



Innovation in the Regions:

A New Initiative for Kota Solok

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1. INTRODUCTION

This second report complements the first report; *Constraints and Opportunities for Civil Service Reform in Indonesia: Exploration of a New Approach and Methodology*. Its purpose is to describe a proposed pilot reform program in Kota Solok, West Sumatra. As mentioned in the Chapter 1 of the first Report and in Annex 1, previous reforms at the regional level have tended to be narrow in scope since the constraints of the regulatory framework have not permitted local governments to address core “machinery of government” functions: organization, personnel and finance. The impact of these innovations is therefore limited.

The suggested pilot for *Kota Solok* is more ambitious in that the *Kota* would indeed review its role, functions, organization, staffing and financial management in an integrated fashion. This review would enable the *Kota* to develop and propose reforms in key areas in order to improve its efficiency and effectiveness and thereby enhance the delivery of services to its inhabitants. An important pre-requisite for the pilot is that Central Government would allow the *Kota* the flexibility to determine how best to: develop its organizational structure, reform personnel policies and make instrument compatible with the new organization; develop an appropriate financial and fiscal management system.

2. A PILOT IN KOTA SOLOK, WEST SUMATRA

Background

Civil service reform is a long process and must be launched in a sequenced and phased manner. Pilot projects are one way of working with reforming governments in order to build credibility and support, and demonstrating the possibilities for reform. Experience at the regional level in Indonesia has already shown that the examples of reforming regions can have a strong demonstration effect in other regions (see Annex 1). Such successes also create possibilities for learning and exchanges among the reforming regions and others that want to learn from them.

So far, with the partial exception of Yogyakarta, reforms at the regional level have been narrow in focus because of central regulatory constraints and confusion over the meaning of laws and regulations. A cooperation agreement where the central government agreed to work together on a pilot with a regional cluster would be a significant advance in that it would permit the piloting of changes at the interface between the central government and a local government. Negotiation of the cooperation agreement would constitute an essential pre-requisite for launching the pilot.

In the above respect it has been the objective to prepare a pilot program in one region that would be based on a cooperation agreement between the central government and a region. Although there is still no agreement between the central government and a local government, this part of the report provides all the details of such a co-operation.

A Pilot in Kota Solok

During the preparation of the Diagnostics and Roadmap (See report number 1: *Constraints and Opportunities for Civil Service Reform in Indonesia: Exploration of a New Approach and Methodology*), Kota Solok showed the most enthusiasm for further reforms among the six jurisdictions (three in West Sumatra and three in West Nusa Tenggara) that participated in the study and expressed keen interest in a pilot. The *Walikota* and his staff are well aware of the problems they face in attempting to carry out reforms in the present regulatory context and frustrated at the failure of the central government to provide them with the policies and instruments they require to carry out the needed reforms.

The Kota expressed interest in undertaking on a pilot basis a fundamental review of its role, functions, organization and staffing in order to permit it to meet its targets better and to be in a stronger position to negotiate with Jakarta over the *'formasi'* and other issues. On the budget side, issues that would be addressed include: prioritization and reallocation of expenditures; the linkages between priorities, planning, budgeting and activity implementation; and broadening the local tax and *'retribusi'* base. Such a review would also give this government a grasp of modern analytical tools that may be used to supplement the instruments mandated by regulations emanating from the central government.

During initial discussions on the proposed pilot, the World Bank received an urgent request from the *Walikota* of Kota Solok to provide technical assistance (TA) for the preparation of a draft optimal organization structure for Kota Solok, in compliance with the current regulatory framework, in particular regulation PP 08/03. This work started in early March 2006 with a visit by members of the Kota team to *Kabupaten Sleman* followed by an initial two day working session with the consultant who was hired to help with organizational reform. The relevant information can be found in Annex 2: *Terms of Reference for the assistance to Kota Solok*; Annex 3: *Field visit to Sleman* and Annex 4: *Improved organization structure for Kota Solok*.

After completion of this exercise, Terms of Reference for technical assistance for the pilot, costing, a timetable and other relevant preparatory documents have been prepared.

The Terms of Reference describes the cross-cutting substantive issues to be addressed and stipulate the general objective, the content of the pilot and the TA required for the five key areas:

- i) the right person in the right job
- ii) a transparent and equitable remuneration package for all
- iii) performance management for all
- iv) sound local own revenue (PAD) management
- v) redesigning/improving local financial administration

In addition, technical assistance for the management of the project and for facilitating negotiations with the CG is included. The *Walikota* will need to undertake discussions with the Province and the Central Government (CG) concerning the reforms to be piloted.

TERMS OF REFERENCE FOR CIVIL SERVICE REFORM FOR KOTA SOLOK

General Considerations:

The ultimate purpose is to achieve basic reforms at the regional level to key functions (personnel and organization; financial and fiscal). An important aspect of the study is to alleviate the serious constraints imposed on regional governments by the central gov-

ernment through its complicated and unstable legal and regulatory framework. The pilot must include, for each area addressed, clear rules of the game for the roles of the region and the central government.

Key Substantive Issues:

- These reforms, along with the preparation of a draft optimal organization structure for *Kota Solok*, attempt to *integrate* the planning, implementation and management of organization and personnel. Currently, these are treated separately. For example, PP 08/03 was designed and issued without taking into account the implications of organizational change on human resources policies.
- The preparation of the various policies and instruments must include a logical sequencing outlining every step that has to be taken to implement the various changes. This implies that various activities might run parallel in order to create synergies between policies and make them stronger and more specific to the *Kota's* needs.
- The above requires that all the consultants working on personnel reforms must closely work together under the leadership of the reform team in the *Kota*.
- The consultant should advise the team on strategies for implementation, such as testing job descriptions with a sample of civil servants.
- *Kota Solok* has opted for certain reforms which are quite radical and most of the current responsibilities are now the exclusive responsibility of CG. For example pay and grading policy and a revised early retirement scheme. This implies that the *Kota* and consultants must introduce a communication strategy which for example includes a bi-weekly newsletter for all stakeholders to reduce resistance and confusion. For example the DPR may be invited to briefings on sensitive topics like remuneration.
- In implementing the various new policies and instruments, it is a pre-requisite that those responsible for personnel actions be “trainable” so they may become change agents for a sustainable reform effort.

Specific outputs and other key deliverables for all consultants:

- Review and adapt the work program and timetable for implementation of the pilot in collaboration with the *Kota* team and other consultants.
- Provide high quality advice in the relevant technical areas and help ensure that policies and instruments and any required local regulations are prepared and put in place.

- Exercise leadership and team-building.
- Prepare relevant documents; assist with procurement, training, communication to stakeholders, etc.
- Report on a regular basis to the team leader.

Key areas for reforms:

In addressing the first priority, *the right person in the right job*, the consultant(s) will help the Government of Kota Solok to undertake the following tasks:

- Design a Job Classification system and grade the jobs
- Design Job descriptions based on a modern, performance oriented method. Consider including competencies
- Identify key elements and detailed specifications for a HR data base and planning tool; acquire and introduce the software
- Match individuals to positions with the help of the planning tool
- Design policy for redundant staff including an early retirement scheme, outsourcing and outplacement in coordination with the preparation of an overall policy that addresses equity, merit and performance (see key area number 2, point 3)
- Consider appointing contract staff for vacant posts after the match is completed. Important criteria include: relevant qualification (notably education), skills, performance and length of service
- Recruit and or appoint internally as required based on transparent and consistent criteria and procedures

In addressing the second priority, *a transparent and equitable remuneration package for every one*, the consultant(s) will help the Government of Kota Solok to undertake the following tasks:

- Design a new pay and grading system in relation to Job Classification under key area 1 (see above) taking into account: (i) local job market conditions, (ii) the current policies for PNS, (iii) any new proposals about remuneration from CG, and (iv) the limitation of local financial resources
- Design criteria and procedures for basing pay on performance
- Design a policy for the transition from the old to the new grading system based on equity, merit and performance

In addressing the third priority, performance management for all, the consultant(s) will help the Government of *Kota Solok* to undertake the following tasks:

- Design a performance appraisal method based on the new job descriptions for bi-annual evaluation. In so doing, take into account: (i) the content of the new draft regulation on performance appraisal, (ii) recent international practice and instruments, (iii) the specific problems rose by the current regulation and its application, and (iv) the need to ensure compatibility with the new pay and grading system and the new job descriptions
- Develop a policy and criteria for advancement and promotion based on performance, merit and skills

In addressing the fourth priority, *sound local own revenue (PAD) management*; assist the Government of *Kota Solok* to:

- Review current PAD revenue
- Conduct a study to (1) estimate the PAD capacity of *Kota* and (2) explore improving PAD capacity
- Review local regulations for local taxes and charges
- Design instruments to improve the database for local taxes and charges
- Develop medium term revenue planning
- Develop/improve systems and procedures of revenue collection and administration

In addressing the fifth priority, *redesigning and improving local financial administration*, assist the Government of *Kota Solok* to:

- Review local regulations for local financial administration: i) assess and identifying the strengths and weaknesses of the current local financial administration system and its procedures, ii) assess the gap between current local regulation and the changes required by central regulations,
- Redesign the local financial administration system and procedures to (1) comply with the new central regulations, (2) support the new organization designed by the pilot on organization, (3) be more accountable, more effective and efficient in supporting the decision making process.
- Assess the implications of the new system and procedures for (i) personnel qualification and skills needed, (ii) training needs, (iii) resources needed to run the new system,

- Introduce new software to support local financial administration.
- Prepare a training manual for financial officers of all dinas with necessary skills to administer resources allocated to them

Additional Assistance:

TA will also be required to help the *Kota*:

- to manage the pilot once it begins
- to negotiate permission to undertake the pilot with the Central Government

Tasks to be performed and qualifications required of the consultants responsible for assisting with project management and negotiations:

Terms of Reference for the management consultant

Tasks: Assist the overall management and provide substantive advice and management assistance for: planning, assignment of tasks to team members, monitoring and troubleshooting, on the job coaching, reporting to the *Walikota* regularly, organization of workshops, etc.

Qualifications:

- Graduate training in a relevant discipline (for example, management, public administration, economics and finance)
- Broad experiences in project management in Indonesia
- Familiar with donor procedure
- Knowledge of Indonesian and English and strong writing skills

Terms of Reference for the consultant who will assist with the negotiations between Kota Solok and the Central Government

Tasks:

- To advise and help the *Kota* to obtain permission to implement pilot activities in areas covered by laws and central government regulations
- To help ensure that the provincial government is supportive of the pilot

- To assist in writing the cooperation agreement

Qualifications:

- Graduate training in a relevant discipline (for example, law, management, public administration, economics and finance)
- Sound knowledge of the laws and regulations and the related issues
- Strong drafting and writing skills
- Experiences at the political level in a local government (for example, former Governor or *Bupati* or *Walikota*) and familiarity with the central government regulatory framework for decentralization

ANNEX 1

INNOVATIONS IN THE REGIONS: SOME EXAMPLES

Yogyakarta Province

Yogyakarta enjoys a privileged position among Indonesian regions; it is semi-autonomous, has a special place in the cultural history of Java and the King (*Sultan*) is the Governor and remains so for life. As such it is freer to take independent initiatives and to challenge central regulatory restrictions. This characteristic may also mean, however, that precedents set there may not be easily transferable to other regions.

Yogyakarta province launched an ambitious action plan, with the help of international and national consultants, to reform the role, functions, organization and size of its civil service and to put “the right person in the right job within the right work environment and with the right size wage bill”. In particular, it attempted to deepen its reforms by addressing crucial personnel problems through two radical initiatives: it tried to introduce a special early retirement scheme and it has reorganized along lines that do not conform to the guidelines of Regulation number 8.

Staffing: the staff was reduced from 13,000 to 8,250 after decentralization and is scheduled to shrink to 4,000 by 2007. Most of those reduced were former administrative staff. While this is an impressive reduction, the province was unable to convince the central agencies (BKN was the main opponent) to permit it to implement a special early retirement scheme that would have accelerated departures and facilitated the matching of individuals and posts. Reductions are therefore being achieved through attrition and the unattractive existing early retirement scheme; in addition some *dinas* staff were transferred to the district level. The province has brought in skilled manpower from outside by transferring academics from the university, since they are civil servants and thus eligible for such moves (lateral entry to the civil service from the outside is not permitted, one reason for the proliferation of contract staff.)

Reorganization: the provincial authorities have reorganized into 11 *dinas*, divided into two categories, development and help to marginal people. They did not follow the guidelines of regulation 8 in terms of the overall structure, the functions of *dinas* or the hierarchy and its related echelon levels for senior staff; rather they cut down on the layers and created non-*sectoral* technical units.

Incentives and Discipline: the province is working on a code of conduct and on a reward and punishment scheme.

Selection through Assessment: candidates for available posts are assessed by the Gajahmada University Assessment Center.

Other areas: performance appraisal, transfer criteria and mechanisms, an audit of the payroll to eliminate anomalies and various other initiatives are under way or being planned.

Support to Districts: the province is also helping districts to reform, including Sleman which had been reforming since 1995 under a pilot scheme. As mentioned in the text of this report, they have six donor initiatives underway in various areas.

Bulukumba District, South Sulawesi

Bulukumba has undertaken a restricted set of reforms based on pressure from citizens as manifested through demonstrations and evidence of public unhappiness with services like land registration and the recruitment of civil servants.

The district carried out a thorough reform of the recruitment and selection process for the 2003 round of hiring (Boalemo district also followed their lead.) The full description is available in the document entitled *Transparency of the Selection Process*.

What is remarkable about this initiative is the tremendous effort that was made to ensure transparency and equity and the meticulous procedures that were developed. It shows very clearly how high the demand is for civil service jobs and that fraud and cheating in the administration of exams is a serious issue in Indonesia.

The fact that they were not able to proceed with these methods during the latest round they consider an infringement of their legal rights under the autonomy law and contrary to the whole spirit of regional autonomy.

In other areas, Bulukumba has been less innovative; no organizational reforms have been undertaken; they are waiting for the regulations of the new law. They have concentrated certain public services into a single “shop” and in all offices the prices for licenses, etc. are clearly posted for all clients to see. Finally, they are engaged in a major training exercise for their staff: three or four years of academic, professional or graduate training for a total of 39 staff.

Jembrana District, Bali. Jembrana, under the leadership of a dynamic *Bupati*, has launched a number of new services for its citizens, including free health insurance, health inspections in schools, block grants to villages, and subsidies for students up to the high school level.

Administration of finances and personnel has also been addressed. All teachers get an extra 5,000 Rupiah per hour worked; candidates for open positions are subjected to a battery of tests by a local university assessment center; they have actually dismissed low performing staff using a set of procedures developed locally; attendance is enforced through video surveillance and periodic electronic attendance checks throughout the day.

The *Bupati* refused to submit to the annual *formasi* exercise with the central agencies, as he disagrees with the centrally mandated rations; but they did follow regulation number 8 in reorganizing; down-sizing is being carried out through attrition. The *Bupati* And his staff worry that the provisions of the new law will increase delays and corruption in the processing of personnel actions and are generally concerned that the central government will try to re-impose a recentralization of services and related personnel management.

All this was carried out without donor or other support with the exception of some cooperation with APKASI. They claimed they had never been approached by any central agency for help with performance evaluation or job descriptions and that these were areas that still needed basic changes.

A word on Sustainability

Almost all of the innovations studied are dependent on financing available through efficiency reforms in other sectors, DAU and DAK. They are also heavily dependent on the charismatic *Bupati* or Governor and do not have a strong legal basis, although leaders can issue *Perdas*, local regulations which may not contradict national regulations and laws. Given the fixed term for elected local leaders is it questionable whether the next elected leader will continue such initiatives.

ANNEX 2

TERMS OF REFERENCE FOR DESIGNING THE NEW ORGANIZATION STRUCTURE OF KOTA SOLOK

Background:

Solok Municipal Government is currently evaluating its declared authorities¹ and functions and revising the organization structure. The main purpose of this activity is to design an efficient and effective organization to run its functions under the given authorities. For such purposes, the *Walikota* has formed a team (*Walikota* decree No. 188.45/337/KPTS-WSL/2005) with the following duties:

1. Evaluate and revise the declared authorities in anticipation of the possible revision of PP 25/00
2. Evaluate and re-design the LG organization
3. Draft a new local regulation about the declared functions and authorities of *Kota Solok*
4. Draft a new local regulation about the organization structure of *Kota Solok*.
5. Prepare report and discuss the results of all activities with the *Walikota*

The team began its work in September 2005 and has produced a paper, which evaluates the declared authorities and the existing organization structure. The team has also produced a draft of various alternatives to the new organization structure, which are based on PP 8/03 and influenced by the draft revisions to this PP 8/03. The team is supposed to finalize its report in the first week of April.

On 14 February 2006, the World Bank consultant team visited *Kota Solok* and discussed the possibility of conducting a pilot project on civil service reform (CSR) in *Kota Solok*. The *Walikota* has positively responded to this offer and welcomed any assistance for CSR in *Kota Solok*. However, the *Walikota* also asked for immediate help from the WB to assist the *Kota* team in re-designing the current organization, which is inefficient, too fat and not effective. The *Walikota* then sent a letter to the World Bank. The letter of the *Walikota* was positively received by the World Bank, and it was agreed to help secure funding for such an activity based on detailed TOR. These Terms of reference have been drafted in response to this requirement.

¹ *Kota Solok* is one of the local governments which declare their authorities stipulated in a local regulation based on PP 25/99.

Overall Goal

To produce a draft on the optimal organization structure for the Kota Solok in compliance with the current regulatory framework.

Proposed Activities and Expected Outputs/Outcomes:

1. Technical analysis and review of all documents by an expert team. This analysis should help identify gaps, weaknesses and other outstanding issues pertinent to redesigning the organization of Kota Solok. This analysis should be discussed internally by the Kota Government and should at least cover:
 - An evaluation of the documents produced by Kota's organization team.
 - Provide alternative recommendations on the organization structure of Kota Solok including: a rationale for the alternatives; an explanation of the criteria relevant to an efficient and effective local government organization and subsequently methods to avoid the overlapping of functions in designing the organization.
2. Experts are to attend every "one day" meeting to scrutinize the draft of the new organization. Experts are to contribute to the discussion for the improvement of the draft. This activity includes at least 5 meetings, one a week until the beginning of April. The agenda of each meeting is to be discussed.
3. Visit a local government, which has already improved its organization structure to be more efficient and effective. Assist in choosing an LG relevant to the Kota Solok This activity is expected not only to equip the Solok team with various alternatives of organization structure but also to develop a communication and possible cooperation between Kota Solok and the visited local government for CSR.
4. Discuss the draft redesign of the organization with Menpan and MoHA. This could help the team to understand the position of Menpan and MoHA for any possible deviance from the PP 25/99 and the revised PP 08/03.

Schedule

The activities are to start as soon as possible and to be finished in the first week of April. The team discussions to scrutinize the draft of the organization structure are to be conducted five times until the draft is finished.

Visit to a local government is to be scheduled in the first week of March.

Resource Needs

Two consultants with the following qualifications:

1. An expert in organization and personnel who also has knowledge about the local government system and regulatory framework in Indonesia.
2. An expert in regional development and local government who also has knowledge about socio-economic conditions and the regulatory framework in Indonesia

ANNEX 3

VISIT TO KOTA SLEMAN, 19-21 MARCH 2006

Introduction

In order to help Kota Solok to reform its organization, the World Bank facilitated a field study to *Kabupaten Sleman, Yogyakarta*. Sleman was chosen since this *Kabupaten* is known for its innovations in local government management, including personnel and organization. The choice was supported by information about the organization of *Kabupaten Sleman* on the website <http://www.sleman.go.id>. The organization structure of *Kabupaten Sleman* is much smaller than Kota Solok in terms of the number of echelon II positions, while the population of *Kabupaten Sleman* is about 12 times Solok's population and the area of Sleman is 10 times that of Solok.

The team from Kota Solok included seven officials lead by Bartius Hamid (*Asisten Administrasi Sekda*). The members were:

- Suryadi Nurdal (Head of Organization Unit)
- Yon Hardi (Head of *Kesra* Unit)
- Nova Elvino (Secretary of BKD)
- Fatrial Panai (Secretary of Bappeda)
- Olstrin Priyufa (head of Sub Unit *kelembagaan*)
- Ihsiana Wulandari (head of Sub Unit job analysis)

Preparations for the visit

The purpose of the visit was clearly written in the ToR: is to equip the Solok team with various alternative organization structures through communication with the visited local government.

To achieve optimum benefit from the visit, the team discussed a strategy for obtaining the needed information in a one day visit. The discussion was conducted on 19 March 8.00-9.00 pm at Sahid Hotel Yogyakarta (the hotel where the team stayed). They came up with

the following strategy:

- (1) Two members of the team focused on collecting documents such as the current Structure Organization (SO), medium planning, *Kabupaten* financial statistics, etc.
- (2) The discussion with officials from the *kabupaten* should focus on the following questions
 - What is the SO? How effective is it?
 - How was the SO designed? Any consultant or facilitation?
 - How is the development planning accommodated in SO?
 - How are the authorities accommodated in SO?
 - How many times has the SO changed since decentralization (2000)? Why?
- (3) As necessary, at any moment, the team could be divided into three groups to get more detail about finance and planning, organization and personnel.
- (4) The team, especially the head of the organization unit from Solok, needs to develop communication with its counterparts in Sleman so that further questions about organization needed by Solok can be addressed.

In Sleman 20 March 2006

The team was formally received by the *Vice Bupati* at 9.30 pm. The ceremony was combined with the ceremony to receive the team from *Kabupaten Bogor* (a group of village heads, about 40 persons).

Asisten Administrasi Kota Solok introduced the team and the purpose of the visit. The *Vice Bupati* provided general information about *Kabupaten Sleman* and welcomed the Solok team. *Kabupaten Sleman* comprises 17 sub districts, 86 villages, 1,212 *padukuhan*. It had a population of 892,641 in 2005. About 37 universities/higher education institutions are situated in the *Kabupaten*. Therefore, the population living there may exceed the actual population figures.

The expenditure of *Kabupaten* in 2004 was about 521.7 billion *rupiah*. The local own revenue was about 60.1 billion *rupiah* in 2004. The budget for 2006 was about 543.9 billion *rupiah* supported by 79.9 billion of local own revenue.

Before 2000, Sleman had two secretariats, 22 *dinas*, three *kantor/badan*, and a hospital. After decentralization Sleman formed a small organization with two secretariats, seven *dinas*, four *badan* and four *kantor*. Then under PP 08/03 Sleman expanded the organization to include two secretariats, nine *dinas*, five *badan*, five *kantor* and a training center. In relation to the revised PP 08/03, Sleman now is in the process of reviewing the SO and is planning to expand the organization.

Sleman gives more autonomy to *Desa* than is normally the case. Tradition and culture make the role of the *Desa* very important. Decentralization to *Desa* is accompanied followed by the provision of financial resources such as resources from shared *kabupaten's* own revenue, *Desa* allocation fund (a block grant), and a specific grant for *Desa* apparatus. The *Kabupaten* also provides funds to stimulate participation in development activities by Sub-Districts. The Vice *Bupati* said that four billion in seed money generated 30.8 billion for development initiatives in 2005. Then the discussion continued with the head of the organization unit.

Lessons from Kabupaten Sleman

At 4.00-5.00 pm on 20 March the team brainstormed about the lessons to be drawn from the visit. Each member contributed to the discussion and they came up with the following points:

1. The small structure of the organization in Sleman was due to the reorganization in 2000 (after decentralization). *Pemda* Sleman designed the Organization in 2000 based on the following considerations:
 - Inventory of authorities based on Law 22/99
 - The availability of personnel to fill the organization (including the number of personnel who could fulfill the requirement for echelon positions)
 - Local financial capacity

In 2000, *Pemda* Sleman merged 22 *dinas* and branches of central ministries into seven *dinas*. The reason is that at that time the head of *dinas* or the head of branch ministries were only at the echelon III position, while the head of the new *dinas* were given echelon II status.

Then, in 2003, following the evaluation of the organization and the stipulations of PP 08/03, Pemda Sleman created two dinas and two *badan/kantor*. The number of dinas was extended as a result of workload analysis. *Pemda* Sleman is planning to increase the number of dinas to 12, in the light of the draft of the revised PP 08 that will allow local governments to create small *dinas* (the head of small *dinas* will have an echelon III position).

2. The current SO of Sleman does not fully comply with PP 08/03. For example, *Pemda* Sleman has more than eight *badan/kantor* and an organization with more than two echelons IV to be managed by echelon III. According to the head of organization, they did it based on a strong argument. Central Government agreed to the SO given the argument that it was in line with local needs and for efficiency reasons and that it was in line with local financial and human resources.
3. The way *Pemda* Sleman grouped authorities into an organization took account of local conditions. For example, irrigation and mining were put into a *dinas* because mining activities in Sleman are dominated by type C mining where most activities are in the river or in an area closed to irrigation. However an efficiency approach dominated the way in which *Pemda* Sleman grouped authorities. For example, transportation was combined with local infrastructure and development control authorities into one dinas for efficiency reasons.
4. Workload analysis done by *Pemda* Sleman helped by Gajahmada University concluded that the current number of personnel in Pemda was appropriate number but that their skills mix did fit the needs of the *Pemda*.
5. *Pemda* Sleman measures the performance of organizations rather than individual performance. Each year, a budget is provided to reward organizations. This reward system is based on two main factors: (1) the type of organization, (2) the achievement of an organization performance target. The punishment for organizations, which do not perform well, is to receive relatively less incentive than others. The performance target for each organization is determined each year through a negotiation process between the organization and a team set up by the *Bupati* from six units (Bappeda, BKD, BPKD, Bawasda, *Asisten Administrasi* and government unit).
6. *Pemda* Sleman has assigned functional jobs to various organizations such as Bappeda, Bawasda, education, health. However, some functional jobs have not been filled, as structural positions are preferred due to the more attractive remuneration.

ANNEX 4

REPORT ON KOTA SOLOK ORGANIZATION STRUCTURE

Technical Assistance for Designing: The New Organization Structure of Kota Solok

Introduction

According to the ToR, the TA for designing a new organization structure of *Kota Solok* was to provide an analysis produced by the *Kota's* team in designing the organization. This analysis would help identify gaps, weaknesses and other outstanding issues pertinent to redesigning the organization of *Kota Solok* and provide alternative recommendations on the organization structure. Moreover, the consultant appointed to provide the assistance was to attend meetings to scrutinize the draft of the new organization, thereby contributing to the discussion and to the improvement of the draft.

The existing central government regulation PP 08/03 was used as a guide-line in designing the organizational structure.

The Processes

Before the TA had started, *Kota Solok's* team reviewed the declared authorities and the existing organizational structure. *Solok's* team also produced various draft alternatives to the new organizational structure based on PP 8/03. As soon as the organizational consultant, Mr. Idris from Makassar, was appointed (mid-March), the existing analysis, including the *Kota's* medium term planning, was sent to him to be analyzed.

Then the *Kota's* team visited Kabupaten Sleman on 19-20 March to learn about its organization. Next, intensive discussions on the organization, in the presence of the consultant, were scheduled for two periods: from 24-25 March 2006 and from 6-8 April 2006.

The first meeting on organization on 24 March 2006 was formally opened by the *Vice Walikota*. At that meeting the international consultant, David Steedman (overall team

leader for the study), also gave his speech and explained the concept and usefulness of functional reviews in designing organizations.

The organization consultant presented his analysis to the *Kota's* team at the first meeting. He also introduced the theoretical framework for designing organizations. Such a framework is in line with PP 08/03.

In order to use effectively the time available from 24 March to 8 April 2006, the following steps were agreed by the *Kota's* team and the consultant:

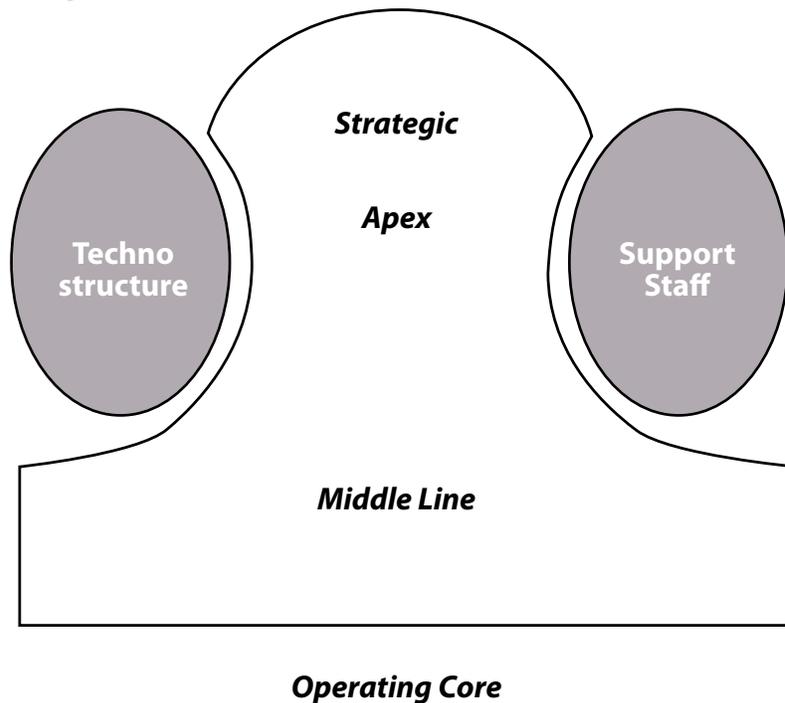
- (1) Discuss the detail of *Kota's* authorities as reviewed by the *Kota's* team. The discussion on the detail of authorities started on 24 March after lunch and finished on the afternoon of 25 March 2006. The idea of further listing the functions based on authorities could not be accommodated due to the limited time available.
- (2) Scoring the current organizations based on the review of detailed authorities and the medium term planning. It was suggested to the team that in giving the score they also consider the workload needed to implement the authorities. This was done by the *Kota's* team (without the present of the consultant).
- (3) Group the detailed authorities into the main organizations (*secretariat, Badan/Kantor, Dinas*) based on scores and types of jobs (operations, technical support, general support). Any organization that got a low score would be combined with other clusters of authorities. These activities took three days (6-8 April 2006).

On the morning of 7 April, the *Walikota* attended a meeting to receive the report on the progress of the work and gave his responses and advice. By that time a general picture of organization had been formed (the *Secretariat, Dinas, Badan* and *Kantor* but not the detail of each organization). The *Walikota* gave a positive response to the decreased number of echelon II and III positions. He emphasized again the need to create an efficient and effective organization. He asked the team to include the work for coordinating the program to reduce poverty in the *Kota* in a particular organization. He thanked the team for its work and the World Bank for its assistance.

Theoretical and Legal Framework

The theoretical framework for designing the new organization is based on Mintzberg's organizational classification which comprises: (a) *the operating core*, (b) *the strategic apex*, (c) *the middle line*, (d) *the techno-structure*, and (e) *support staff*.

Basic Element of Organization



The operating cores are the units which provide direct services to the public. The strategic Apex is the top management, which provides strategic direction to the whole organization. The Middle Line includes managers who link the operating core and strategic apex. The Techno-structure consists of the units responsible for providing technical support to the whole organization; the support staffs are the units that provide general support to the top managers and to the whole organization.

Such a theoretical framework is interpreted by PP 08/03 as follows:

The Pemda's organization comprises:

1. Secretariat *Daerah* as the support staff to the top executive (*Bupati/Walikota/Governor*).
2. *Dinas* as the operating core to provide direct services to the public.
3. *Badan* and *Kantor* as the techno-structure to provide technical support to the whole organization.

Moreover, PP08/2003 put some limitations for *Pemda's* organization, as follows:

1. The maximum number of Dinas is 14. *Badan/Kantor* is the technical agency that handles the rest of the local functions, which are not performed by the *Sekretariat* and the *Dinas*. It can have a maximum a *Bagian* Administration and four Operation *Bidang*. Each *bagian* or *bidang* consist of a maximum of two sections.
2. The maximum number of technical agencies is eight out of Local Financial Management Agency (BPKD), *Pamong Praja* Police Unit, and BKD. A *Badan* can have a maximum of a *Bagian* Administration and three *Bidang*. Each *bagian* or *bidang* consist of a maximum of two sections. A *Kantor* can have a maximum of a *Sub Bagian* Administration and three sections.
3. The maximum number of Assistant *Sekda* is three and each Assistant Secretariat consists of a maximum of four *Bagian*. Meanwhile a *Bagian* can have a maximum of three *Sub Bagian*.
4. The Secretariat of the DPRD *Kabupaten/Kota* comprises a maximum of four *Bagian*, while each *Bagian* consists of a maximum of two *Sub Bagian*.
5. A *Kecamatan* (sub-district) can have a maximum of a secretariat and five sections with functional jobs.

Comparison of the current organization with the proposed organization

	Current Organization	Proposed Organization
<i>Secretariat Daerah</i>	<i>Sekda with 3 Assistant, 9 Bagian</i>	<i>Sekda with 2 Assistant, 8 Bagian</i>
<i>Secretariat DPRD</i>	<i>4 Bagian</i>	<i>4 Bagian</i>
<i>Dinas</i>	<i>13 Dinas</i>	<i>8 Dinas</i>
<i>Badan/Kantor</i>	<i>3 Badan, 5 Kantor</i>	<i>5 Badan, 6 Kantor</i>
Number of Echelon II Position	21	17
Number of Echelon III Position	91 (including Sub-districts)	78 (including Sub-districts)

Notes on the Proposed Organization

- The “authorities” approach dominated the process. The weakness of this approach was recognized by every one in the team when the detail of each organization was discussed. The scoring based solely on the number of detailed authorities did not reflect the real functions of an organization. It was found that the workload of certain

organizations was very low but the score high, due to the numbers of detailed authorities and vice versa. However, the 24-25 March discussions were still useful in that they permitted the team to avoid duplicating of authorities in the proposed organization. Some duplication of authorities (as well as functions) was found in the current organization. Those were then reduced for the proposed organization.

- The way in which the organizations were formed was influenced by the existing systems and procedures. The inefficiency of the existing systems and procedures influences the workload of organization, which in turn influences the structure of organizations. Some *Bagian* (echelon III) and *Sub Bagian* (echelon IV) have to exist due to functions created by systems and procedures; the latter may have to be reviewed.
- Sleman's organizations were often used as references for designing those of Solok.
- The intention of the Kota's team was to accommodate all functions by assigning structural positions to them. Functional jobs are considered less effective for managing authorities/functions for the following reasons: (1) these positions do not exist and (2) they would not have the authority to execute the functions.
- The detail of each organization is designed: (1) to be based on the types of services performed by the organization or (2) by the process of work within the organization.
- Despite its weaknesses, PP 08/03 was still effective in limiting the number of *bagian/bidang* (echelon III) and *sub bagian/section* (echelon IV) in each organization, especially since the data on workload was not available.
- The Transportation *Dinas* had too low to become a *Dinas* with echelon II status. However, it is not appropriate to combine it with other operational functions. Also, its functions do not permit it to be reclassified as a *Kantor*.