Organisation Design for Service Delivery in the Public Sector

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This paper is divided into 3 sections. *Section 1* introduces the public sector in parliamentary democracies. It makes the point that the 'wheel' of administrative reform has turned full circle in the last century. It reviews the market-led model of public management currently in favour in many developed countries and discusses the suitability (or otherwise) of this model for the developing countries. *Section 2* gives an overview of the environmental factors affecting public administration in India and narrows down to a description of the Revenue Department in the Government of Andhra Pradesh. *Section 3* describes and applies an analytical framework to the Revenue Department and discusses options for redesigning that department for more effective service delivery.

Section 1: The background: issues in public management

This paper is about organisation design—or re-design, as the case may be—in the public sector[1] to bring about changes in the arrangements for service delivery in order to achieve strategic objectives[2]. It will attempt to present a methodology for such an exercise rather than a step-by-step guide to how organisations in the public sector may be optimally designed for service delivery. It will do so on the basis of a study of one department and using an analytical framework developed for the purpose.

Public administration distinguishes between 'staff' and 'line' functions. At the centre of government are the agencies that deal in pure 'public goods', such as policy advice, budget-making and the raising of revenue, that government alone can perform[3], along with their support functions such as personnel. These central agencies, such as the Cabinet Office and the Treasury (the Cabinet Secretariat and Finance Ministry, respectively, in Government of India) are the 'buckles' that link the administrative with the political.

The 'line' ministries/departments deal in sectoral functions, including making and implementing policy for the sector. These departments are usually headed by ministers and may, as in the state governments of India, have field organisations (under a 'head of department') that are responsible for execution of policy under the guidance of the ministry.

This paper is about these 'line' ministries/departments. Each of them has some distinct functions viz. policymaking, regulatory, internal support services and direct services to citizens. A large majority of government departments fall within this category. If policy-making for the sector and the internal support services (sometimes also called 'corporate services') are excluded, the <u>two main outputs</u> of line ministries/departments that are of direct relevance to the lives of people are <u>regulatory services</u> and <u>service provision to the citizens</u>.

[1] Here 'public sector' refers to government departments as well as autonomous bodies, statutory agencies and executive authorities appointed by and/or reporting to government, but <u>excludes</u> the 'public sector' as usually understood in India, viz. public sector undertakings or commercial entities owned and managed by the state.
[2] Strategic objectives are generally long-term and focus on ensuring organisational effectiveness in relation to a changing environment.
[3] Tax collection was privatised in ancient China, Greece, Rome and, more recently, Thailand which until 1875 did not have a governmental organisation for tax collection (Schiavo-Campo & Sundaram, 2002). Even in Moghul India, the collection of land revenue was through agents or intermediaries. In modern municipalities collection of parking and toll fees is through contractors. These qualifications will not stand in the way of tax collection being a sovereign function of the state and, in that sense, a pure public good.

The key question that we examine in this paper is *the extent to which 'market' can be the appropriate mode of governance for service delivery.* This would mean raising the following specific questions. Does the private sector have any inherent advantage over the public in service provision? Are there circumstances in which service provision by these line departments can or should be privatised? What criteria should be applied to decision-making in this regard?

Except exclusive departments or agencies that have been created for the purpose of delivering one homogeneous service or serving one homogeneous group of clients e.g. weaker sections housing or backward classes welfare, the large majority of line departments in Indian states are of the type wherein the regulatory and service delivery outputs are mixed. The outputs are, in fact, so mixed up that they cannot easily be separated. The regulations administered by the typical department are often the 'other side of the coin' of the services it provides to the citizen. They define the legal or administrative framework within which service delivery operates. An example is the transport department administering the rules and regulations under the Motor Vehicles Act by checking vehicles for overloading or pollution. It also provides services such as issue of fitness certificates to vehicle owners and driving licences to citizens who apply for them. Sometimes a regulation has to be enforced <u>in order</u> for a service to be delivered.

Herein lies the essential difference between the private and public sectors. In the public sector, rules and regulations have to be followed. Often these have the force of law but, in practice, executive instructions or even guidelines (such as for implementation of schemes) have the same effect as rules on civil service functioning[4]. Thus the system emphasises accountability[5] and transparency, as much as it does the delivery of service to the user. To be sure, the manager of a private sector service delivery agency is accountable to others e.g. vertically to his superior, and less directly to the Board of Directors or the shareholders of the company, but his accountability is neither as wide nor as multi-dimensional as that of his counterpart in the public sector. On the other hand, his immediate goal is usually 'customer satisfaction' with the objective, generally, of either improving the rate of return on investment, increasing the profit to a certain level or augmenting the market share of his company. In other words, *process matters a lot in public sector; in the private sector, what matters most of all is the 'bottom-line'.*

In the public sector the typical flows of accountability run somewhat as in Figure 1:

[4] Customer differentiation (or 'segmentation'), which is often the objective of private sector marketing, is the exception rather than rule in public sector.

[5] The standard works define accountability as the legal obligation to be responsive to the legitimate interests of those affected by decisions, programs and interventions (Waldo; Wilson). But it also implies the authority of state actors to compel compliance and to exercise power (Considine, 2002). That is, accountability = answerability + enforceability (Draft WDR 2004).