whenever possible, the saving in compliance costs due to each option is measured by estimating the reduction of the compliance costs associated with it. The various options are then compared to determine which one offers the maximum saving in compliance costs for the firm.

The RURB solution: The RURB solution is a process and procedure especially designed to minimize or possibly eliminate a specific regulatory burden. It can be a new or a revised version of the current process and procedure. Replacing the current process and procedure with the RURB solution in processing the application of the regulatory instrument eliminates certain compliance activities, thereby reducing the compliance costs borne by the business.

Recommendation of a pilot study to the regulator: The RURB team then prepares a proposal for a pilot study to test out the RURB solution, and recommends it to the regulator for their approval. The scope of the proposal includes the objective of the pilot project and the expected outcome, the description of the new or revised process and procedure, the regulator's staff required, the duration of the project, and the associated costs.

Step 6: Implement pilot Study, and Monitor and Evaluate the Results

The pilot study is critical to ensure the success of the RURB project. The study enables the effectiveness of the RURB solution to be assessed. It allows the RURB team to discover problems that may be present in the solution and determine the appropriate measures to rectify the situation.

The pilot study also serves as a learning ground for the regulatory officers involved to manage the changes in the process and procedure that are introduced by the RURB solution. Moreover,

conducting a pilot study involving a limited number of firms instead of a full deployment of the solution keeps the costs to a minimum.

The pilot study begins after an approval by the regulator's management. The duration of the study is between three to six months. A team of regulatory officers is responsible for the implementation and enforcement of the RURB solution. They need to ensure the smooth running of the operation and report any problem related to the process and procedure that may arise during the course of the study, to the RURB team.

The pilot study is affected only on a limited number of firms including the one involved in the RURB process. During the duration of the study, the firms will carry out compliance activities to obtain the approval of the regulatory instrument in accordance with the process and procedure designed for the RURB solution.

The RURB team performs the task of monitoring and evaluating the study. Data is collected throughout the duration of the pilot study for analysis.

Change management workshop for the team of regulatory officers: A workshop is arranged for the team of regulatory officers prior to the pilot study. The aim is to prepare the officers for the pilot study, and familiarize them with the RURB solution and its process and procedure. It is important that they understand the objective of the pilot study and are aware of its duration. The officers need to embrace their new job roles in the pilot study. They need to prepare documents such as a new checklist and forms for the regulatory obligations of the RURB solution. The team must also ensure that all regulatory transaction points affected by the RURB solution are notified and readied for the implementation and enforcement for the pilot study.

PHOTO 2

SITE VISIT FOR PILOT PROJECT.



PHOTO 3

CHANGE MANAGEMENT WORKSHOP.



Measuring compliance costs and compliance costs saving: The compliance costs incurred during the study are measured on the basis of activities carried out by the firm for complying with regulatory obligations noted by the RURB solution. A comparison is then made with the initial compliance costs to determine the saving caused by the RURB solution. This gives an indication on the effectiveness of the RURB solution. Where comparison is possible, if the actual saving is in close agreement with the estimated value, the RURB solution is considered to be effective.

Engagement with the regulator and the business: Upon completion of the pilot study, the MPC RURB team organizes a workshop for both the regulator and the firms to discuss the findings of the study.

The workshop discusses the options to overcome the problems in the RURB solution and if the generated compliance-costs saving is significant or needs to be improved.

The RURB team uses the ideas and feedback received from both the parties to improve the RURB solution for its feasible deployment.

Step 7: Improving the RURB Solution

The RURB team proceeds to finalize the RURB solution, based on the information gathered at the workshop. Problems encountered during the pilot study need to be rectified. These problems may result from an unexpected turn of events or new information or situations that render certain process or procedure in the solution to be impractical or invalid. The measures include revising or redesigning the solution to deal with the problematic process and procedure. The final version of the RURB solution may also include further improvement in compliance-costs saving.

The RURB team presents the final version of the RURB solution to the regulator's management for their approval. The team makes a recommendation that the regulator endorses the application of the RURB solution to be extended to other stakeholders in the industry.

Step 8: Apply the Improved RURB Solution to Other Stakeholders

The full deployment of the RURB solution to replace the current process and procedure is carried out after an endorsement by the regulator's management.

The regulator needs to manage the impact of the change on its people and organization. The team of regulatory officers involved in the pilot study is now responsible for the change management. The responsibilities include creating awareness and educating people on the new process and procedure; making sure that individuals understand and agree to their new job roles and responsibilities; preparing new documents such as forms, checklists, and guidelines; and ensuring that all affected regulatory transaction points are transformed and ready for the implementation and enforcement of the RURB solution.

Any firm applying for the particular regulatory instrument will now carry out compliance activities according to the RURB solution, benefiting from the reduced regulatory burden in the form of compliance-cost saving.

PHOTO 4

ENGAGEMENT/DISCUSSION BETWEEN PUBLIC AND PRIVATE SECTORS.



Critical Success Factors of RURB Methodology

Based on Malaysia's experience in different regulatory review projects, the critical success factors of the RURB methodology are as follows:

1. **Address a specific regulatory burden:** The RURB methodology/process focuses on resolving a specific regulatory burden by adopting a case-study approach. By focusing on a single case, the RURB solution can be tailored to be proportionate while targeting at the burden and staying cost effective.

The development of the solution needs to be based on a factual case. Therefore, the case must be validated thoroughly and backed by robust evidence.

The RURB can only proceed to the next level with the approval of the regulator. Therefore, it is also critical to make the regulator understand the concept of unnecessary regulatory burdens, especially from the businesses' viewpoint and agreeing for the RURB to proceed with regard to the selected case.

2. **Competent facilitator:** The independence of the RURB team lends credibility to its competency in facilitating the process. The team must be free of any influence or bias that may slant its conduct towards a certain interest.

As the facilitator, the team must have control of the direction of the process, documenting all actions and information and ensuring that the intended objective is met through a proper procedure and unbiased assessment of all information gathered.

When facilitating the engagements of stakeholders, the team should provide a conducive ambience that encourages ideas and feedbacks from the participants and be able to defuse any tense situation that may arise.

3. **Collaborative effort:** The RURB methodology strives to ensure transparency in its decision-making process. As stakeholders, the regulator and businesses are both affected by the outcome of the RURB process. Therefore, their participation is central to the process. Their ideas and feedbacks influence the development and the final version of the RURB solution.
4. **Engagement with stakeholders:** All engagements with stakeholders are conducted as workshops rather than meetings. Workshops allow for interactions among participants. Ideas and feedbacks flow more freely as the atmosphere is less formal compared to meetings.
5. **Customer-focused solution:** The RURB process is focused on reducing the regulatory burden borne by the business. The process aims to produce an RURB solution that is clear, simple, and user friendly; encourages compliance; and minimizes the risk of unintended consequences.

By focusing on a single case, a customer-focused solution that is practical to implement can be developed quickly. The development of the RURB solution is based on clearly defined objectives and takes into account all information sought through engagements with the stakeholders.

6. **Endorsement from regulator's management:** The RURB methodology process must obtain the regulator's approval and endorsement in order to progress to the next level. This is because the regulator is accountable for any regulatory decision, such as the possible deployment of the RURB solution. Therefore, the regulator is subject to public scrutiny and challenge, and needs to be able to justify its decisions.
7. **Pilot study:** The RURB solution is developed based on the knowledge obtained from research and information gathered through engagements with the stakeholders.

PHOTO 5

DISCUSSION BETWEEN PUBLIC- AND PRIVATE-SECTOR PARTICIPANTS AT SITE FOCUSING ON CUSTOMER.

A pilot study is a critical success factor in the RURB process as it provides an operational experience of the RURB solution to the regulator and the firms. The evaluation of the information gathered from the operational experience provides the inputs necessary to make the modification and improvement for finalizing the RURB solution.

8. **Communicate results to the regulator's management:** Updating the regulator's management on the RURB progress allows them to get a firmer understanding on the regulatory burden, its impact on the business, and why it must be reduced and how. Such understanding will help convince them that the RURB solution is a sound regulatory solution that is practical to implement and enforce, thus making it easy for them to give their approval and endorsement.
9. **Apply to stakeholders:** Extending the application of the RURB solution to other stakeholders requires a change at the regulator's end. However, an unanticipated change should be avoided. The replacement of the existing process and procedure with the RURB solution must be carried out according to a proper plan and schedule. There are tasks and activities that must be identified and carried out, including the preparation of new documents such as forms, checklists, and guidelines, and transforming all affected transaction points as per the new process and procedure.

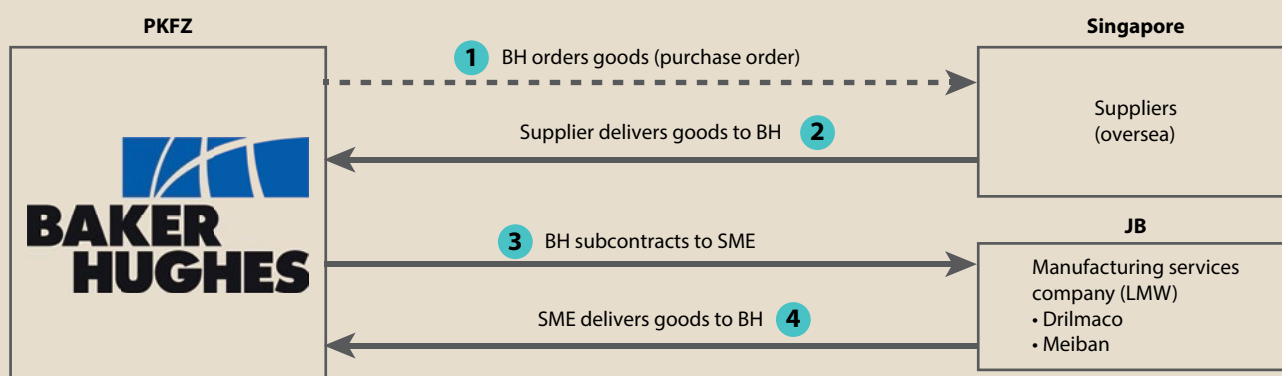
A systematic approach to deal with change is needed as it has a significant impact on the people in the organization, especially on how they do their job. A change management is required to ensure that the impacted individuals make a successful transition to their new job roles.

RURB CASE STUDY: MOVEMENT OF GOODS IN FREE ZONES FOR VALUE-ADDED ACTIVITIES

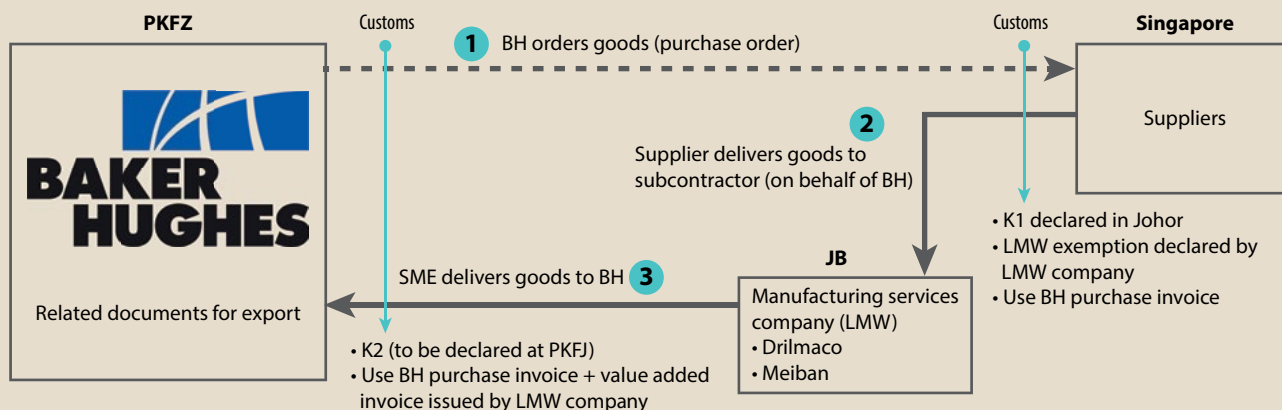
Baker Hughes (M) Sdn. Bhd is a top-tier oil-and-gas service provider. The company creates value from oil and gas activities. Due to the regulatory requirement, the manufacturing company located in Port Klang Free Zone (PKFZ) Malaysia was facing difficulty in movement of goods for value-added activities. Raw materials imported from Singapore need to be transported to PKFZ before sending it for value-added activities at Johor Bahru and then transported back to Baker Hughes at PKFZ.

Therefore, under the initiative of RURB project, the MPC, Ministry of International Trade and Industry (MITI), Royal Malaysian Customs Department (RMCD), and Malaysian Investment Development Authority (MIDA) together with Baker Hughes collaborated in developing a solution for movement of goods at PKFZ. A series of discussions and meetings were conducted with all related parties using the RURB methodology. The project took six months to be completed.

BEFORE PROCESS IMPROVEMENT.



AFTER PROCESS IMPROVEMENT.



Through this pilot project, a new customs procedure was introduced to facilitate the movement for farming out and improving efficiency of cargo transportation, with MYR1.5 million per year saving in compliance cost and 90% saving in time. Successful implementation of this pilot project will enable all other companies to enjoy the same facilities by Customs Malaysia.

Due to the successful pilot project implementation, Customs Malaysia has decided to extend the new facility to all free zones' companies from all industries. The facility will boost up the competitiveness of the companies through efficient processes and significant savings in compliance costs. Similarly, the regulator (Customs Malaysia) could also save from reduction in operating costs and increase its efficiency and productivity.

The new facility on freight movement is estimated to result in compliance-cost savings of MYR150 million per year for businesses.

Conclusion

As a conclusion, the case study shows that the approach and methodology developed by the MPC to reduce unnecessary regulatory burden is proven and practical to be implemented across all sectors and agencies. This methodology with nine steps is the Malaysian way to promote change-management initiatives in public and private sectors. From the case study, both the government and the businesses have benefited in terms of reduction in operating cost and increase in efficiency and productivity.

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CASE STUDY 10

MOTORWAY POLICE, PAKISTAN

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Background

The construction of the first motorway of Pakistan was completed in 1997. It was a signature project of the former Prime Minister Nawaz Sharif whose idea it was to build the Lahore–Islamabad motorway. The success of the motorway crucially relied on an efficient police force that would strictly enforce the rules framed for a smooth, safe, and speedy flow of traffic. This police force was to be drawn from the public sector.

The public sector of Pakistan suffers from various ills. Among other things, the lack of capital constrains efficiency. Misplaced and politically motivated priorities make capital scarce for the much-needed activities. More importantly, various governance issues constrain employees' motivation to perform. Job insecurity, lack of appreciation for good performance, dearth of monetary rewards, and non-merit-based career progression stunt the motivation and efficiency of employees. Rent seeking and corruption, which pervade the society at large, cast the last die.

The traffic police personnel, especially the traffic wardens responsible for checking violations, are often seen as corrupt officials who on noticing a violation would look the other way in return for some quick bucks. In this scenario, the emergence of an efficient organization in the public sector is no less than a miracle. However, in much contrast with the public-sector work culture in Pakistan, the National Highways and Motorway Police (NHMP) has emerged as an efficient organization. It shows zero tolerance for violation of traffic rules, while helping commuters in distress rather than extracting money from them.

The unsatisfactory performance of public sector, coupled with the corruption that pervades the sector, had raised serious doubts on the success of NHMP, which is now seen as a 'candle in the dark.' How this happened is something worth investigating.

The State of Law-enforcement Agencies

The police have the role to ensure the maintenance of law and order. The traffic police, which in Pakistan is a part of the larger police force, has to ensure orderly traffic and implementation of policies and rules framed for the motorists by the authorities. To perform their functions, the police obviously enjoys extensive powers. It is also well known that in the absence of well-functioning institutions, power tends to be abused.

Pakistan's government effectiveness index in 2019 recorded only -0.7 (where -2.5 is weak and 2.5 is strong) is enough to hint that the state of institutions in Pakistan leaves much to be desired. The

traffic police in Pakistan seems to extend the overall rent-driven policy culture. The threat of unnecessary fines, misconduct with the public, and withdrawing fines after receiving bribes, are the norm for the traffic police. The NHMP, however, seems to defy the traditional police culture.

History of NHMP

The motorway was a signature project of the then Prime Minister Nawaz Sharif, and he wanted it to succeed by all means. The success of the project crucially depended on the efficiency and behavior of the motorway police. Therefore, the task of policing the motorway could not be left to the regular traffic police.

Thus, the construction of the Lahore-Islamabad Motorway, led to the establishment of the Motorway Police. Afzal Ali Shigri, Shamim Ahmed, and Iftikhar Rashid were assigned the daunting task of establishing a new force that would facilitate orderly traffic on the motorway. The new force was to be recruited and trained to ensure a smooth functioning of the motorway, and it had to meet the standards derived from international best practices. Also, to ensure an orderly traffic on the motorway, the public had to be educated regarding its use as well as the rules and regulations, especially because a majority of the motorists who would ply their vehicles on the road would not have used a motorway before.

To form a new police force by the name of ‘Motorway Police,’ a national outreach program was applied. Serving police officers all over the country, with outstanding performance records, good reputation, willingness to work, and physical fitness were shortlisted and invited to join the Motorway Police. A number of competent officers serving in the police across the country willingly joined the new force.

The next step involved the training of the new force. Initially, some key officers of the new force were sent for training to the UK and Germany. Later, international trainers, supported by officers of the new police force who had undergone training abroad, trained all the officers of the new force. The trainers then evaluated the performance of the trainees using written and field tests. Initially, the training exercise was undertaken in 1997 when the motorway police was being launched. Since then, the training has been a regular feature, and all new recruits are adequately trained.

NHMP Performance

Before the establishment of the Motorway Police, the traffic culture of Pakistan was marred by traffic violations, complete disregard for rules and regulations, and a high incidence of accidents and injuries. The lack of discipline on the road was translated into huge death tolls, with around 7,000 people losing their lives annually and about 75,000 being severely injured. There was a huge task ahead for the motorway police force.

First, the motorway force was to educate the road users regarding the traffic rules and regulations. The process of education relied on different approaches. As this was the first time that the concept of motorway was being introduced in Pakistan, certain rules were greatly emphasized. Road users were educated regarding lane discipline, use of seatbelts, and speed limits. Next, briefing sessions were carried out at entry points, toll plazas, and in the educational institutions. These sessions educated the users regarding the idea of planning a trip on motorway. This included sensitizing the users on aspects such as having enough fuel in the tanks, maintaining good car condition through

regular tuning, keeping spare tire, and carrying extra water. In the initial years of the motorway's operation, many motorists faced issues like burst tires and/or running out of petrol. The police force helped them resolve their issues by bringing them petrol and educating them on aspects such as keeping the right air pressure needed for driving on the motorways. Over-crowded buses, with passengers sitting on rooftops or standing in the entranceway, were denied entry. Designated bus stops were identified and loading and unloading of passengers at random points was also disallowed.

After the completion of first phase (education), the next phase was enforcement. The set of traffic standards and rules were strictly enforced by the officers. Any failure in complying with the rules resulted in fines for the motorists. The imposition of fines was across the board and firm. A highlighting feature was discouragement of the VIP culture and implementation of rules without making any exception. The polite but firm stand on enforcement of traffic rules by the new police force made it gain public trust. The focus of the force was not to assert itself as the ultimate authority but to help make motorists responsible drivers. However, the new police force had to face challenges such as court hearings. Sometimes, its personnel were also called in the legislature houses to answer the questions of parliamentarians.

The use of latest technology and equipment like visual average speed computer and recorder (VASCAR) also aided the force in implementing the traffic rules and laws. The technology helped record the proof of traffic violation committed by the motorists, thus solidifying public trust in the police force. Thus, the motorway police have not only delivered in terms of controlling traffic violations and encouraging a healthy traffic culture but also managed to gain public trust and respect. Apart from this, educating the motorists by launching safety campaigns and talks across various educational institutions have helped in establishing the reputation of the motorway police.

Broadly, the pay-and-compensation structure of the motorway police is way above the corresponding structure of the traditional traffic police. The traditional traffic police force looks at the work conditions of the motorway police with envy. The duty hours are a maximum of eight hours a day for the motorway police while those serving in the traditional force have much longer hours. The incentive structure also comprises other fringe and welfare benefits, including free accommodation and food (while on duty), health allowance, scholarships, financial assistance, and employment quotas for officers killed on duty. All officers of the motorway police are given specially designed uniforms in sufficient numbers, much more than what their counterparts in the traditional force are entitled to. Further, merit-based hiring is strictly followed in motorway police, instead of the patron-based public-sector culture. This has allowed motorway police to become a competent workforce, which, given a mark-up in compensation and work environment, performs very well. Also, the performance of the field workforce is not linked to the number of tickets issued for traffic violations.

The use of latest technology has helped in convincing the motorists that they have actually violated a rule, while intense training of the police force has helped introduce a culture of friendliness. This has portrayed the policeperson as a facilitator and service provider rather than a mere inspector catching motorists for violations.

This public-sector institution is also highly appreciated for making use of state-of-the-art technology at different layers. Its website is constantly updated regarding the weather conditions, road maintenances schedule, alternative routes, traffic conditions, etc. The machinery and equipment used during the patrolling duties include patrol cars, radars, night-vision equipment, and recording cameras. Other equipment includes handheld radars, laser guns, and video/still cameras. The use of

advanced and efficient communication systems (e.g., walkie talkies) to report crimes, manage emergencies, and communicate at large, have been deployed by the institution to avoid glitches and delays. The use of ProVida 2000 VASCAR, which has a camera attached to it, helps record the speed of the vehicle while a printer attached to it prints out the relevant information (vehicle number, speed of the car, and the car model) to be handed over to the violator. This digital process not only eliminates the process of manual recording but also makes it difficult to manipulate fines, thus curbing corruption. The computerized proof of the violation, along with the driver's own perception, also helps gain public trust.

The training of the officers is given significant importance. As mentioned earlier, not only are some officers sent abroad for training, but the trainings conducted domestically are also rigorous and up to date. Qualified trainers are brought in from foreign countries who use simulation exercises and modern gadgets for training. Traffic rules and road-safety measures are practically demonstrated and modern techniques of teaching are used to impart training. Special attention is given to respecting rules, e.g., wearing seat belts and helmets, following lane disciplines, maintaining speed limits, and refraining from underage driving. Some officers have also been sent on foreign trainings to countries like the UK, France, and Germany. International exposure and rigorous foreign training courses have enhanced the capabilities of officers.

Another striking feature of the force includes doing away with the culture of VIPs. The force is friendly but firm when it comes to implementing rules and regulations. There is a uniform application of the law, which means that parliamentarians, high-ranking government officials, and ordinary citizens are treated alike.

The gender strategy of the institution also adds to its success. Not only does it hire female officers but also has reserved 10% quota for female recruitment in the organization, which provides female officers a work-friendly environment. The eight-hour duty norm, with no night shift for females, has attracted many women to join the force. Also, training sessions to enhance the capability and capacity of females have been carried out in the organization. No cases of harassment or dissatisfaction have been reported by the female officers.

Lastly, and most importantly, leadership matters. The motorway has a policy whereby the Inspector General Police (IGP) is to serve the force for approximately three years. By 1 October 2018, 17 competent officers had served as IGPs. All the serving IGPs of the force have displayed impressive leadership qualities which include minimum interference in the workings of all departments, appreciation, and most importantly, standing for the institution in times of challenges. Some IGPs like Zia-ul-Hassan and Dr. Wasim Kausar have also significantly contributed to the development of the institution. The changes in leaderships have been smooth and continuation of policies has been given paramount importance.

The NHMP has survived despite a weak institutional framework of the public sector in the country by setting a culture based on honesty, deliverance, and friendliness.

Indeed, financial resources are involved in providing better-than-market compensation package, better work environment, and excellent training to the officers of motorway police. These have been provided regularly without fail. In an elitist culture of Pakistan, the uniform application of rules practiced by the motorway police is a matter of high significance. This could not have been achieved without the will at the very top, i.e., at the prime ministerial level.

The success of the motorway police can be gauged from the fact that Pakistan's accountability watchdog, the National Accountability Bureau (NAB) had declared the Motorway Police as the only corruption-free department in the country. The then Prime Minister had declared the force as 'an island of excellence' and Transparency International had then included the department among the corruption-free departments of the world.

CASE STUDY 11

SINDH INSTITUTE OF UROLOGY AND TRANSPLANTATION, PAKISTAN

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Background

Dr. Syed Adeebul Hasan Rizvi was standing near the window of his second-floor office in Sindh Institute of Urology and Transplantation (SIUT) at Civil Hospital Karachi (CHK). He gazed down upon the hustle and bustle outside the building and saw the satisfied smiles of those who were leaving the SIUT and hopeful faces of those who entered the building. This took him down the memory lane and he began thinking about how his desire to help others had led him to becoming one of the most renowned surgeons and philanthropists in Pakistan.

The public sector of Pakistan suffers from various ills (see Background of Case Study 11). The scenario in health sector is no different. Public hospitals, even the large ones, are generally ill equipped, poorly staffed, over-burdened, and lacking in basic hygiene. The health profile of Pakistan is characterized by high population growth rate, high child-mortality rate, high maternal-mortality ratio, and the dual burden of communicable and non-communicable diseases. Malnutrition, diarrhea, acute respiratory illnesses, and vaccineable diseases are the most common areas of concern. According to the World Health Organization (WHO), Pakistan is a developing country and is ranked 122 out of 190 countries. The healthcare delivery system includes the state, non-state, profit, and non-profit service provisions. The healthcare sector is marked by the disparities between the rural and urban healthcare delivery and insufficiently skilled paramedics, nurses, and health managers.

The CHK, Karachi's largest public-sector hospital is no exception. In 1972, Dr. Adeebul Hasan Rizvi, a urologist, ran an eight-bed urology ward in burns unit of CHK. This ward has now transformed into a 500-bed hospital spread over 400,000 sq ft, which is regionally one of the most well-equipped centers for renal diseases and transplantation. The hospital has units for nephrology, renal transplantation, lithotripsy, nuclear medicine, dialysis, pediatric nephrology, and pediatric urology. Support units include laboratory, radiology, nutrition, a center for biomedical education, and a department of medical education. Patients are not charged any fee at all for any kind of treatment, including an otherwise expensive dialysis or transplant. All patients are treated equally, no matter what their social status. The question is: how did the transformation happen despite SIUT being within the public-sector domain?

The SIUT, which began its journey 45 years ago as a small ward in CHK, has expanded its activities clinically and physically. In 1991, it was granted the status of an Institute by an Act of the Sindh Assembly (the legislature of the province where SIUT is located).

A trust operates SIUT and a board of governors manages it. Financially, the government, which owns the infrastructure, provides 50% of the budget while the rest comes through donations by the community. The SIUT Trust was created in 2005 as a charitable trust for the benefit of the people, aiming to provide medical facilities and financial assistance to the SIUT. The SIUT is located in the vicinity of CHK, with its hub of activities taking place at Dewan Farooq Medical Complex, named after a generous philanthropist whose donation helped build the complex. Another generous donation helped establish the Hanifa Sulaiman Dawood Oncology Center. This facilitated the treatment of various types of cancer including bladder cancer, kidney cancer, prostate cancer, adrenal cancer, and testicular cancer, as well as post-transplant malignancies.

Having started its journey with very modest facilities, today SIUT enjoys the reputation of a ‘center of excellence’ and an institution known for high standards of professional ethics, outstanding medical facilities, and a team of dedicated and motivated medical professionals with unparalleled zeal and zest. With 500 beds and facilities spread across 400,000 sq ft, SIUT is regionally one of the most well-equipped centers for renal diseases and transplantation.

The research assistance for this case study has been provided by Fakhra Malik. Also, liberal use has been made of “The SIUT story, making the ‘impossible’ possible,” by Zubaida Mustafa.

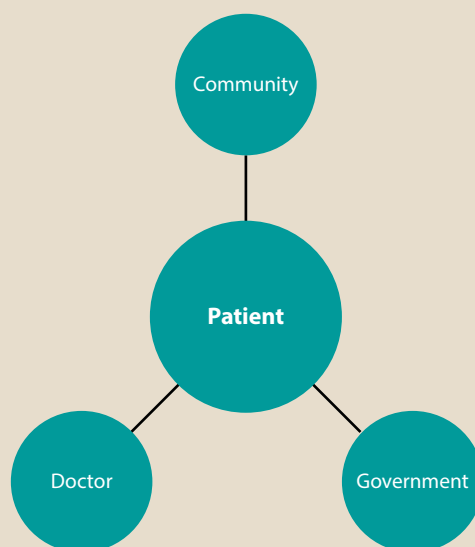
The SIUT Model

Government budget for public-sector hospitals in Pakistan is never enough to meet the genuine needs of hospitals. Given the near-absolute job security, public hospitals also suffer from several governance issues like shirking of work by employees. To remedy the situation, Dr. Rizvi, the man behind SIUT, did not try to set up a new hospital in the private sector as many have done. Instead, he set out to improve and take to unheard heights what already existed.

The SIUT relies on charity from business houses, corporations, affluent individuals, and ordinary public to make up for the deficit (given SIUT’s free-of-cost extended healthcare activities, the deficits are huge). The SIUT has developed a triangular partnership between the government, the community, and the SIUT staff (see Figure 1). The SIUT has all the features that make it a peoples’ hospital, sans the negative features that characterize a public hospital. Since the patient is the focal point, the role of the medical staff expands from being a caregiver to an advocate of the patient. The biggest stress factor for the patient and his/her family could be the cost of the treatment. By removing this from the equation, the SIUT makes life easier for the patient and his/her family.

SIUT is no ordinary hospital. It houses the state-of-the-art technology under one roof and is manned by an excellent team of highly trained health professionals. However, more than its wealth of expertise, its hallmark is its approach rooted in compassion and humanism. It is the concern for the patient that is central to the treatment, be it caring for their dignity, values, or economic anxiety. The idea is not just to hand out medicines to cure an ill person or perform surgical procedures on him to relieve the pain. The doctors at SIUT are of the firm belief that for the cure to be permanent and complete, it is important for them to share the worries that the patient and his families are burdened with, provide them moral support, and facilitate their effort to overcome the financial challenges that the illness may pose.

Operating like a big family, the SIUT expects its staff to show compassion and humanism to their colleagues as well as the patients and their families. The socioeconomic concerns of every patient

FIGURE 1**THE GOVERNMENT-COMMUNITY-STAFF PARTNERSHIP MODEL FOR SIUT.**

are addressed with sympathy and care. The healing touch eases the patient's emotional, psychological, and economic stresses.

At the SIUT, words like 'no place' do not exist. Patients arriving after three days of bus ride cannot be refused and are never refused.

An egalitarian spirit allows accessibility to all. There are no private wards, nor do the senior doctors, including the director, have private offices. All are equal. In the cafeteria, the same food is served to all, including doctors, paramedics, and ward boys, and all eat in the same hall.

It is the philosophy and humanized approach of SIUT, combined with a state-of-the-art medical treatment facility, that distinguishes it from other institutions. The poverty of the people and an underdeveloped health infrastructure is not unique to Pakistan. What distinguishes it from other institutions is that while remaining within the public-sector set up, it has transformed and performed. It is notable that the hospital has performed the highest number of renal transplants and dialysis sessions, and treated the maximum cases of stone diseases in a given year.

Dr. Rizvi, the man behind SIUT, was born on 11 September 1938 in a middle-class Muslim landowning family in a village 10 km away from Jaunpur in Uttar Pradesh, India. He had eight siblings, and he was the youngest of all. The Rizvi family practiced egalitarianism, their peasants were treated with care and as equals, and the households were shared with them. This progressiveness left a strong mark on Dr. Rizvi, inculcating in him the value of helping others.

At the age of 17, he had to migrate to Pakistan due to increased Hindu-Muslim communal riots among residents of the subcontinent. He began his medical education in Karachi in the 1950s, living in a hostel. He used to visit the hospitals and observed their conditions and operations. What he saw was an unpleasant specter of poverty and helplessness among the patients. The patients had to even beg to receive the healthcare that should have been their fundamental right.

Meeting the challenges of healthcare called for humanism, a trait that Dr. Rizvi imbibed from his family environment and later in life from his personal circumstances. In his village in Kalanpur (India), he grew up in a community where rich and poor lived together and poverty was not stigmatized. As a college student, he was acutely aware of the challenges that monetary constraints imposed on students of modest means. Therefore, he became active in the students' union and joined the protest movement against high fees. As a surgeon at a public-sector hospital, he was moved by the plight of patients and felt compelled to attend to their personal concerns of non-medical nature as well. For him, it was essential to view his patients holistically. The mind, the body, and the spirit could not be separated.

Graduation from Dow Medical Karachi; house jobs at Karachi's two biggest hospitals (Civil and Jinnah); and nine years of training in the UK equipped Dr. Rizvi with the medical expertise required to provide the best of healthcare in the field of urology. However, technical expertise alone was not enough to provide the best healthcare. His hospital, the CHK, lacked basic hygiene, technology, or even the environment that one expects in a health facility.

After graduating from the Dow Medical College, Karachi in 1961, Dr. Rizvi had gone to the UK to pursue further studies. There, Dr. Poole Wilson induced him to opt for urology as a field of specialization. During a job interview, he shocked Dr. Wilson by saying that he wished to return to his homeland, Pakistan, on completion of the fellowship. On being reminded by Dr. Wilson of the huge earning prospects post-fellowship in the UK, he responded that his expertise was needed back home.

The National Health Service in the UK inspired him to open a similar high-quality medical care service in Pakistan. The underlying motivation was to alleviate the sufferings of the poor who were unable to afford expensive treatments. On his return to Pakistan, he brought with him a container full of medical equipment and a desire to utilize his capabilities and skills to serve the people of Pakistan. In 1970, he set up an eight-bed urology ward at CHK. In the beginning, he had to make sure that the management understood that all patients were to be treated without being screened as it would be humiliating for the patients to be rejected based on their financial status.

Initially, the condition of the ward was quite alarming as even the basic equipment was not available. Given his egalitarian and caring nature, Dr. Rizvi managed to develop a strong relationship with his subordinates. Many of these subordinates formed his team that transformed the eight-bed ward into SIUT.

SIUT's basic philosophy, that healthcare is the birthright of every man, woman, and child, is based on Dr. Rizvi's inborn humanism. Protecting this birthright became a major challenge at SIUT as it faced a threat from the wildfires of avarice and commercialization that came with the onslaught of market forces. To have a healthcare facility that was based on this philosophy became a cherished dream. Dr. Rizvi had the courage to have this dream, and he went all out to pursue it.

The humanism, dedication, and competency of Dr. Rizvi alone could not have transformed the eight-bed urology ward in the burns unit of CHK into a 500-bed modern hospital that provides the best of healthcare free of cost; and to which the public donate a huge sum every year just because they can trust that their money will be put to good use. A team of competent, dedicated, and humanist doctors was required to accomplish the task. The caring attitude is now ingrained into the SIUT's culture and a newcomer assimilates this culture from peers and the captain Dr. Rizvi himself, who leads by example.

Building the Organization

Building the team was not easy. Attracting young medical graduates to the urology ward was not easy as it was not even recognized by College of Physician and Surgeons (CPSP), a body that tests and awards postgraduate degrees to doctors in Pakistan. Given the nonrecognition of urology as a field of specialty, unsurprisingly, young professionals did not vie to join it. Similarly, the paramedical staff was reluctant to join the ward as it had acquired the reputation of being a tough ward, given the high standards expected of the staff. This proved to be an advantage, as only those who had the required capacity and commitment came to the ward. Surgeons keen to learn surgery were attracted by Dr. Rizvi's surgical skills and pedagogical excellence. He also gave the specialty a dignity by raising its standards.

In 1973, the floods affected many regions of Pakistan and many medical teams were dispatched to provide relief services. This is where Dr. Rizvi met Dr. Anwar Naqvi who later became his second-in-command at SIUT. Observing the problems, he learned that healthcare system has to work in an integrated framework with the ability to innovate.

Having a specialized staff required training them so that they could serve the ward better. Dr. Anwar Naqvi, who joined as a young graduate, set the pattern. He obtained his postgraduate training at the urology ward, with which he remained attached throughout his career and contributed to its growth. Having obtained his MS degree in 1984, he was sent by SIUT for a series of attachments in Germany, England, and the USA. His services to the SIUT and his position there are well recognized.

The beginning of Dr. Zafar Hussain's association with SIUT is typical of how manpower was trained and retained. When Dr. Hussain reported for duty as a young house surgeon right after his MBBS from Dow Medical college, Karachi, Dr. Rizvi advised him to rest for a day or two before joining this 'madhouse.' Later on, Dr. Hussain understood why he had been asked to rest before joining. Being a house surgeon, at times he could not find time to go home for six to seven days at a stretch. Originally, Dr. Hussain had planned to go to the USA for higher studies and work there but after joining the urology ward he got hooked to the place. In 2012, he was a valuable professor in the SIUT team. He had the opportunity to grow here, with an MCPS, an MS, and an attachment with the Institute of Urology, London.

Another pillar of SIUT is Dr. Altaf Hashmi, who wanted to be a general practitioner (GP), following the footsteps of his elder brother, who was a renowned family physician. To become a GP, he was doing elective rotation in different wards. The pull of his new mentor, Dr. Rizvi, proved stronger than the advice of his elder brother, and Dr. Hashmi abandoned his mission to become a GP. Urology became the specialty of his choice. An MCPS in 1986, an MS in 1991, two stints of attachment in England and France, and later a professorship anchored him firmly in the field and with the SIUT, where his competence has been recognized.

Dr. Manzoor Hussain joined the urology ward as a house officer in 1982. He was interested in urology but admits that Dr. Rizvi's presence here was a compelling factor. After a year as a house officer, he became a resident medical officer. Later, ten years as registrar prepared him for the MS. On completion of his master's degree, he had a clinical attachment in Paris, France, and a training in transplantation in London. Dr. Hussain finally became a professor, and throughout his career, has been with SIUT. Clearly, there were opportunities to grow at SIUT. Filled with gratitude, Dr. Hussain says, whatever I have achieved, I owe it to SIUT. Today he is paying back what he thinks he owes to the Institute, and his commitment is highly valued.

Dr. Hussain recalls that he met Dr. Rizvi at the Pakistan Medical Association where he was the only senior doctor who would meet junior doctors on an equal footing. Responding to a casual inquiry from Dr. Rizvi, Dr. Hussain responded that he was preparing for postgraduate studies in pathology. Dr. Rizvi told him about the new vista that was opening up in urology after the first transplant at SIUT weeks ago and invited him to join the SIUT. After that there was no stopping for Dr. Hussain.

Dr. Murli Lal was the junior-most doctor at the SIUT in 1985. He was called number nine, as that was strength of doctors/surgeons at the SIUT then. Dr. Murli Lal was learning more and more and improving his skills. First came an MS, followed by the attachments.

Many of the doctors showed gratitude for Dr. Rizvi who motivated them to get training abroad and gain experience, which also ensured employee loyalty.

The 1980s brought many of the new developments in the field of surgery within Pakistan. In the beginning, simple urological problems were treated but later on transplantation, reconstructive surgery, and oncology cases were also handled by the ward surgeons.

In 1985, the first kidney transplant operation was done at Civil Hospital by Dr. Rizvi. It was not an easy feat, as many believed that donating organs was against religious principles of Islam, but Dr. Rizvi was able to convince the people. In the earlier days, he would perform one transplant, and after the patient had recovered the next transplant was considered. Today, there are about 12 transplants per week. Moreover, the number of operation theaters have grown from one to 15. The number of patients has also increased and the facilities have been improved in order to cater to the needs of all patients. Non-invasive procedures were also introduced, which gained the trust of those patients who felt uncomfortable when it came to invasive surgery. Introducing such methods benefitted both the patient as well as the surgeons as they learned new techniques.

In the same year, a very talented pathologist Dr. Murli Lal joined the SIUT. He recalled that he met Dr. Rizvi who was a senior doctor and yet met with juniors on an equal footing, which led to the invitation for Dr. Lal to join the urology ward. Another doctor, Dr. Bux Ali got inspired by the concern shown by Dr. Rizvi in helping the poor, and he joined the CHK's urology ward in the hope to follow in Dr. Rizvi's footsteps. There was a clear pattern of continuous improvement in terms of technical knowledge as the department supported the doctors in developing it.

In the 1990s, pediatric urology was introduced by Dr. Sajid Sultan and a separate children's urology ward was set up. The ward became independent due to growing number of patients, so the SIUT built a separate department and later came pediatric nephrology in 2005. To share the burden, Dr. Rubina Naqvi was hired in 1989 as a resident medical officer in the nephrology department as her potential to deal with patients was exceptional as compared to her male counterparts. Further, Dr. Fazal Akhter was hired and sent to get training from the UK. Later, he became in-charge of the department of pediatric nephrology. In 1994, Dr. Ejaz Ahmed was recruited to manage the increasing workload. He had done his MRCP from England. His knowledge in nephrology was a vital asset as there were few nurses who were specialized in such fields, so the doctor had more responsibilities. In the beginning, there were only 15 dialysis machines but today there are about 175 such machines.

In 2003, Dr. Rizvi led a team of SIUT surgeons that performed the first successful liver transplant on an infant in Pakistan.

Mustafa Khan Agha, who joined SIUT in 1973, has been an operation-theater technician and seen the ward flourish from scratch. At that time, the staff was limited but today about 1,350 employees work at SIUT. He received the training as a dialysis technologist and obtained his diploma after which he became in-charge of the animal operations theater, which was created for surgeons to practice.

Role of Leadership

The leadership style of Dr. Rizvi as a boss has been transformational as he wanted to make sure that the change initiated was adapted by all members of the ward. This allowed the majority of the members to have fun at their jobs. While they were challenged to perform well, they had an open opportunity for career development. Many of the doctors showed gratitude for Dr. Rizvi who motivated them to get training abroad and gain experience. No wonder, employee loyalty has been a natural outcome.

The SIUT was built the way a poor man builds his home. Since he never has enough capital to build in one go, he proceeds to build brick by brick. That is how the SIUT was conceived and subsequently grew and developed, ever since its inception as a urology unit set up in the CHK's burn ward.

The first need was felt for space. As good news, like the bad one, spreads like wildfire, so did the news about SIUT. Excellent surgical services, compassionate health professionals, and early recovery of patients attracted urology patients to the CHK, so the need was felt for more space for urology. Whenever a neighboring ward in the CHK moved out, Dr. Rizvi would manage to get the space allocated for urology. His past performance would stand witness that urology was the most suitable candidate for allocation of more space. Quite often, Dr. Rizvi would ask only for space, as funding for expansion often came through philanthropy. This was because people could see that SIUT was using the charity funds to deliver services that had no parallel.

Although Dr. Rizvi's ward was within the CHK, it was different. The hygiene, the attitude of doctors and staff towards patients and their relatives, the provisioning of medicines, and the equity in treating rich and not-so-rich, all made it different. It looked like a ward in a modern hospital in a developed country. All this not only made the hospital administration inclined to allocate more space to urology, but also set the ground for allocation of more land and funds by the provincial administration, the Sindh Government, for the expansionist noble ambitions of Dr. Rizvi and his team.

Whenever a space was allocated to urology, Dr. Rizvi would move swiftly to establish a urology facility there, lest the administration changed its mind. The operation theater, the laboratory, the X-ray machine, the pharmacy, and many other facilities came in this manner, beginning with 1975.

The services grew, as the SIUT decided to cater to the psycho-social support of medical care patients. The patients faced problems like financial and social pressure, which was a reason behind their failing health. Farida Mazhar, who worked as a social-welfare officer at Civil Hospital, later moved to the urology department in 1986. Her job was a multi-purpose one as she organized group therapies and would counsel all patients on medical issues.

Dr. Rizvi had a knack for talent hunting. He would find the key persons and match their abilities with the needs of SIUT. He understood that with changing time, technology will dominate the field, so he hired Rafiullah to computerize the patient's records and made them easily accessible.

Agha, who joined the urology ward in 1973 and had seen the institution grow literally from scratch, recalls, “At SIUT, we were always short of funds and had to make with whatever was available, but we had a mission before us and were never short of motivation.” Being short of funds, SIUT never had the luxury to draw plans on drawing board with state-of the-art technology shopped from a supermarket shelf. It could only grow gradually brick by brick as the funds became available from the government and through charity.

To sustain Dr. Rizvi’s guiding principal that no one should be allowed to die because he or she cannot financially afford to live, much more than medical expertise was required to make the cherished dream a reality. So, the highest noble sentiments that human beings are capable of possessing and transmitting also came into play. This is what makes SIUT an institution that has no parallel in the country.

The performance of SIUT was well known all around as many in the region were inspired by its ability to execute such well sought-after services to the people of Pakistan. Mehmet Haberal who was the President MESOT, Turkey said, “I am deeply impressed with the array of laboratory services offered. The technical and medical proficiency of SIUT is inspiring. The Institute also plays a vital role in the future with excellent teaching and training programs.”

The growth of SIUT did not rely only on Dr. Rizvi but also on the team he had created that got along with a single-minded goal to help the people. They all contributed in planning, expanding, acquiring, and adapting to new methods and technologies. He practiced what he preached, which was sharing knowledge and experience with his colleagues. It was important for him to set precedence for the next generation, who would abide by the values passed on by his generation. The organization where personal and professional growth is kept at large is surely developed by the leader who acknowledges and promotes the importance of both individual and team efforts.

At 84, Dr. Rizvi is still fueled by his enthusiasm for his job, which he has been performing for almost 42 years. SIUT is majorly funded by charitable donations and has treated millions of patients in last four decades. 30% of the funding is given by the government but there is always more to be given to the healthcare sector. Today, SIUT is located within the CHK and its Dewan Farooq Medical Complex is located only one block away. It is a 300-bed complex developed on 1.5 acre of land granted by the Sindh Government. It is considered to be largest renal and transplantation center. More than 300 transplants and 260,000 dialysis sessions had been carried out in the year 2015 alone.

CASE STUDY 12

AN EFFORT TO INTRODUCE A PERFORMANCE EVALUATION SYSTEM IN PUBLIC SECTOR, SRI LANKA

Arjuna Wickramasinghe

Sri Lanka

Abstract

Sri Lanka being a country in the south Asian region, like most of its neighboring countries, inherited the British colonial administrative system due to the fact that most of the south Asian countries were under the British rule for several decades. Sri Lanka has one of the largest public sectors in the world. According to census data, one out of every 15 persons in the country is a public servant. Since the public sector is responsible for service delivery at various levels of governance, starting from the grass root level, its performance directly affects the performance of the entire country. However, Sri Lanka's public sector is often criticized not only for its bloated nature but also for its poor service delivery. As most of the scholars and practitioners in the field of public administration have identified, not having a scientific performance evaluation system is one of the main reasons for the poor performance delivery of Sri Lanka's public sector.

Some initiatives have been taken to introduce a new performance evaluation system in Sri Lanka's public sector. It is intended at elevating Sri Lanka's public sector from a poor performing entity to an efficient and effective service provider to citizens of Sri Lanka.

Introduction

The absence of a systematic and rigorous performance evaluation system in Sri Lanka's public sector is considered one of the main reasons hindering efficient and effective service delivery. The need for introducing a new performance evaluation system, which is on par with the high-performing public sectors in the world, has been one of the most discussed topics at high-level public administrative reforms forums, public discussions, newspaper articles, research papers, and even in casual conversations, for decades.

The first-ever committee on public-sector reforms was appointed in 1966, and the necessity of having a proper performance management system for public officials was extensively discussed in the committee report. It accepted that there was no proper performance management system in the public sector, stating, "Since, lack of proper performance evaluation, it is too often persons in the highest levels of administration reach the highest office by the sheer laps of time on the basis of seniority" [1]. The second committee on public-sector reforms was introduced in the year 1987 and it was headed by one of the best scholars in public administration that Sri Lanka has ever produced, Dr. Shelton Wanasinghe.

In his report, Dr. Wanasinghe emphasized how indispensable it was to have a scientific performance management system to enhance the service delivery of Sri Lanka's public sector [2]. He criticized the existing performance evaluation system in Sri Lankan public sector as an annual personnel ritual [2]. "One of the main drawbacks in Sri Lanka's public sector, from my point of view, is the poor performance evaluation of the public officers. Performance evaluation has just become a form filling exercise. You will get the annual increment irrespective of your actual performance as most of the time your appraiser and moderators just fill the performance evaluation without paying attention to your actual performance, which ultimately leads to poor performance of the public sector as a whole." B. Wijerathna, Former Director General of Sri Lanka Institute of Development Administration (SLIDA), when asked to point out major issues prevailing in Sri Lankan public sector, said, "It's a pity to see the importance given to the performance evaluation in the public sector. Most of the appraisers and the moderators do not like to be unpopular among the subordinates and always provide better remarks in order to secure annual increments of their subordinates. It is not a matter of performance. Whether you performed or not you will get your annual salary increment. If that is so, why will public-sector employees bother to render efficient and effective service?"

SA Manamperi, a former Sri Lanka Administrative Service officer, who has also worked as a consultant at SLIDA, proclaimed. Not only the practitioners, but also scholars in the field of human resource management have raised concerns on the poor performance evaluation system in Sri Lanka's public sector. Manamperi said, "Assessment of employees' performance is required for effective performance management in organizations. However, a relatively little attention has been paid by researchers for the identification of an appropriate model of performance for employees in Sri Lankan context particularly for the public sector" [3].

This report is an effort to discuss an initiative for introducing a new performance management model in the form of performance agreement which was materialized at the Ministry of Public Administration and Management, which is one of the main entities responsible for ensuring efficient and effective performance of the public sector in Sri Lanka.

Structure of Government Administration in Sri Lanka

The public sector in Sri Lanka is distributed across various levels of government administration. The major portion of the public sector lies at the national and provincial levels, while the semi-government sector includes corporations and statutory bodies (see Figure 1).

Public Sector in Sri Lanka

Sri Lanka has one of the largest public sectors in the world, with a head count of 1,398,742, as per the 2016 annual report of Central Bank of Sri Lanka. In other words, one out of every 15 persons is a public servant in the country. In the last few years, the headcount increased by leaps and bounds, and the public sector is often criticized for its bloated nature. In the period 2007–16, the number of public-sector personnel in Sri Lanka increased 17%, as seen in Figure 2.

According to Daily Financial Times [4], dissatisfaction on the service delivery front is one of the main concerns for the public sector in Sri Lanka. The main reason identified for it is the absence of a comprehensive and rigorous performance management model. With the increasing challenges and multifaceted expectations of citizens, performance of the public sector must be improved. In order to do that, there has to be a realistic performance evaluation system. To meet this challenge, performance management in the public sector has become more indispensable than ever before.

FIGURE 1
GOVERNMENT ADMINISTRATION STRUCTURE IN SRI LANKA.

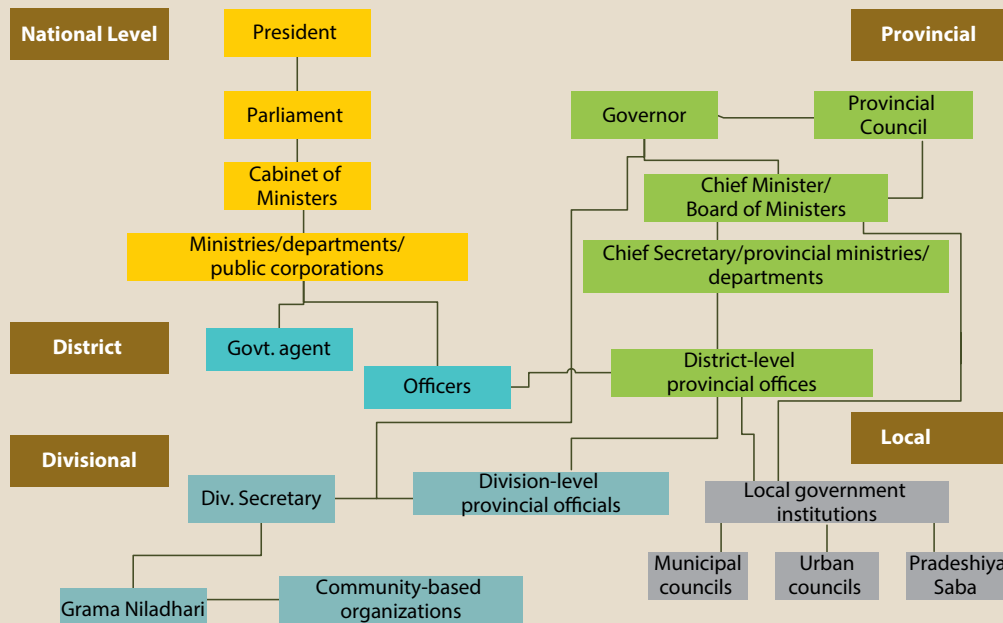
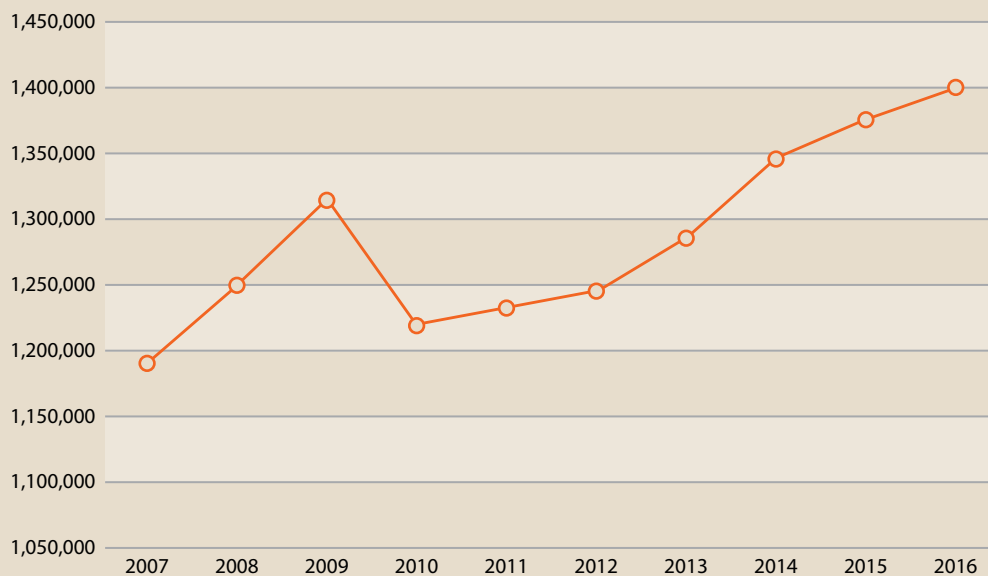


FIGURE 2
HEADCOUNT GROWTH IN SRI LANKA'S PUBLIC SECTOR, 2007–16.



Source: Central Bank of Sri Lanka.

The need for having a comprehensive performance management system has been a hot topic in every committee established for public-sector reforms in Sri Lanka. The first committee on public-

sector reforms emphasized that the greatest fault in the administration was the absence of a firm performance evaluation system [2]. Almost 40 years later in 1987, the second committee on public-sector reforms, in its report on the personnel system (report no. 4 of the administrative committee), raised concern over the existing performance evaluation system. It noted, “A scientific performance evaluation system has yet to be introduced in the public service in Sri Lanka” [2]. Considering the suggestions made by several committees, in the year 1997, a new performance evaluation system was introduced in the public sector through various circulars issued by the Ministry of Public Administration [5] and Combined Service Department [6]. However, in the end, it became an annual personnel ritual for granting salary increments rather than a meaningful scientific management practice. Hence, as Samarathunga and Bennington [8] clearly mentioned, disappointment with the performance evaluation system was pretty obvious and it was a dire issue that needed prompt attention.

Beginning of an Effort to Change

In early 2016, the then Secretary, Ministry of Public Administration and Management (MPA&M), summoned all the divisional heads to his room. Apart from divisional heads, he also summoned this chapter’s author, who was working as Assistant Secretary, Human Resource Development, at that time.

MPA&M is the main government entity that takes care of policy matters related to the entire public service in Sri Lanka. There are about 150,000 employees belonging to various Combined Services and All Island Services directly functioning under the purview of the ministry, which is responsible for all administrative matters of such services. Supporting services such as public management assistant service, driver service, librarian service, etc. belong to the Combined Services category. Managerial services such as Sri Lanka Administrative Service, Sri Lanka Planning Service, Sri Lanka Accountant Service, etc. belong to the All Island Services category.

The Secretary of MPA&M, J. Dadallage was considered a highly dynamic, tireless public officer who always tried to introduce innovative ideas for the betterment of the public service. At the ministry, normally there used to be a monthly Management Committee Meeting (MCM) in which Dadallage used to discuss all matters related to the ministry, ranging from petty day-to-day matters on administration of the ministry to complex policy matters related to the entire public service. Apart from that, special staff meetings were very rare unless there was an urgent and important matter to be discussed. Therefore, if he summoned a special meeting with the heads of all divisions, it was going to be an important one. Also, it was not a common practice to invite a mid-level officer like this author for such a high-level meeting.

“The existing performance evaluation system in the public sector is an outdated one and if we really want to enhance the efficiency and effectiveness of the public sector, we have to go for a proper performance management system,” Dadallage declared. The existing performance evaluation system had been criticized for its inadequacy in conducting proper performance evaluation and as noted earlier, it just used to disseminate annual salary increments without conducting a real performance evaluation. As former secretary to the President, Lalith Weeratunga proclaimed in his keynote address at the National Conference on Good Governance and Performance Management System for Public Service held in 2013, a true performance management has to enable a system to reward those who make a positive contribution to their respective duties and refute such rewards to those with a negative contribution. However, the harsh truth is that the existing performance management system is not up to that standard. Performance appraisal is a

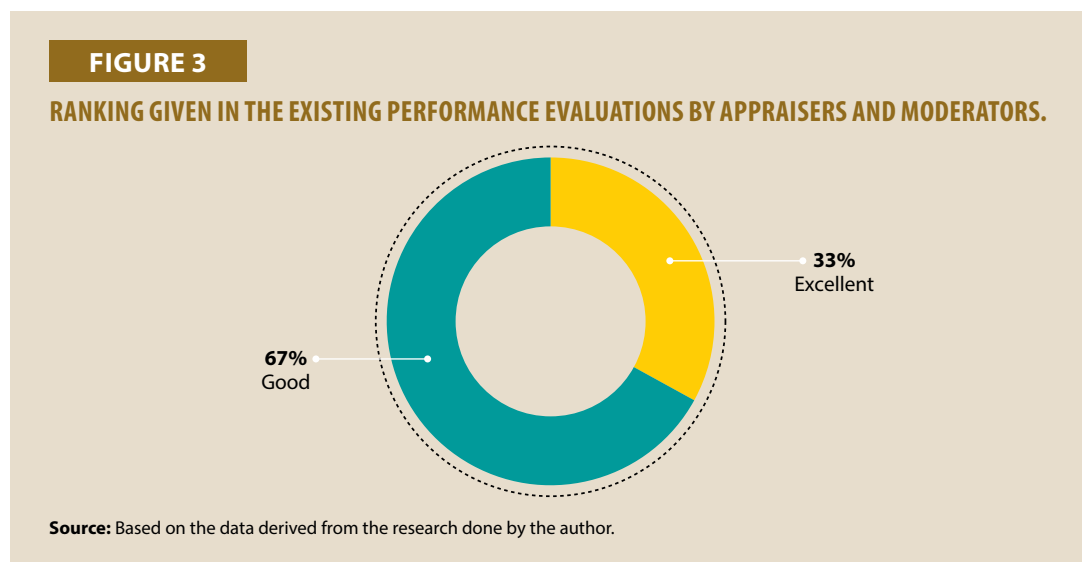
must to measure an employee's performance on his or her assigned duties and responsibilities, but the current performance appraisal system has not reached that final stage [9].

“This is a prototype of the proposed format for performance evaluation,” he disseminated a set of documents among the officers, and added, “I want HRD (Human Resource Division) to take the lead in introducing the new performance evaluation system and we must, as the first chunk, introduce this system to the managerial level officers in the Ministry.” Then he continued with the introduction of the key features of the new system. The new performance evaluation system was a performance agreement that needed an active engagement among the moderator (higher-level officer, who is most commonly the divisional head); the appraiser (the immediate supervisor, who is normally the unit head); and the appraisee. Before the beginning of a year, the appraisee had to state the activities in his or her action plan, to be completed during the year with respective key performance indicators (KPIs) and outcomes. This was a highly open evaluation system that assured participatory engagement at its highest. “You must study the proposed format and come up with suggestions to implement this within one week,” he directed this author.

Survey on the existing system

Before introducing the new performance management system, it was decided to study the drawbacks in the existing performance evaluation system, backed with evidence, even though everyone was criticizing it. We also thought it was highly essential to show evidence for change, as most officers are reluctant to embrace a change and prefer maintaining status quo. There were approximately 625 employees in the ministry at that time and it was decided to select a sample of 10% of the employees to maintain fair representation from every service category. Then performance appraisal sheets of the sample employees for the previous year were carefully examined for the study.

As per the existing performance evaluation, the appraiser and the moderator both have to grant the grading on the overall performance of the appraisee. There are four categories in overall grading, namely, poor, satisfactory, above average, and excellent.



Interestingly, the study revealed that 67% of the final gradings were ‘above average’ whereas 33% got ‘excellent’ overall rating. The most noteworthy observation was that no one from the sample got ‘poor’ or ‘satisfactory’ overall grading. In other words, appraisers and moderators tended to grade

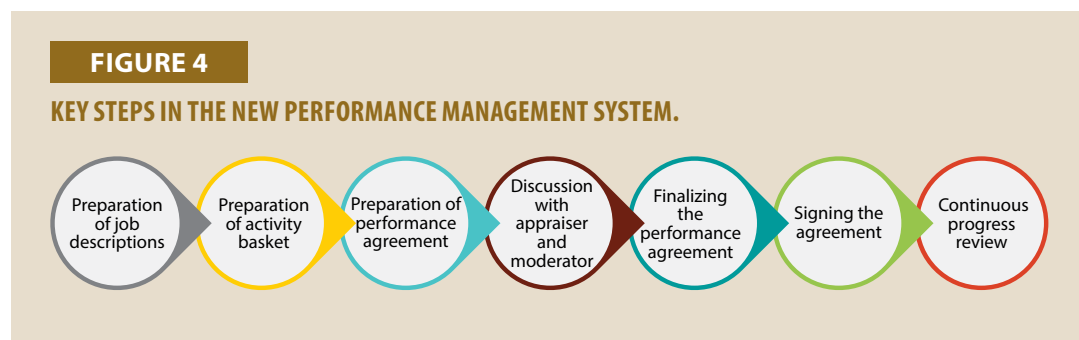
the employees with the approach to refrain from facing ‘unnecessary issues.’ “Once I rated one of the highly inefficient subordinates as a poor performer in his performance evaluation (actually he really deserved it). He had not paid any attention to the warnings given by me on previous occasions. Not only me but also his peers were unhappy with his conduct as others had to share the work that was supposed to be done by the poor performer. His colleagues had made several complaints against him,” J.C. Ratwatte, consultant to the Prime Minister and holding higher-ranking offices in the public service for more than three decades, described one of his experiences with performance evaluation. “But after I had rated him as a poor performer, almost all his peers came to me and requested to revert the order saying he was a poor fellow had a family to look after,” he recalled. “The simple reason was he would lose the annual increment if he was rated as a poor performer. This is the level of performance evaluation in the public sector in Sri Lanka,” he added.

Depending on the employment category, there are 7 to 10 sub-indexes in the performance appraisals, which also use the same four-scale rating. However, the interesting thing was that the average of the ratings given at the sub-index levels did not match the final rating for overall performance. The study revealed that 26% of the evaluation sheets showed drastic differences between the ratings at the final level and the sub-index level. For example, while the average of ratings given on sub-indexes amounted to a ‘poor’ or ‘satisfactory’ performance level, the final comment still showed ‘above average’ or ‘excellent’ overall performance. This cannot be accepted and justified by any measure. If the employees truly received high ratings for their performance, the public sector in Sri Lanka would have not been subjected to the criticism for poor performance. This revealed that the appraisers and moderators did not pay fair attention to the current performance evaluation, which became just a form-filling exercise. In this study, another significant evidence that exposed the negligence was that around 12% of the appraisals studied were sans any comment on the performance of the appraisee.

With such strong evidences, this author did a presentation at the next MCM. And almost every officer agreed with the findings and we had a good platform to launch the new performance management system. We launched the pilot project with high hopes for future success.

Roadmap for New Performance Management System

There are a number of preconditions to be fulfilled to have the new performance management system in place. At the very outset, we started with the preparation of job descriptions for the staff-grade officers in the ministry and it was noted that more than 50% of in the ministry did not have a written job description or a duty list. Therefore, they had to prepare their job descriptions at the beginning and submit to the HRD in the given format. “When I was asked to submit my job description, I realized that I didn’t have a written duty list or a job description. Neither did my predecessors. We just carried out what our previous officers did,” Madavi Tennakoon, Assistant Secretary (Planning), said. “Because of your request, I got a written job description,” she added with a smile.

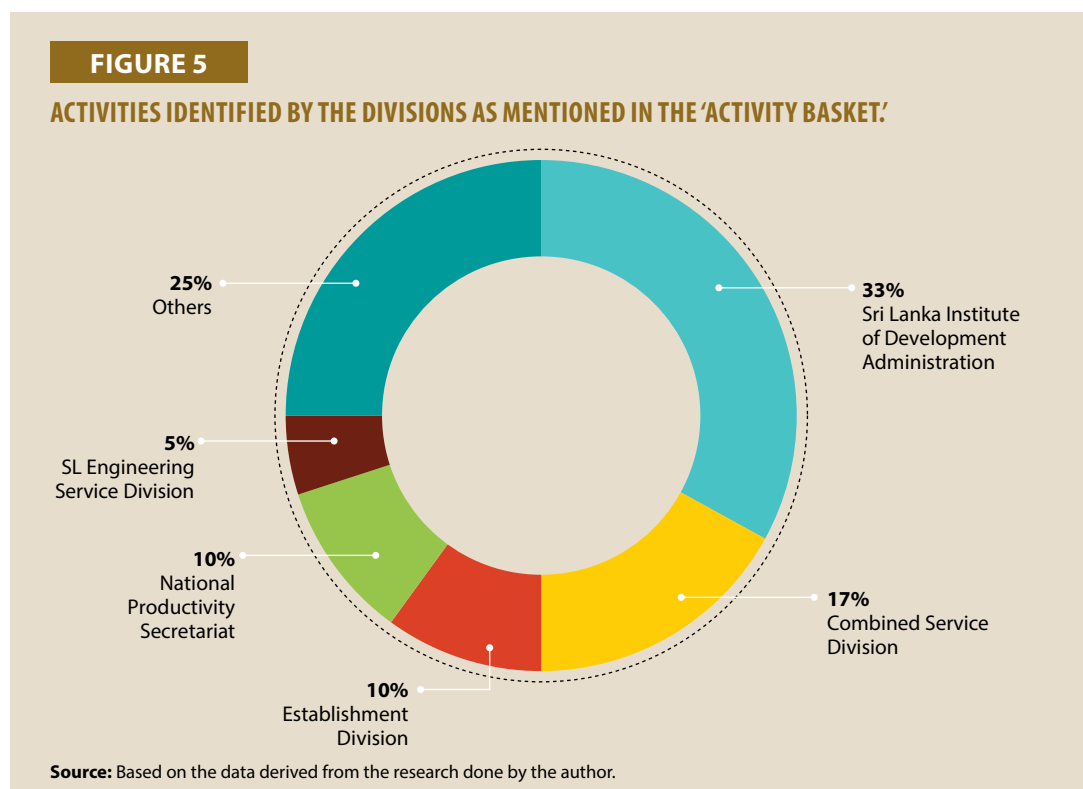


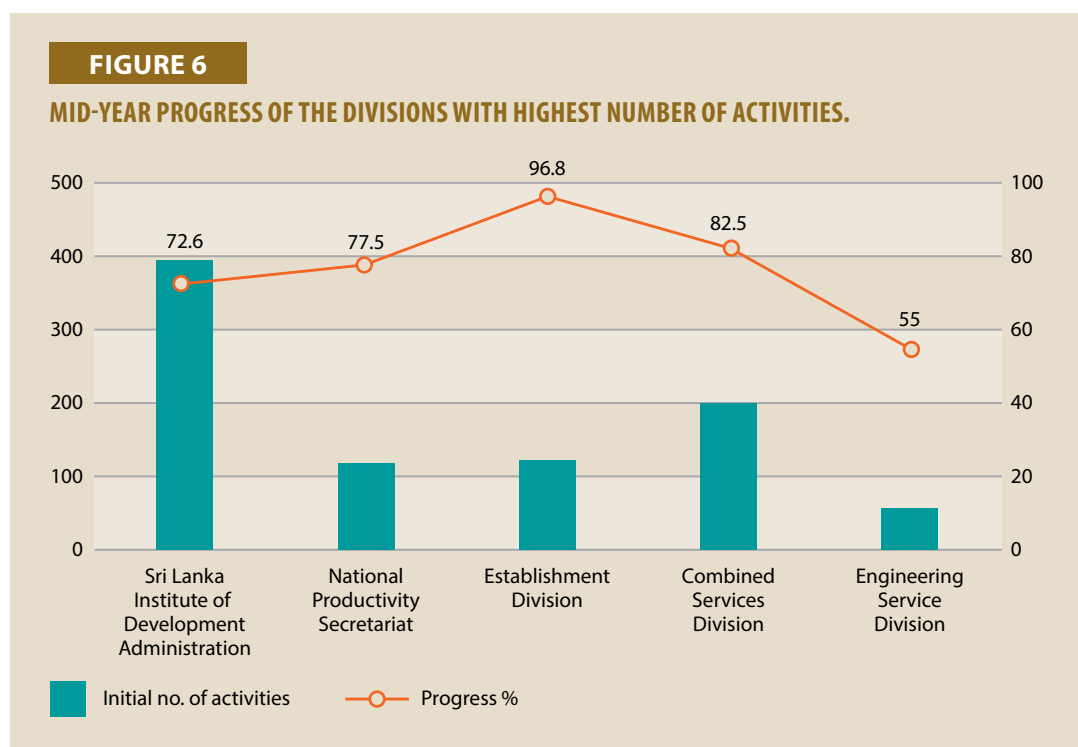
The next step was the preparation of ‘activity basket,’ which is the term used for the bunch of activities related to the respective unit/division of the ministry that the officers are supposed to complete within a given year. Each officer of that unit or division must identify the activities related to them and keep those in a virtual pool of activities. At the end of the year, not only the performance of an individual officer but also the performance of entire unit/division is measured on the progress of the completion of activities. “At the very outset, I must be frank with you. I thought, ‘what does it mean by activity basket?’ The concept was totally foreign to me,” Manoj Perera, Assistant Secretary (Combined Services Division), said. “But after a few weeks I realized that ‘activity basket’ is a good concept that links the unit’s performance with individual’s performance and in the end with the overall organization’s performance,” he stated.

After the preparation of the activity basket, the next thing in the pipeline was the preparation of performance agreement. This stage too, was a hectic one that involved a number of consultations, one-to-one discussions, and workshops. The format was prepared in MS Word and there were number of issues to be addressed, ranging from addressing computer illiteracy, setting KPIs, identifying outcomes, and so forth. “Identifying the most suitable KPI for an activity was the most difficult part that I encountered in the performance agreement. I had to have a number of consultations to step on the right path,” Kodikara, one of the most experienced administrative officers in the ministry said, recalling her most difficult experience with the pilot project.

When it comes to the initial progress monitoring, it was amazing to realize that 1,230 activities were identified by the divisions in the ministry and the institutions functioning under the purview of the ministry.

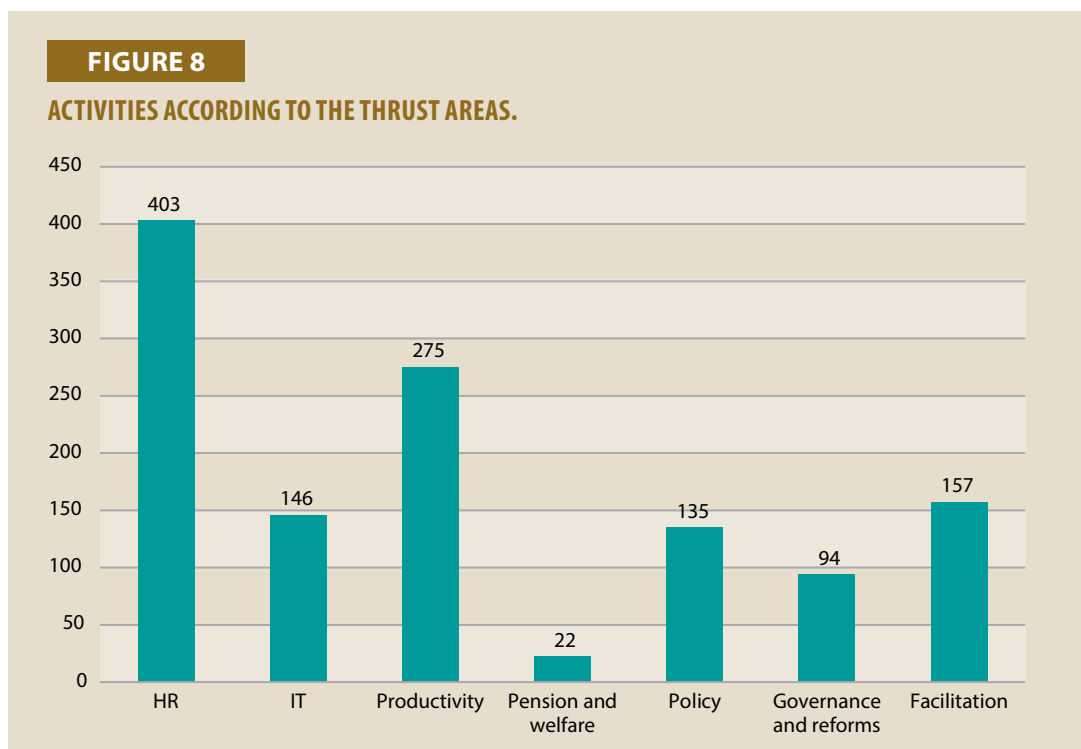
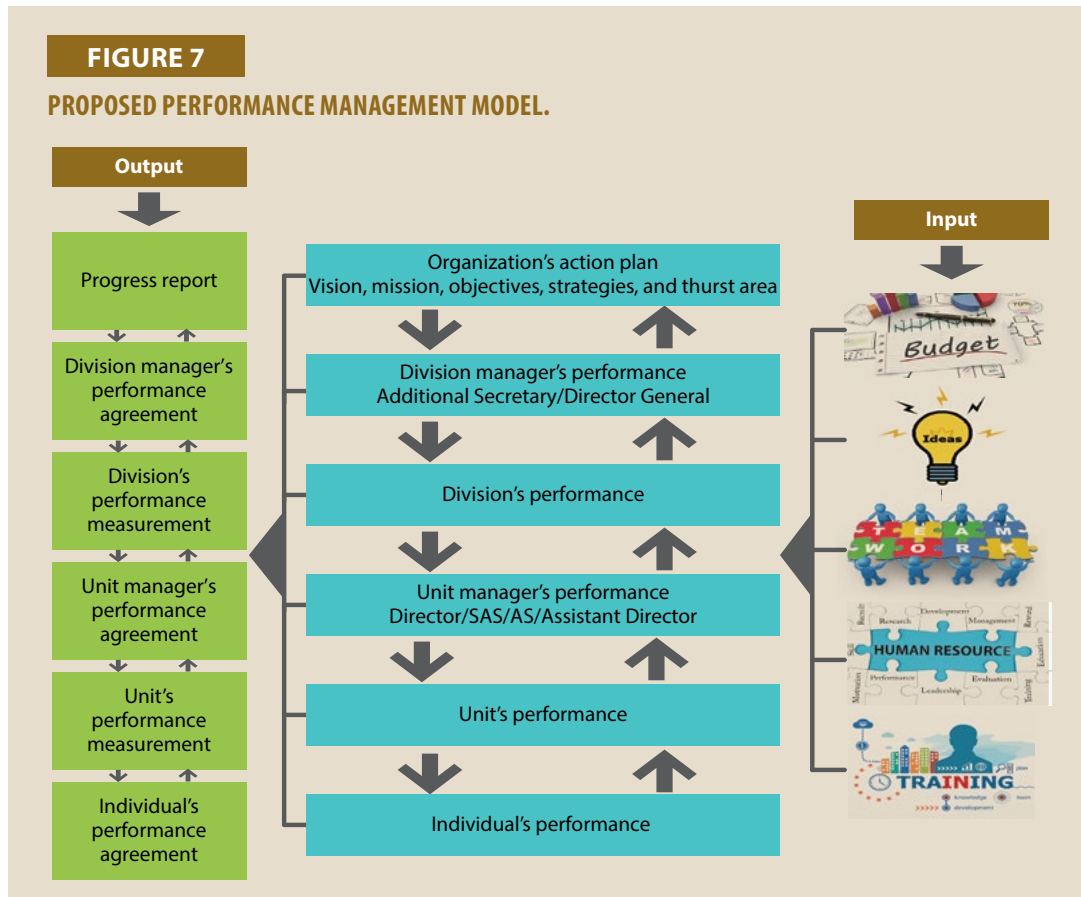
It was astonishing to explore that the divisions with highest number of activities (see Figure 4) showed more than 77% of progress ($\frac{\text{Completed activities}}{\text{Total no. of activities}} \times 100$), except for one division (see Figure 5).





“I have been in the government service for more than 30 years and I have experienced that we used to measure the performance of an individual officer separately, while the performance of the organization in which the officer was working was measured separately. There was no link between the organization’s performance and the individual’s performance,” Dadallage said. “In this Performance Agreement System, the main thing is the connection between an individual performance with the performance of the organization through the very division/unit that particular individual is working in,” he added. “This model is a result of decades of experiences and the learning acquired from various countries during the visits throughout my carrier. In this model, you must show tangible results at the end. To show the results, you must work. There is no way of just filling up the forms and getting the increment in the end, whether you worked or not. You are pushed by others as others in your division are also affected if you fail.”

The pilot project did not go forward on a completely smooth path. We had anticipated that as we know how difficult it is to introduce a new system in the public sector. Most of the officers tend to maintain the status quo rather than adapt to a change. A significant number of hiccups were there and some officers were opposed to the new model. “At the very beginning of this pilot project, I had a doubt regarding its success. I have seen a number of these types of initiatives ending up in failures. Most of the people like to maintain status quo than embracing change. This is what exactly happened. Although, the pilot project was somewhat a success, we could not take it to the next tire of actual implementation,” a senior officer who preferred to maintain anonymity, stated. On the other hand, a significant number of officers acted as pillars of strength for the new initiative. D. Rathnayake, Chief Finance Officer at the Ministry, stated “Performance Agreement System is an excellent system, which should be introduced to the entire public service in the country. The activity basket is an exceptional tool to tie up the annual action plan of an organization with the responsible officers. If they could not complete the activity within the agreed time period, it affects to their overall performance too. Hence, at the end, the annual action plan of the organization is completed and the performance of an individual officer is also enhanced”.



The basis for the new Performance Agreement is the solid linkage between the individual, the unit or division, and the organization itself. So, the individual's performance is linked to the unit's

performance, which in turn is connected to the unit manager's performance, which again is tied to the division's performance. Subsequently, it affects the performance of division managers, e.g., additional secretaries and director generals. Ultimately, division managers' performance is linked with the organization's action plan. Budget (capital and recurrent), ideas, teamwork, and training are the inputs to the model. After injecting these inputs to the system, output is visible through individual performance agreements, performance management of unit/division, and lastly, the annual progress report. Activities in the performance agreement are categorized according to the thrust areas of the organization. Therefore, finally, the summary of all individual performance agreements shows how the activities were disseminated across the thrust areas of the organization.

In case of Ministry of Public Administration and Management, five thrust areas had been identified. It is evident from the chart given in Figure 7 how the activities were spread across the thrust areas.

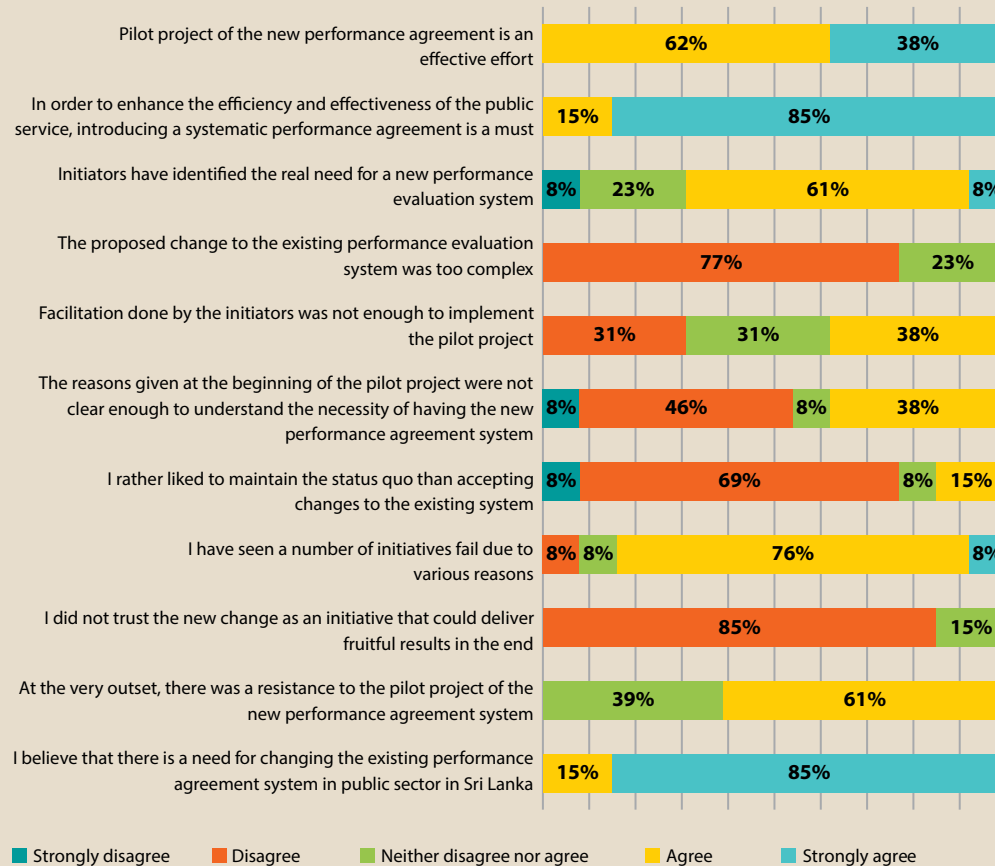
Furthermore, activities in the performance agreement can be classified under two broader areas namely, budgeted activities, and non-budgeted activities. Budgeted activities refer to the activities that need budget while non-budgeted means activities are those that do not need an involvement of the budget. For example, the preparation of a work manual may not need a budget as it is a result of the intellectual effort of the officer who is engaged in that activity. However, the activity of disseminating the work manual among the employees in the division might need a budget as there is a printing cost involved, among other costs. Also, the aggregation of the budgeted activities of total individual performance agreements is equivalent to the annual budget of the organization, and it is easier to monitor the progress of the annual budget spending as well.

Survey on Pilot Project

After the pilot project, this author conducted a research to identify the progress and the drawbacks through dissemination of a questionnaire among the officers. The results are shown in Figure 9 and discussed below.

In a nutshell, 62% of the participants agreed that the pilot project of the new performance agreement was a success while 38% strongly agreed to that. Further, 85% and 15% of the participants agreed and strongly agreed, respectively, on the need for the new performance management system in order to enhance the efficiency and effectiveness of the public sector. Most of the participants also said that the new system was not too complex to understand or follow. Another notable finding was that 61% of the participants agreed that there was a resistance for the pilot project. Still, all agreed that there was a need for changing the current performance evaluation system.

The Chief Finance Officer said, "Although the introduction of the new performance management system to the Ministry of Public Administration and Management is a pilot project done in the year 2016, for this year too, I have instructed my division to use the performance agreement instead of using the old performance evaluation format. This is an excellent model, which must be introduced to the entire public service. Not only as the highest officer dealing with the financial matters of the ministry but as an accountant, this is one of the best remedies to maintain efficient and effective dissemination of budget of an organization. For 2016, the year in which we had the pilot project on Performance Agreement, we were able to show 97% utilization of budget allocated to the ministry because of this new approach, whereas usual utilization of the budget allocation is 70–80%. This is because each budgeted activity is linked to an officer and he or she is responsible for that activity. For this year (2017), although I am not mandated, I have instructed my officers in the finance division to use the Performance Agreement as I have already experienced its benefits."

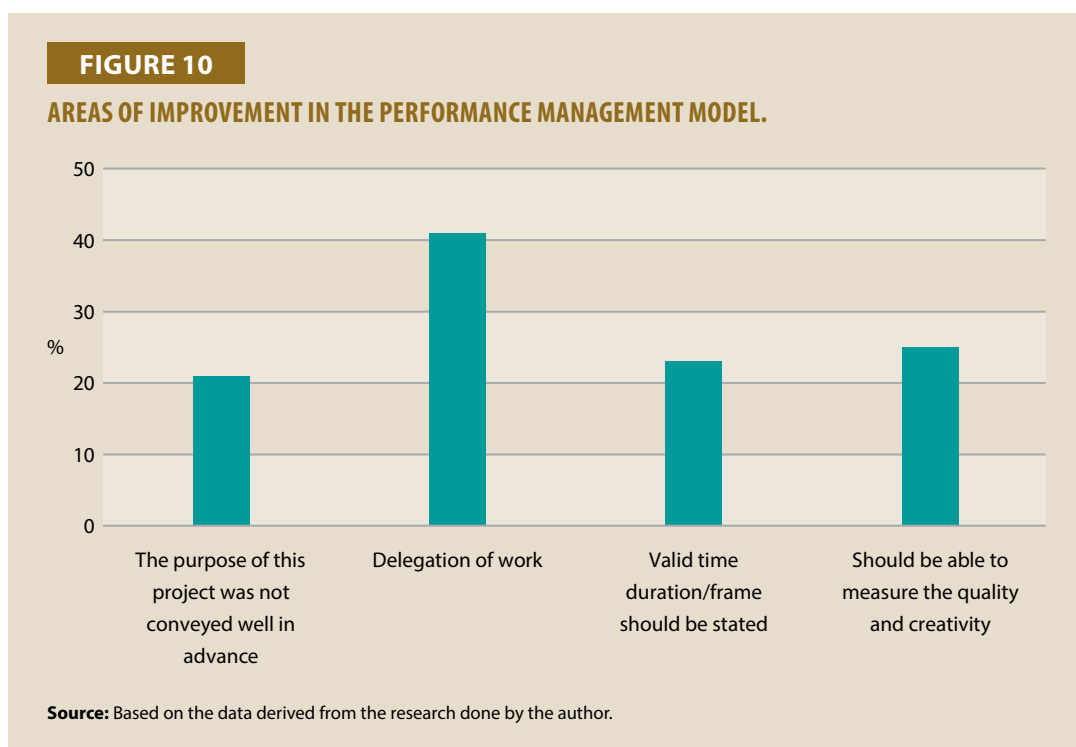
FIGURE 9**OFFICERS' COMMENTS ON THE PILOT PROJECT (FINDINGS OF THE SURVEY).**

Source: Based on the data derived from the research done by the author.

Gayani Wijewardana, Assistant Secretary (Administration), looks at it from a typical administrator's point of view, "This performance agreement is not ratified by a circular issued by the Ministry of Public Administration and Management. Therefore, we cannot implement this new model, though it has proven its vitality in enhancing service delivery of the individual in particular and the organization in general. If we are going to introduce this model to the entire public service, we must issue a circular first."

At the end of the survey questionnaire, participants were asked to state the areas of improvement for better implementation of the performance management model (see Figure 10).

As many as 40% of the participants mentioned the delegation of work as one of the main areas for improvement. In the context of the Sri Lankan public sector, most of the time the authority lies with the higher officials whereas the middle- and junior-level officials just carry out the orders of the higher-level officers. A practice of this nature will not be conducive to the freedom of mid- and junior-level officers for completing their activities on time, as they have to get prior approvals from time to time from their superiors, which ultimately results into unnecessary delays. According to the participants, another notable drawback of the system was that little or nil attention was given to the creativity and/or the quality of the activity, as all activities were treated as same. Participants



opined that there should be more weightage for the quality and creativity of ideas as it would positively impact the service delivery. Yet another concern raised by the participants was the non-adherence to the given timeframe by the implementers. Although, a timeframe was given to the participants at the beginning of the pilot project, we could not stick to the timeframe. This was because the concept was foreign to most of the participants and we had to conduct a number of one-to-one consultations to make them aware and to solve the issues.

Conclusion

By the end of 2016, Dadallage retired from the service and one of his batchmates from the Sri Lanka Administrative Service, Ratnasiri, assumed the duties as the Secretary, Ministry of Public Administration and Management. He is pretty much on par with his predecessor, and he instructed us to forward our project to 5th Temasek Foundation International Governance and Public Administration Programme, conducted at the prestigious Civil Service College (CSC), Singapore. The project was selected for the program and a team of three officers including this author, led by the Additional Secretary (Public Administration) participated at the program from 24 October–2 November 2016. It was an excellent opportunity to share our experience with participants from eight countries. Two countries, Bhutan and Brunei, presented projects of the same nature and it was a good learning for us. Above all, the consolation given by the consultants of CSC at ‘clinical sessions’ facilitated us to understand the performance evaluation system in Singapore and immensely helped us to polish our initiative for implementation.

Although the Performance Agreement Model is acclaimed by various stakeholders and got 100% support from the majority of the ministry; was selected for an international program for further consultation; and received support from the higher-level officers, the actual implementation is yet to happen, simply because of the occupation with day-to-day matters in the ministry. Dadallage recently joined the Prime Minister’s office as an advisor to the Prime Minister, which gave him a strong

platform to practice his concepts. “I believe this is a good opportunity to implement Performance Management Model to the entire public service.” He is still having a dream to accomplish.

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CASE STUDY 13

INTRODUCTION OF PMS BY DEPARTMENT OF PENSIONS, SRI LANKA

Arjuna Wickramasinghe

Abstract

Introduction of a change in the public sector always happens with the intent of providing a practical solution to an existing issue. The aspired outcome is better service delivery to people by public-sector institutions. This case study is an effort to bring forth the initiative of introducing Pension Management System (PMS) in Sri Lanka's public sector. The initiative intended to provide efficient and effective disbursement of pension to former public servants, who after retiring from the service, become service consumers instead of service providers. PMS is a result of relentless commitment of public-sector officers at the Department of Pensions (DoP) to provide an answer to the concerns of pensioners.

Introduction

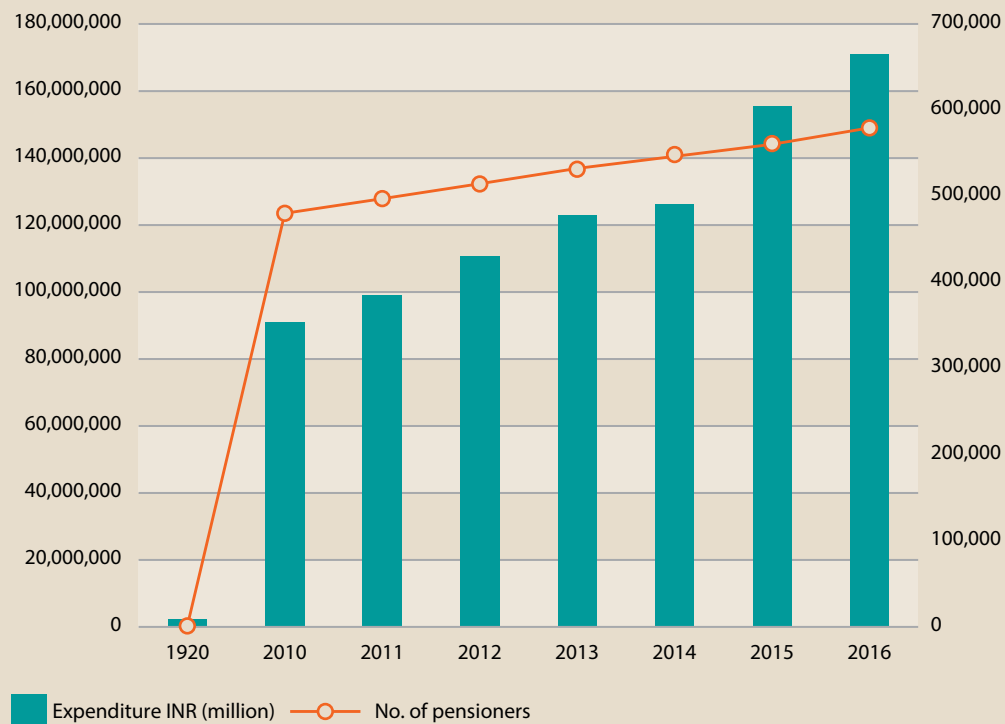
History of pension payment in Sri Lanka started in 1815, the year in which Sri Lanka (then Ceylon) became a British Crown colony. Pensions had been paid to the officers who served for the British empire. However, it took another 81 years, to become a part of the law in the country and in the year 1901 pension ordinance has become a part of the law of the country. Earlier, there was no separate entity which was vested with the responsibility of paying pension and the pension was paid through Additional Controller of the General Treasury. Late, in the year 1970, Department of Pension (DoP) was established as a "A grade" department under the purview of Ministry of Public Administration [1].

As evident from the graph in Figure 1, the number of pensioners has increased by leap and bounds and was close to 600,000 in 2016, owing to the expansion of the public sector. The pension bill also dramatically increased to Rs 150 billion, which amounted to around 1.76% of the country's GDP. For the year 2017, the total estimate for the pension bill was Rs 180.83 billion, which is equivalent to the total estimate for the health sector, including recurrent expenditure and capital expenditure, for the year [2].

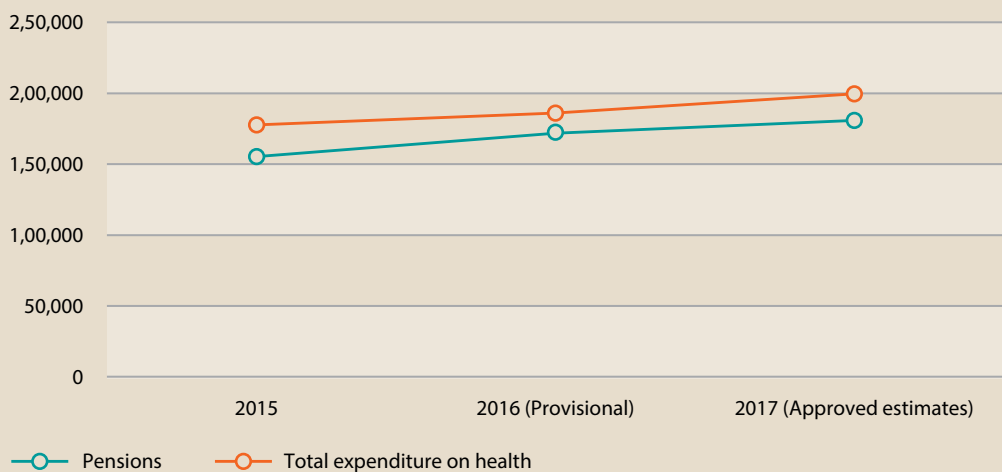
As illustrated in the graph in Figure 2, total pension bill is becoming closer to the total expenditure for the health sector which expects to serve 22 million citizens in the country. Approximately 1,200 pensioners are getting added per month to the community of pensioners and the DoP is receiving those applications through 4,000 entities around the country. Hence, having a comprehensive pension management system in place is indispensable for providing an efficient and effective service to pensioners and also for the efficient disbursement of public funds.

'Ruthless Dictator'

On 12 February 2014, about 300 employees, i.e., almost 50% of the total DoP employees boycotted their duties and gathered in front of the DoP building. By then, personnel from the print and

FIGURE 1**PENSION BILL AND NUMBER OF PENSIONERS.**

Source: Department of Pensions, Sri Lanka.

FIGURE 2**PENSION BILL AND EXPENDITURE ON HEALTH.**

Source: Central Bank of Sri Lanka.

electronic media had already arrived on the scene. Placards were quickly distributed among the protestors and a few leaders emerged from the crowd and started organizing the protest against Sunil Hettiarachchi, Director General, Pensions. They started shouting slogans against him with

placards stating, ‘Give human rights to the employees,’ ‘Chase away Director General (DG),’ ‘We don’t need DG,’ and ‘Ruthless Dictator.’

Some media personnel commenced interviews with the few leaders while their other colleagues got busy filming and taking photographs from most appropriate angles. Protestors said, “Present DG is carrying out adamant administration in the DoP that unnecessarily squeezes and pressures the employees” [3]. The new DG was being criticized for ‘not respecting employees’ and for ‘changing the existing system by taking new decisions and pushing entire pension system into a dilemma.’ He was considered as a drum beater for the burial of the DoP. [4] “He (DG) is asking us to reuse the used envelopes and papers, and wants to show the country that he is saving money while spending money for the renovation, purchasing security camera system, and a sound system that covers the entire building. While these things are happening, the responsible minister is paying no attention,” it was alleged [5].

The Association of Pension Officers’ Mutual Benefits, the main trade union behind the protest, thought Hettiarachchi was backed by the Secretary of Ministry of Public Administration and the Minister of Public Administration and sent to the DoP as a demon to ruin the benefits of the employees. “Initially, most of the employees could not understand the intention of Hettiarachchi. Most of us thought that he was against the employees and wanted to gain cheap popularity by showing off,” Anura Kumarasiri, a Pension Officer who has more than 15 years of experience at the DoP, said, explaining the reasons behind the protest against Hettiarachchi in which he himself had participated. “He is a natural radical thinker who has a vision beyond 10 years. Fortunately, we realized this before it was too late,” he added.

Express Office Train

Most of the government and big private companies are located in Colombo and hundreds of thousands of employees commute via express office trains that run at peak hours to and from Colombo. If someone was working or walking at an enormous speed, people use to refer to him as an express train. “Hettiarachchi was like an express office train that is often difficult to catch. He used to take a number of walking rounds in a day and usually asked me to accompany him,” KR Patmapriya, Director, Pensions, said, sharing his interesting experience with Hettiarachchi. “While we were walking, he suggested a number of things and earlier I thought they were usual petty conversations that did not expect much involvement. However, a few days later, when he summoned me and asked about the progress of his suggestions, I realized that I was in a trouble. Therefore, after that I tried my level best to grab what he was saying and tried to capture his words in visual diagrams. Pension Management System (PMS) was also a result of such a conversation,” Patmapriya said with a smile that radiated satisfaction. “This is what I had sketched out on the very first day when he talked to me on converting the pension application system to an online application system,” Patmapriya drew my attention to a page from an old notebook full of doodle-type drawings (see Figure 3).

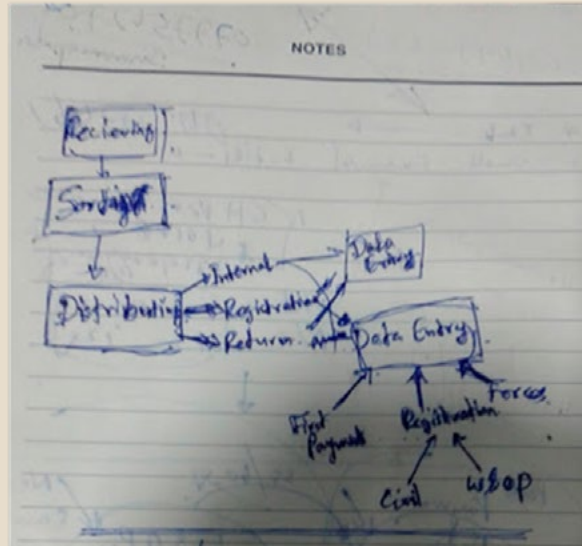
“This is the first sketch of the PMS what we have today,” he added. “Believe me. At the initial stage, I did not have faith in the success of this introduction. We were working with almost 4,000 government entities that sent pension applications, and every month, at least 1,400 pensioners were being added to the system. I knew this (PMS) would be tremendously hard to accomplish,” Patmapriya added with a smile.

On 9 September 2016, DoP issued a circular on PMS with the theme, ‘Obtaining pension benefits on the date of retirement (online submission of pension application)’ to make government entities and

public aware of the PMS that was to be implemented [6]. The PMS was successfully launched by Ranjith Maddumabandara, Minister for Public Administration and Management on 10 October 2016.

PHOTO 1

FIRST SKETCH OF THE PENSION MANAGEMENT SYSTEM.



Elephants Can Dance

On 20 March 2015, Hettiarachchi was invited by the Institute of Engineers Sri Lanka (IESL) to do a public lecture on the theme, ‘Reengineering Pension Department,’ to make the public aware on the changes that were happening at DoP. He came up with a headline ‘Elephants Can Dance.’ He referred to DoP as an elephant moving slowly despite the enormous strength it had. Now it (DoP) had been transformed to a fast-moving gazelle due to the changes.

PHOTO 2

SUNIL HETTIARACHCHI, DG, PENSIONS, DELIVERING A PUBLIC LECTURE AT IESL.



Source: National Science Foundation.

The lecture hall at IESL was packed with enthusiastic professionals from both public and private sectors. The lecture was simultaneously transmitted through the internet. It was a highly successful one in which Hettiarachchi shared his experience on how he transformed the DoP using modern technology with precise changes to the existing systems and procedures using the existing human resource at DoP, which was underutilized or not utilized at all. After the lecture, he faced a barrage of questions from the audience who were fascinated by the lecture and wanted to know more about the changes, including the PMS. The entire audience was thrilled that he had transformed the lazy elephant in less than two years. “When Hettiarachchi assumed duties at DoP, it was a conservative, dilapidated, and almost obsolete institution that needed a major overhaul. He is one of the best change agents I have ever seen in Sri Lanka.” Arjuna Manamperi, a chartered engineer and council member of IESL, who had organized the lecture, said.

One of the main reasons for the success of the PMS was the DG’s capability of getting the service of employees from all levels in the hierarchy for the success of the system “When we were asked by the DG to prepare a format for the e-pension application, we were reluctant to do so. But the way he encouraged us, made it hard for us to refuse the request. In the end, I and another pension officer Wijayabandara were collectively able to introduce the format for the application, and now we are very proud as the people who have prepared the format that is being used by almost 4,000 government entities to send the pension application,” Anura Kumarasiri stated. This statement was supported by Anushaka Ratnayake, Assistant Director (Policy), who mentioned how well Hettiarachchi maneuvered the entire staff to get what he wanted. “Earlier the staff at DoP was divided according to their respective services such as Sri Lanka Administrative Service, Accountant Service, Pension Officers, clerical staff, etc. They used to work within their own virtual enclosures. Hettiarachchi crushed away the silos and inculcated team culture by giving equal opportunities to all and in return he got the service from all. He scheduled weekly staff meetings in which officers of every level could raise their concerns and forward their proposals for improvement.”

As a manager, Hettiarachchi not only gave the responsibility to employees at all levels but also had the ability to select suitable experts from outside to consult him in fields like IT where he did not have an in-depth knowledge. Therefore, he hired Edward Perera, who earlier worked as the Head of the IT division at Sri Lanka Institute of Development Administration (SLIDA) to consult on the PMS. Perera had more than 30 years of experience in the public service and was considered as one of the pioneers who had introduced effective IT systems in public service. “Not only he (Hettiarachchi) honestly wanted to introduce an IT-based solution at DoP but had also rendered 100% dedication for the success of the PMS. We had uncountable number of meetings and discussions, and he even contacted me at midnight to get a clarification on a matter. When anyone sees that level of commitment from the top level, inevitably he or she renders 100% commitment for the success of that particular task,” said Perera with great admiration.

“When I assumed duties as the Director General of Pensions, I firmly suggested to myself that I should make pensioners happy before leaving the DoP. Earlier, people did not like the DoP and considered it as a place with huge stacks of files, dust, and systems suited for the stone age, supported by employees who do not update at all. Yes, it was an enormous challenge. I had to face the protests from the employees, the government entities with whom we were working, and even from the pensioners as they thought I was going to worsen the situation. I was extensively criticized by the media. I did not even have funds for the new implementations. This made me go for private public partnerships (PPP), which also drove criticisms. However, I accepted all these challenges as catalysts that made me move forward. I think, in the end, I was able to make pensioners smile and

feel that they are not leftovers of the system,” Hettiarachchi revealed when he was asked about the changes he had introduced and the challenges he had faced.

Thinking out of the Box

The path to implementation of PMS was not a rosy one. “At the very beginning, we had to change three main things, namely, people, environment, and processes. We did it successfully. Otherwise, we won’t be able to have this success,” Patmapriya (Director) narrated in a matter-of-fact manner. “We had to take tough decisions. We radically changed the physical environment of the pension department, reformed the processes that existed for ages, and even transferred employees not only within the divisions but out of the DoP as well,” he revealed.

Playing a dart game in an office, especially in a public office, is an unusual thing. One day, Anushaka was playing a dart game in the IT division (there was a dart board fixed on to a wall in the office). “Hettiarachchi had placed a few dart boards at the DoP. That day, I was trying hard to hit the bull’s eye and as usual I failed in the end. I used to play dart for few minutes when I was stressed. That day I was drastically angry with something and wanted to release my anger through a dart game,” Anushaka told. “This is an example of how comprehensive the vision of Hettiarachchi was. He even introduced stress-management techniques at DoP in order to get the maximum out of the employees,” he added.

To develop the PMS, DoP got the services of IT undergraduates as trainees. According to government regulations, Rs 500 per day could be paid to trainees. Any additional payment other than that could not be paid to them. Moreover, the maximum contract period for a trainee could not be extended beyond six months [7]. Public service is suffering from a dearth of competent IT professionals, and a quality service cannot be obtained from such a little allowance within such a short period of time as IT system need longer periods for maintenance. To overcome this issue, Hettiarachchi came up with his usual out-of-the-box thinking and asked the undergraduate trainees to form a private company. That created an avenue to get the service of the trainees at a very reasonable cost compared with an IT company, for a longer period. “No one would take this type of risk and innovative approach to overcome an issue,” Patmapriya said.

Pension Management System (PMS)

As showed in Figure 5, the entire PMS process can be divided into three main parts, i.e., online application, registration, and certification. The main objective of the process, of ‘obtaining pension benefits on the date of retirement,’ was clearly mentioned in the circular issued by the DoP. The online-application stage belongs to the government entities that send details of the pensioner to the DoP, wherein pension data entry officers at the concerned government entities have a huge responsibility. For registration and certification stages, officers of DoP have to play a major role.

“From my point of view, public sector is not suffering from a dearth of visionary leaders. There were brilliant initiatives introduced by leaders and are being introduced at the very moment that I am talking to you. But the lacking part is the marketing. Although there are visionary leaders, they do not have the capability for marketing their initiatives or they totally neglect the marketing side even though they have the capability. That makes the difference between Hettiarachchi and the rest. He was not only a visionary leader but also an excellent marketer who gave equal importance to the marketing side. He used newspapers and electronic media extensively in acknowledging public on his initiatives including PMS and it made the difference,” Manamperi articulated.

FIGURE 3
THE THREE PARTS OF THE PMS.

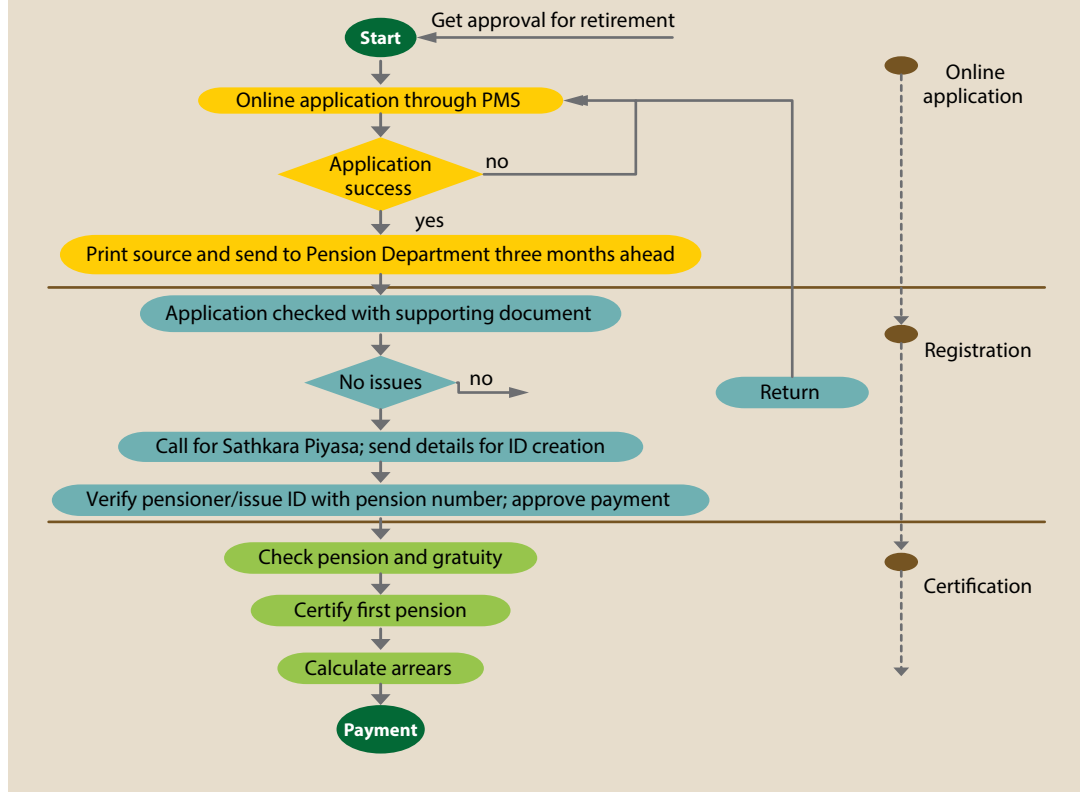
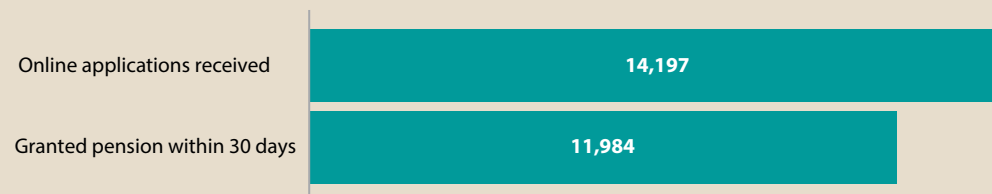


FIGURE 4
PROGRESS OF PMS FROM OCTOBER 2016 TO MARCH 2017.



Source: Department of Pensions, Sri Lanka.

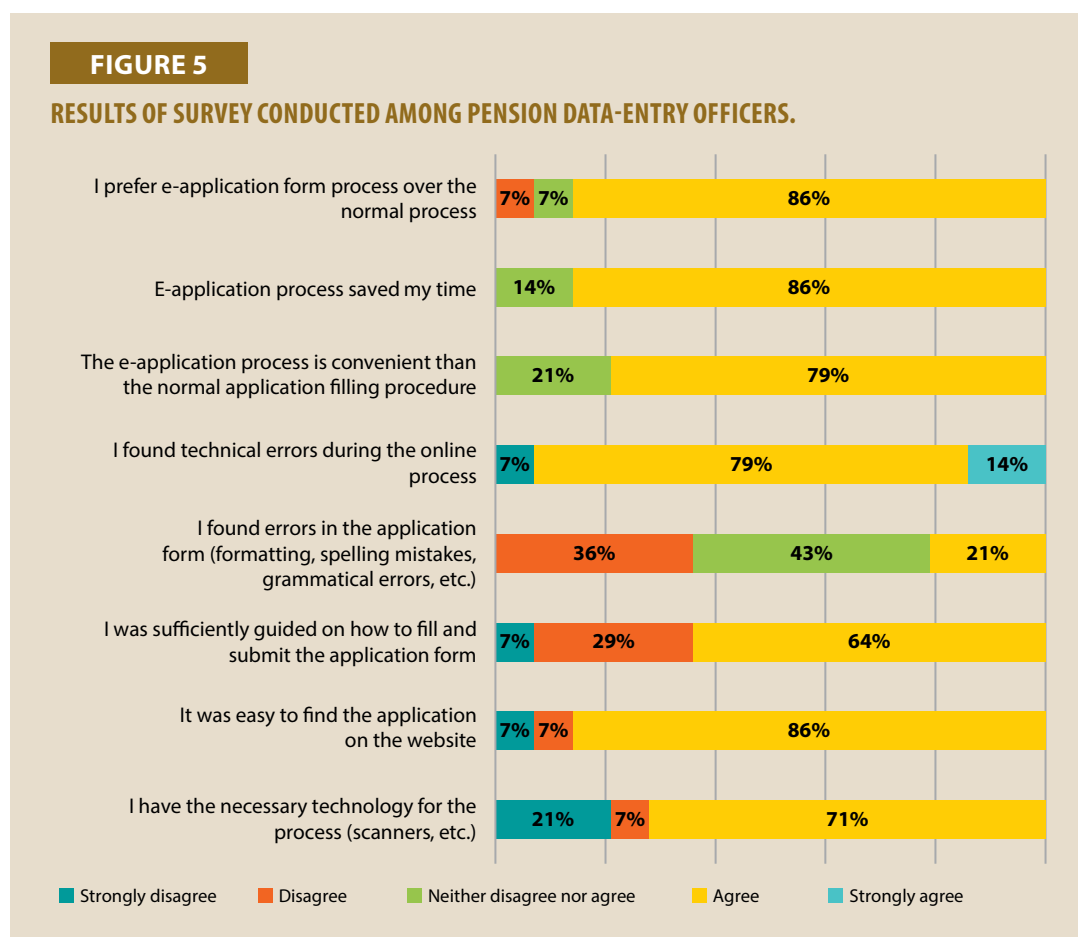
Commencing the pension disbursement within 30 days of receiving the pension application was one of the main objectives of the PMS. From 10 October 2016, the day on which PMS started, to 31 May 2017, 14,197 applications were uploaded through PMS. Out of those, 11,984 were granted pension within 30 days of receiving the applications (see Figure 6). In other words, almost 85% of the applications were processed within 30 days, which is a noteworthy achievement in contrast with the previous system where the rate was 30–35%. This achievement is also a clear evidence of the drastic reduction in errors, when submitting applications through PMS, which is one of the main objectives of its introduction [8]. “Earlier it took almost 1.5 hours for checking a pension application, including 1 hour for checking and 30 minutes for rechecking. However, after PMS was introduced, the checking time reduced drastically to 15 minutes. That happened due to the auto

calculation facility in the system, which minimized the errors,” Buddhika Gunawardana, former Assistant Secretary (IT) stated. “Now, the pensioner receives an SMS stating the position of his/her application after submitting it (application) through the system. Earlier, he had to visit the DoP physically,” Gunawardana noted.

Study on PMS

The best persons to evaluate the success of a change are the people who are directly affected by that change. Hence, it was decided to conduct a survey among the officers of various government entities who are responsible for entering data into the PMS and the officers at DoP who are receiving and processing that data.

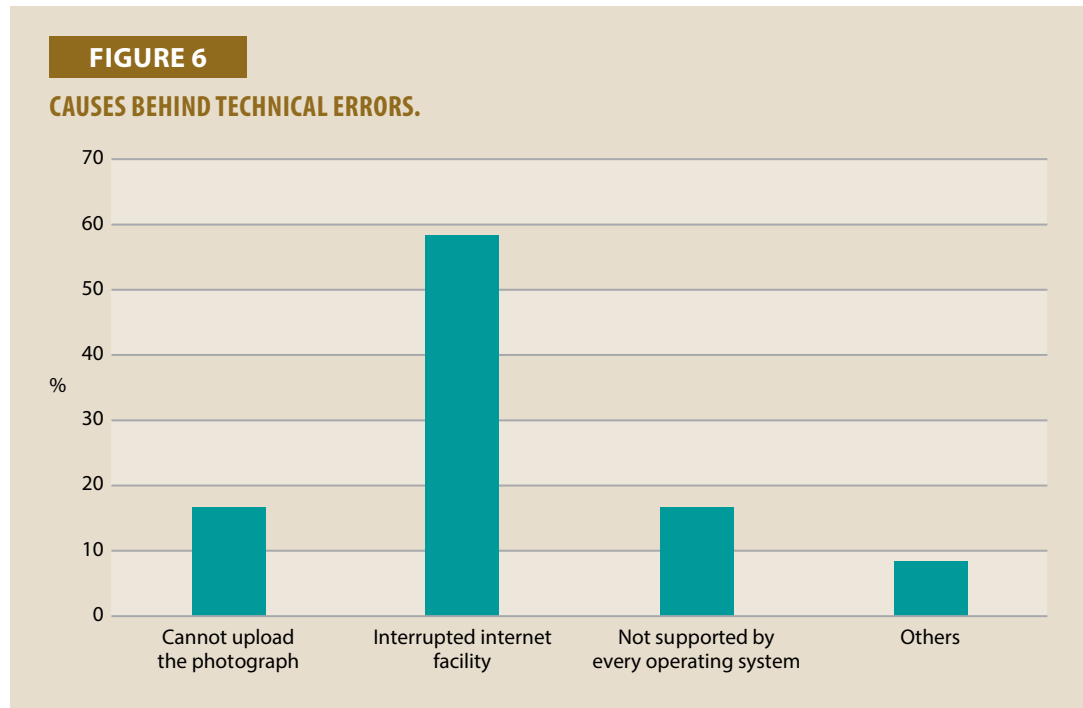
Initially, a questionnaire was distributed among pension data-entry officers at the government entities who enter the details into the PMS and who have been provided the user accounts through which the data should be uploaded into the system. When distributing the questionnaire, maximum effort was made to maintain a fair representation in terms of the size of the entities, employment, regional distribution, gender, etc.



As evident from the chart in Figure 7, 86% of the officers agreed that they preferred the e-application over the previous one. Also, 86% of the officers agreed that the e-application system saved time while 79% agreed it was more convenient than the previous system. The main issue that needs a prompt action is related to technical errors, which happen during the process. As high as 93% of

the officers stated that there were technical errors in the process. Although more than 70% of the officers were satisfied with the availability of the necessary equipment, it should be noted that around 30% were suffering from a shortage of necessary equipment. It should also be noted that the training given to the concerned officers was not enough and only 64% of the data-entry officers were satisfied with the training provided to them. Hence, this is another area that the DoP must look into, in order to sustain the change.

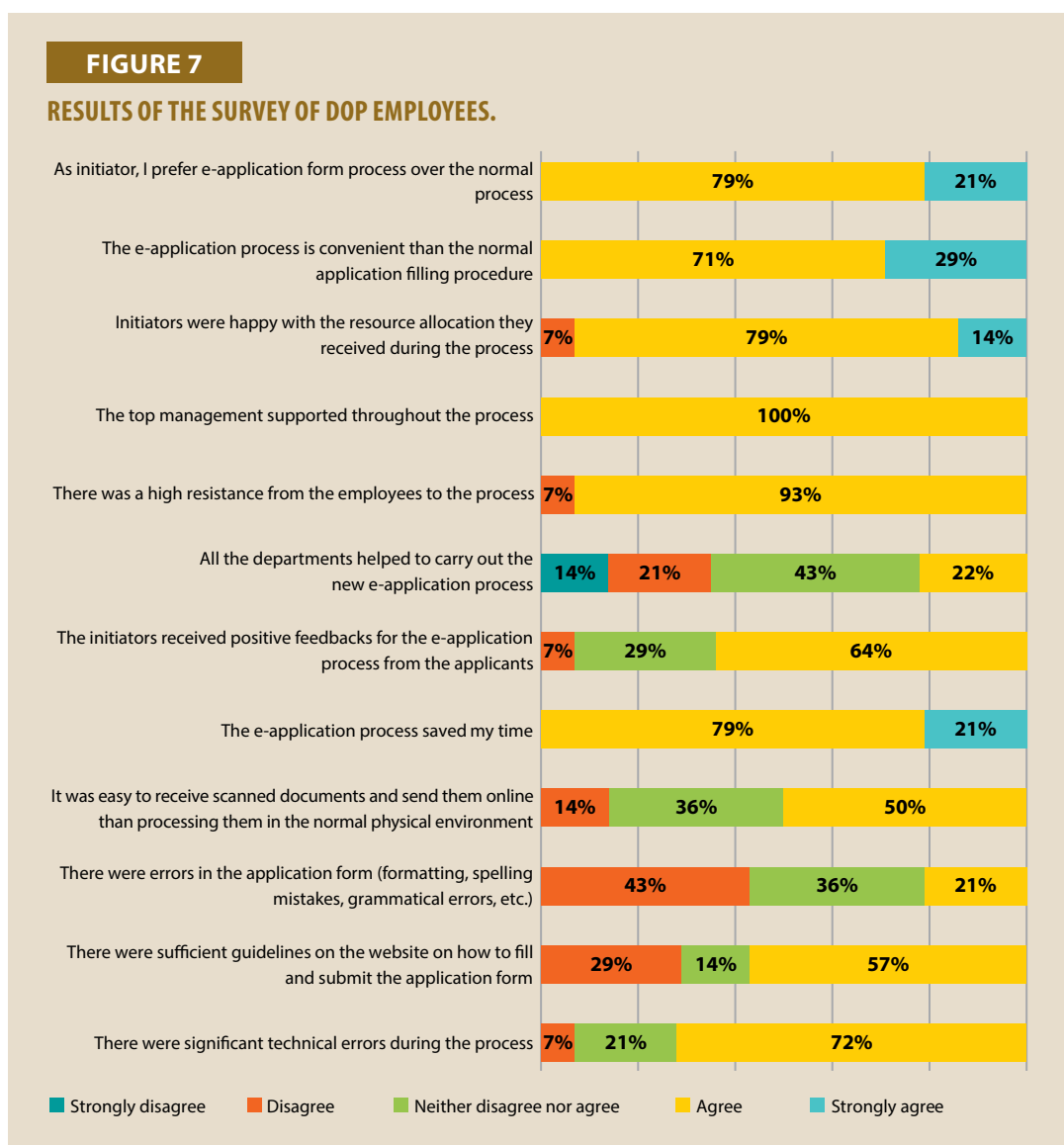
At the end of the survey, participants were asked to state the technical errors that hindered the successful flow of the system. The findings, as shown in Figure 8, are discussed below.



Majority of the participants (almost 60%) mentioned that poor internet connectivity was the main reason behind the technical errors. However, DoP alone cannot provide a solution to this issue since there should be a multi stakeholder involvement to address it. Particularly, government entities have a responsibility to enhance the internet facilities in their respective institutions. Also, most of the computers at government entities are very old and do not have latest operating systems. On the other hand, PMS runs on latest versions and does not support older versions of operating systems such as Windows XP, Windows 7, etc. Therefore, computers at various government institutions need to be upgraded, and this issue too, cannot be solved solely by the DoP.

Data-entry officers have also mentioned that uploading photographs is bit of a problem. When examined, the root cause of the problem was identified as the system not allowing pictures with high resolutions to be uploaded to the application. Most of the data-entry officers do not know how to reduce the resolution of a photograph, which is due to a lack of training given to them. In this case, DoP has to take the leading role to conduct training programs for data-entry officers in order to solve the issue.

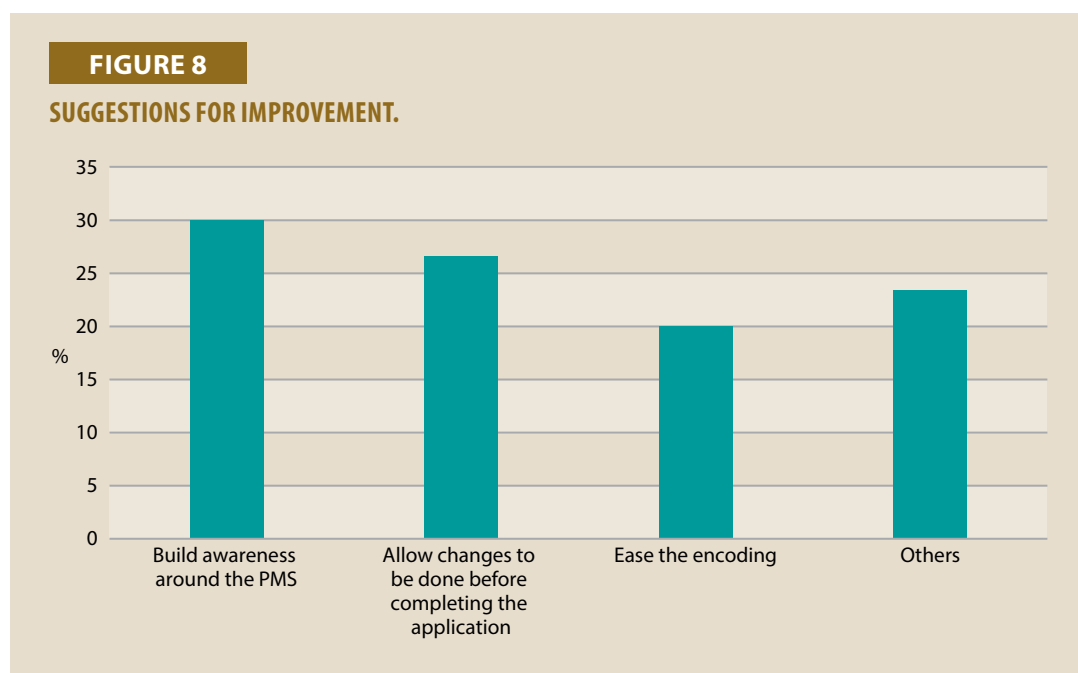
In the second step, a survey was conducted among pension officers at DoP who directly work on the e-applications forwarded through the PMS. Figure 9 provides a snapshot of the facts revealed by the survey.



As apparent from the chart in Figure 9, all respondents were happy with the e-application system and they found it (PMS) to be more convenient than the previous system, wherein a hard copy was filled using manual calculations and sent to the DoP. The respondents were also happy with the support provided by the top management. However, 35% of the respondents were not happy with the effort put in by all divisions at DoP for making PMS a success. This is a normal response when a change is introduced. When it comes to technical issues, 72% of the respondents agreed that there were technical errors in the system and 21% of the participants believed that there were errors in the application in terms of formatting, etc.

When participants were asked about the suggestions for improvement, various suggestions popped up.

As illustrated by the graph in Figure 10, 30% of the participants suggested that awareness was the most critical success factor for a smooth flow of the PMS, which totally tallies with the findings of survey done for data-entry officers. In that survey, 36% of the respondents were not satisfied with the training provided to them. Enhancing user friendliness and ironing out issues on decoding are considered as the next critical factors for the success of PMS.



Conclusion

As evident from the survey and from the interviews conducted among stakeholders, PMS is not a perfect system. There are number of issues to be solved such as, internet connectivity problem in the public-sector entities, use of outdated systems, inadequate training for data-entry officers, etc. However, the PMS should be considered as a good example of change initiated by employees in the public sector who are willing to take risk and face challenges, for the betterment of the people whom they serve.

Hettiarachchi was later promoted as an Additional Secretary in the President's Secretariat and then appointed as the Secretary, Ministry of Education. It is one of the largest ministries in Sri Lanka, being responsible for the management of 10,162 schools and the administration of 236,000 teachers. Some other officers, who were behind the successful implementation of the PMS, also left DoP due to transfers while a few others left the DoP to pursue higher education. However, new Director General of Pensions, A. Jagath D. Dias, is successfully carrying forward the initiatives introduced by Hettiarachchi. "Most of the time we used to discuss about imaginary systems for the public sector and waste our time on extensive discussions that ultimately ended up with unproductive results. We must have practical models for the public sector. PMS is a good example of a public-sector model," Perera said, emphasizing the importance of PMS.

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