

**Assessment of the implementation of Business Process  
Re-engineering in the Public Sector in Ethiopia:  
The cases of the Ministry of Trade and Industry and  
the Ministry of Works and Urban Development**

By

Ibrahim Mamma Hussein



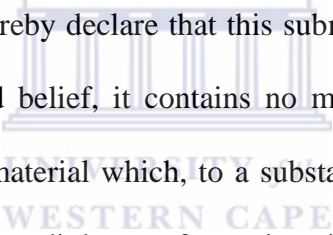
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## **CERTIFICATE OF ORIGINALITY**



I, Ibrahim Mamma Hussein, hereby declare that this submission is my work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person, or material which, to a substantial extent, has been accepted for the award of any degree or diploma of a university or other institute of higher learning, except where due acknowledgment is made in the text.

Signature:.....

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## **Dedication**

I dedicate this thesis to my country in anticipation of a brighter future; so that we may see the fruits of the changes that our forefathers fought and died for, so that we get the government that our people deserve; so that we, one day, manage to fulfil our dream of equal and sustainable access to basic human rights, so that my fellow countrywomen and countrymen live free in this beautiful country of many opportunities.

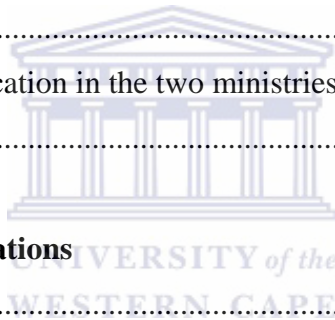


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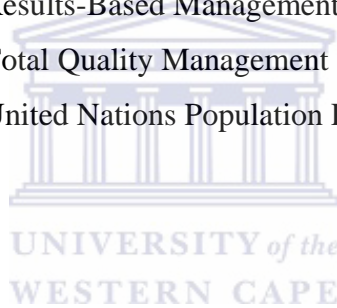
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## List of abbreviations

BPR	Business Process Re-Engineering
EU	European Union
IMF	International Monetary Fund
MDGs	Millennium Development Goals
NPM	New Public Management
OECD	Organisation for Economic Cooperation and Development
PA	Public Administration
RBM	Results-Based Management
TQM	Total Quality Management
UNFPA	United Nations Population Fund



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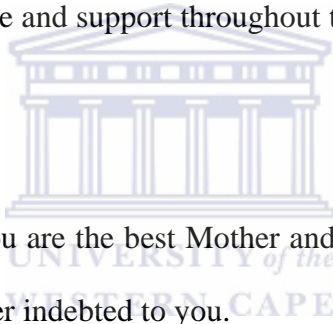




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W/zo Shitaye, Ato Mamma, you are the best Mother and Father in the world. I love you both very much and I am forever indebted to you.

## Abstract

The modern public sector and system of administration in Ethiopia began at the time of the imperial period, in the early 1960s. But this sector and the tradition of administration itself, compared with other countries, is not yet strong enough to play its role as a catalyst in the development and growth of the country. This study explores the wide array of public sector administration and reform practices in other countries and compares them with Ethiopia. More specifically, it looks into Business Process Re-engineering, a recently adopted type of reform, which originated in the private sector. Commonly termed BPR, Business Process Re-Engineering is a reform mechanism to uproot age-old systems of thinking and functioning in any organization and replace them with new paradigms and more efficient and lean systems that will lead to visible results. The literature reveals that it has had mixed results of improvement, both in the private sector and in the public sector in many countries. This study sets out to analyse whether this is just another fad of reform being adopted in order to fulfil a completely different objective of political reform, or whether it is a real effort to bring about changes in the way the public sector conducts its business. From its wide application in the country, two varying sectors have been chosen for this analysis. One is a service-giving institution in the Ministry of Trade and Industry, which has frequent interaction with citizens and, most importantly, investors and business organizations. The other sector is the policy, programming and legal framework designing institution in the Ministry of Works and Urban Development, an institution that depicts one of the core tasks of the public sector. As a result, the findings indicate mixed results in its application. In an institution where

there are clearly defined tasks and deliverables, the BPR application seems to have generated visible results with potential continuity. On the other hand, in core public sector tasks, where government plays the regulatory and policy guiding roles, the initial outcomes of the re-engineering process do not look that promising. The newly designed and presented processes seem to be quite superficial, contrary to the principles of the BPR concept. In conclusion, re-engineering is not an across-the-board application when it comes to the public sector, as there are core functions of the government to which it does not apply. In addition, this leads the study to the conclusion that reforms are appropriate in the public sector, so long as they generate tangible results and changes.



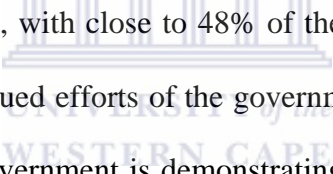
# Chapter 1

## Introduction and background

Recent development trends in developing countries have focused on improving the system of governance and government, based on the need to achieve nationally and internationally set development targets, such as poverty-reduction strategies and the Millennium Development Goals (MDGs). This has magnified the need for a strong public sector as one part of the operational arm of the government. Public sector reform policies have been initiated, supported by multilateral and bilateral development agencies, geared towards revitalizing the various sections within the government's operational structure. The public sector is a major part of the government, entrusted with the task of coordinating development policy making, programming and implementation, as well as providing public services to citizens. It is the bridge that links the efforts of government and the demands of citizens for development and poverty reduction. In so doing, the public sector should be efficient, effective and, most importantly, accountable. An efficient public sector performance is an indication of an effective government that has been able to realize the overall developmental goals and objectives of the nation.

With the changes in government in the country, the public sector in Ethiopia has gone through various reform periods and mechanisms. The most notable reform efforts, however, have been recorded since the last imperial era. With the coming of a new government after the downfall of the military regime in Ethiopia, a wide-scale public sector reform was launched. The initial stages of the reform (1991–1996) focused on

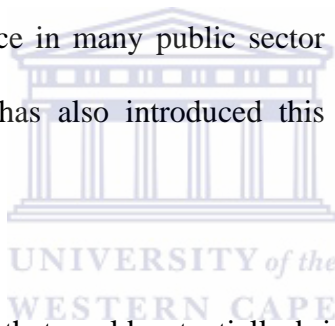
reshaping the highly centralized socialist system of management and had a clear political agenda behind them. The second and wider-scale round of reform was launched at the beginning of 2000 and comprised a multitude of sectors. Business Process Re-Engineering (BPR) was introduced as a reform mechanism during this second round of reforms with the objective of revamping the public sector and instilling the values of efficiency, effectiveness and accountability. Business Process Re-engineering is a private sector-initiated reform mechanism that seeks to uproot existing management processes and principles and replace them with new, radical and pragmatic systems of processes of management. This mechanism has been applied widely across the board on many of the public sector entities on various scales and with very high expectations of change.



In Ethiopia, poverty is rampant, with close to 48% of the population living on less than US\$1 a day. Despite the continued efforts of the government, corruption is a big feature in the public sector. But the government is demonstrating continued policy commitment to promoting and strengthening the private sector as a development partner, as well as to improving the efficiency of public service provision to the citizens. In addition to magnifying the need for a strong and capable public sector, these situations have highlighted the requirement to carefully reform the sector towards effectiveness, efficiency and accountability. In a milieu of such scenarios, it is necessary to see how far the reform efforts introduced by the government have been able to bring about changes in the public sector to enable it to carry out its tasks.

## 1.1 Statement of the research problem

As part of the trend in reforms, the federal government of Ethiopia has introduced yet another instrument of reform to improve the efficiency, effectiveness and accountability of the public sector. This instrument is Business Process Re-engineering (BPR). Experiences so far show that most reform efforts are based on the results of private sector implementation. Accordingly, there are scenarios whereby not all reform efforts borrowed from the private sector actually work in the public sector. With this setting in mind, until recently the implementation of BPR has had a private sector background. It is currently being put into practice in many public sector organizations across the world. The government of Ethiopia has also introduced this reform instrument in order to improve the public sector.

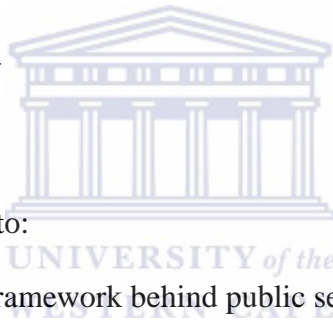


BPR is a powerful instrument that could potentially bring about radical changes in the way organizations conduct their business. It promises remarkable changes in organizations, but at the same time, experience has shown that it can bring about devastating results if the right institutional or organizational set-up and preparations have not been carried out. In fact, the craftsmen of this instrument themselves admit that BPR could make or break an organization, depending on how well its implementers understand the internal system and the instrument. Taking these factors into consideration, the topic in this study is how far the public sector in Ethiopia is able to comprehend, utilize and bring about change in the way business is conducted.

## 1.2 Assumptions of the study

- BPR is a useful approach to changing the way in which organizations conduct their business. However, its usefulness is influenced by, inter alia, a clear understanding of and strategic approach to implementation.
- BPR yields different outcomes depending on the nature of the organization. Hence government ministries will have different experiences of BPR.
- BPR has the potential to address inefficiencies in processes and systems and consequently enhance the efficacy of an organization.

## 1.3 Objectives of the study



The objectives of the study are to:

- Present the theoretical framework behind public sector reforms
- Critically examine the reform approaches introduced pre-BPR towards enhancing the efficiencies and effectiveness of the Ethiopian public sector
- Critically examine and evaluate BPR as an approach to enhancing the efficiencies and effectiveness of the Ethiopian public sector
- Present and critically analyze the experiences of the Ministry of Trade and Industry and the Ministry of Urban Development and Works in applying the BPR model
- Identify the strengths and challenges to implementing the BPR model in the Ethiopian public sector
- Propose recommendations

## **1.4. Research methodology**

To conduct this analysis of reforms and the re-engineering outcomes, the study will deploy certain mechanisms. A significant amount of the data consists of qualitative information.

### ***1.4.1 The case study approach***

This study has employed the case study approach in order to draw conclusions about the observed changes in the public sector as a result of the reform instruments. Because the public sector is a vast and complex structure of hierarchies, two exemplary samples have been selected from this structure. Hence, one policy-making wing and one service-giving wing of the public sector have been chosen. The Ministry of Works and Urban Development has been selected as the policy-making wing. Within this ministry, the Policy, Planning and Programming Department has been taken as a case study. Although it is a newly established ministry, it forms a good case study for evaluating the process of re-engineering as applied to the policy-making and programming aspects of the public sector. For the service-giving wing, the Ministry of Trade and Industry has been chosen. Within this ministry, the Licensing and Registration Department has been selected, because it is a typical public sector service-giving department that represents a very good case for analysis.



### ***1.4.2 Primary data collection***

The study is based on primary data collected in the areas of changes in service delivery and in client satisfaction in service delivery in the chosen case study ministries. Primary data was collected via structured interview questionnaires with the service users. In addition, information was gathered from department heads and reform consultants (a total of 6 department heads in the Ministry of Trade and Industry; and 7 department heads and Reform consultants in the Ministry of Works and Urban Development) who have worked with the two ministries selected for the case study.

### ***1.4.3 Secondary data collection***



This data has been collected from reports, manuals, policies and programme documents in the selected case study ministries, as well as other libraries. In addition, the secondary data has been compiled from other studies conducted on the same topic in the past.

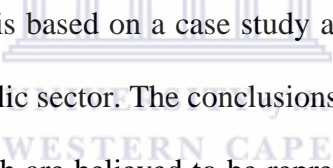
### ***1.4.4 Desktop research and analysis***

Based on the data, most of the information has been treated by simple analysis with Excel in order to assess the qualitative data gathered via primary and secondary sources.

### **1.5 Significance of the study**

This study is significant because such private sector-based reform mechanisms are new experiences in Ethiopia and not much research has been done on the subject. As a result, the findings and recommendations of this study will contribute to other such studies in the area in the future. The study is also significant because it serves to inspire additional studies and research in such topics in the public sector in Ethiopia.

### **1.6 Limitations of the study**



As indicated above, this study is based on a case study approach on the effectiveness of reforms such as BPR in the public sector. The conclusions that are drawn are based solely on these two case studies, which are believed to be representative of the public sector in general. However, the problem with such approaches is that any generalizations that are made about the public sector are based on only a fraction of a large and complex hierarchy. Since it would be cumbersome to analyse all the public sector functions that have been addressed by this reform, the study is somewhat limited in its coverage of the sector.

On the other hand, reforms take time to bring about real change and lasting impacts. The mechanism that is analysed in this study has been implemented in the public sector in Ethiopia for only four years. So any generalizations and conclusions about this

instrument will reflect only the experiences and changes recorded in these four years of the reform application.

### **1.7 Organization of the study**

This study is organized in six chapters. The first chapter details the introduction to the study, its objectives, significance and limitations, as well as the methodologies to be used in the analysis. The second chapter reflects mainly on the literature landscape, and covers the theoretical basis that led to the conceptualization of various types of thoughts and reform mechanisms to run the public sector. The third chapter is dedicated to understanding in depth the issues of BPR, which is part of these theoretical conceptions. The fourth chapter is a chronicle of public sector reforms to date with reference to political regimes that have ruled the country. The fifth chapter is the presentation of the re-engineering application in the public sector with an analysis of the observed changes in these case study ministries. The sixth chapter carries the conclusions on the analysis of the cases and recommendations for future consideration. This chapter is followed by a bibliography of documents consulted for this study.

## **Chapter 2**

### **Theoretical framework/ Literature review**

A number of theoretical reform approaches have been designed worldwide to improve the performance of the public sector. Some have been tested in the private sector system of management, and have then been adapted to suit the public sector. Many countries have plunged into introducing Total Quality Management, Results-Based Management and many other types of reform. Some have reaped good results, and some have failed. A wide school of thought named 'New Public Management' has been formulated to garner the success experiences of the private sector to suit the public sector. This school has had wide application in some developed countries. A number of governments in developing countries have dared to follow it with mixed results. In this chapter, the major tenets of some of these main types of theory will be thoroughly discussed. A look into the formation of each of these approaches will be done and the potential differences that exist among them will be outlined. This will be done primarily by defining and mapping out the basic roles and responsibilities of the public sector in the affairs of a country.

#### **2.1 Defining the public sector and its role in development**

In the literature and most other academic discourse, the public sector has always been regarded as a leader and catalyst in development, a policy maker and regulator in an economy, and a provider of goods and services, as well as the representative of the interests of the citizens in a nation. This chapter is focused on defining what the public

sector is and the roles it plays in development. It explores the theoretical arguments concerning the implementation and effectiveness of public sector reforms. Some of the main experiences from around the world in public sector reform – which have been sculpted in the form of instruments, schools of thought, and theories as well as reform initiatives and their implementation – are discussed extensively.

The term ‘public sector’ has been accorded a multitude of definitions. The public sector consists mainly of the largest function of government in devising and implementing policies and programmes for poverty reduction and development. The public sector has been defined by Mhone (2003,1) as the key apparatus for the execution of the functions of the state or government. It is represented by the executive and its bureaucracy at national, federal, provincial and local level, together with the statutory and parastatal bodies that perform a number of regulatory, monitoring, production and service delivery functions.

In agreement with this definition, Schacter (2000) states that the public sector is largely synonymous with government. All activities of government require organizations and institutional arrangements. Public sector organizations are broadly defined by the World Bank (2000) to include any institutions that shape the way public functions are carried out. These institutions are composed of rules and regulations, organizations and staff that together forge the public service or civil service. ‘Public services’ refers to the provision of public goods and services efficiently and effectively to citizens, based on ‘realization and representation of public interests’ (Haque 2001, as cited in Ayee 2005, 1). As it is

referred to in this study, the public sector is the operational arm of the government that is responsible for carrying out the implementation of government policies and programmes, as well as the provision and administration of public services.

The public sector is in place to spearhead a country's development endeavours. As the main composition of government, it is responsible for the implementation of government policies in executing the regulatory functions of an economy. According to Schacter (2001, 3), the public sector designs and enforces policies that 'cover virtually everything the government wants to achieve'. In performing these duties, the public sector has to be accountable in attending to the needs of the citizens. The public sector is the engine of government's effort to achieve its goals and objectives.



## **2.2 The roles of the public sector in development**

The World Bank (2000) classified the functions of the public sector into three distinct categories. These are making and implementing economic policy; delivering services; and ensuring accountability for the use of public resources and public regulatory power. The design and implementation of economic policies require setting up institutional mechanisms that ensure the maintenance of discipline in fiscal and monetary aggregates; effectively setting priorities among competing demands for resources; and mobilizing revenues. It is also stated in this classification that the delivery of public services requires that institutional arrangements be put in place that are workable in specific country contexts and that promote the goal of poverty reduction.

In the literature, most of the arguments state that the role of the public sector in an economy is best justified by the concept of market failure. This means that market mechanisms alone cannot perform all economic functions; public policy is needed to correct, guide, and supplement them in certain respects (Musgrave and Musgrave 1989, as cited in Hughes 1994, 5). Market failures are explained by the prevalence of public goods and their provisions, which mostly necessitate the intervention of the state because the private sector finds the process is not profitable.

Market failures are characterized by the pervasiveness of externalities and the need for a strong institutional mechanism to internalize them. The existence of natural monopolies in the provision of some goods is an aspect that results in market failures. Natural monopolies are goods that are characterized by declining marginal cost: that is, when supplied to one customer, it becomes cheaper to provide to the next. This usually impedes competition, and in these cases the intervention of government is sought. Examples of such goods are water, telecommunication and electricity, the supply of which becomes cheaper once the infrastructure has been put in place. Kay and Vickers (1990) argue that the operation of the market is mostly impeded by asymmetric information or the lack of perfect information for all those involved in the market. This lack of perfect information leads to outcomes that are not optimal, thereby necessitating the involvement of the government.

A different view of market failures is explained by Stokey and Zeckhauser (1978), who classify them into six groups:

- Incomplete or inadequate information relevant for exchange
- The prevalence of transaction costs
- The unavailability of some markets or the inability to enforce certain contracts as a result of information asymmetry
- Uneven bargaining powers in the market, which undermine the conditions for proper pricing
- Transactions that feature externalities
- Goods that are inherently public, in the sense that, regardless of payment, each person benefits from them



### **2.3 Public sector management and reforms**

An investigation of the literature reveals that reforms are applied to the segments of the public sector in objectives and magnitudes as deemed necessary. Public sector reforms are efforts to bring about changes in the functions of organizations in the public sector with the aim of improving resource allocation and utilization, as well as levels of efficiency in the system. Schacter (2000) argues that reforms in the public sector are deployed for the reason that the public sector may be overextended – attempting to do too much with too few resources. Schacter then states that the sector may be poorly organized; its decision-making processes may be irrational; staff may be mismanaged; accountability may be weak; public programmes may be poorly designed; and public services poorly delivered.



As argued by Thompson and Riccucci (1998), reform initiatives surface sporadically and purport to alter the dynamics of government's administrative processes. They state that these initiatives often have the three 'Es' as their major objectives in the frontline. These are Effectiveness (enhancing government's ability to achieve programme goals); Efficiency (increasing its achievement relative to cost); and Economy (slashing its price assert tag).

Public sector reform initiatives are part of improving government and the system of governance. Governance can be defined as the process and systems in which the state exercises its powers (Kaufmann, Kraay and Lobatón 1999; and Ahrens 2002). In this discussion, Ahrens (2002) stresses that governance issues refer to the questions of 'Who governs?' and 'How well?' The question of 'Who governs?' deals with 'distribution and redistribution'. The question of 'How well is it governed?' refers to institutional effectiveness and performance (Ahrens 2002, 32). This is a reflection of the institutional capacity of the state or public sector, as asserted by Skocpol (1985), to devise economic development policies as well as internal control mechanisms to ensure that they are implemented accordingly. Ahrens (2002) argues that capacity is a vital concern in improving governance. A public sector management study by the Economic Commission for Africa (2003) states that good public management and administration, with the emphasis on accountability and responsiveness to customer needs, has been seen as an aspect of good governance by donor agencies supporting reforms in developing countries. The continued focus in recent years on development policies being geared towards improving governance and putting good governance as a prerequisite for development

justifies this argument. Governance affects the process of public service delivery in many aspects. Mhone (2003) argues that technical issues related to public sector and civil service reform should be located in a broader framework that addresses the nexus of problems related to governance, democratization and sustainable development.

Contrary to such arguments regarding reforms and reforming, many (such as Brusson 1989, March and Olson 1983, and Ferlie, Ashburner, Fitzgerald et al 1996) state that reforms and the continued practice of reforms could have negative impacts in the public sector. For instance, a study by March and Olson (1989) reveals that there are limitations to the results of reforms. Based on a comprehensive study of the reform exercises of the 1980s in the USA, March and Olson (1983) posit that reforms have not yielded visible results, but rather failures, and have ended up being 'administrative rhetoric'. They state that when we use the term 'reform', we should be aware of its value-laden connotations. We do not assume that the organizational outcomes of reform processes are necessarily benign, but are we aware that the term may also be a device through which self-proclaimed reformers sell their products?

This means that reforms and their implementation could easily be hijacked to meet objectives other than those originally intended in the reform conceptualization and design. This is why March and Olson (1983) refer to reforms as 'administrative rhetoric' without any foreseen impact that could bring about change in the public sector. In such cases, they contend that reforms and other restructuring efforts in the public sector tend to be 'legitimacy-led' rather than 'efficiency-led'. Their focus is on the reforming and

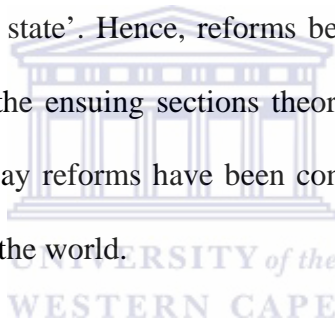
restructuring process, rather than on potential outcomes or actual improvements. Therefore, reforms tend to become ‘politically attractive and to which organizations had to be seen to conform’ (March and Olson 1983, 15).

In addition, March and Olson maintain that reforms could produce negative impacts, mainly as a result of what they call ‘short-term political attention afforded each reform effort by national politicians’ (March and Olson 1983, 22). The influence of such is that reform efforts are ultimately short lived as ‘less central actors moved to the forefront’. This indicates that reforms should include a visible roll-out strategy and decentralization of implementation and management in order to ensure success.

March and Olson (1983) argue that ‘this ambiguity of re-organizations could end up by producing a negative political impact attracting more political opposition than support’. These arguments are based on observations of public sector reform failures in the USA. As a result, they conclude that even in the prevalence of cases of visible failures and disillusionments, such exercises are repeated. This is because of ‘unwillingness to accept political impotence’ and the belief that to persist in repeated reforms will produce results in the future, a type of ‘persistent political will’. Their main conclusion was that ‘bureaucratic reforms appear to need long-run commitment, patience, and perseverance’. However, the problem in such cases is that ‘imitators of reform seldom attempted to ascertain what really happened as a consequence of their efforts’. To which reform efforts therefore are potential results attributed? Ferlie et al (1996) summarize this argument by

stating that proposals of reforms and their subsequent implementation are an ongoing feature of most governments.

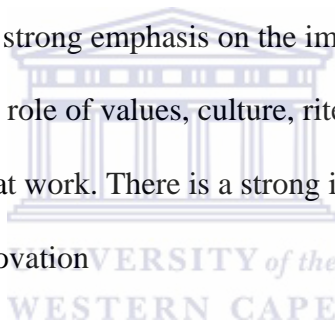
In a similar argument, Brusson (1989) introduces the concept of 'reform cycles'. He contends that while reforms are superficially presented as dramatic changes in the public sector, the process of reforming can be a 'standard and repetitive process'. For Brusson, 'reforms are easy to start, but difficult to finish'. If at the beginning, reforms are oversold or raise undue expectations, the result will be the precipitation of additional problems, thereby raising the need to install another round of reform. As a result, Brusson argues that reforms become a 'steady state'. Hence, reforms become a cyclical exercise in the public sector in particular. In the ensuing sections theoretical approaches are presented that to date have shaped the way reforms have been conceived and implemented in the public sectors in many parts of the world.



### **2.3.1 New Public Management**

The New Public Management (NPM) movement began to develop in the late 1970s and early 1980s. The movement is one of the main outcomes of efforts to improve the management and performance of the public sector. Its fundamental principles lay in the thinking that government systems could be managed like a private sector system. NPM as a theory is characterized by certain model typologies, as outlined by Ferlie et al (1996) and other scholars, and summarized as follows:

- *The efficiency drive*: an attempt to make the public sector more business-like, led by crude notions of efficiency
- *Downsizing and decentralization*: organizational unbundling and downsizing; a search for organization flexibility; a move from a high degree of standardization; increased decentralization of strategic and budgetary responsibility; increased contracting out; and a split between a small strategic core and a large operational periphery
- *In search of excellence*: strong emphasis on the importance of organizational culture. It highlights the role of values, culture, rites and symbol in shaping how people actually behave at work. There is a strong interest in how organizations manage change and innovation
- *Public service orientation*: a major concern with service quality; a value-driven approach



The initial practices of the NPM movement, as stated by Gruening (1998), took place in the UK, under Prime Minister Margaret Thatcher, and communal governments in the US, which suffered heavily from recessive developments and tax revolts of their citizens. Bhatta (2003) recounts that the traditional public sector of the 1980s was inherently inefficient because it did not allow for incentives along the lines provided to firms operating in the markets; and the freeing-up effect of deregulation on the constraints

imposed on managers. Hence, NPM's rallying call was 'Let managers manage'. As Schick (2001) points out, stripped to its essentials, NPM asserts that the performance of public organizations is enhanced when managers are given operating discretion and are held accountable for their actions and results.

The overall tenets of NPM thinking branch out into three main reform areas: marketization: introducing market competition into public sector production; disaggregation: decoupling policy and executive functions; and incentivization: linking incentives to performance. Bhatta (2003) adds that by looking at these inherent characteristics, it is clear that NPM was an attempt to replicate private sector values and practices in the public sector. Together with contracts, competition and incentives, the intention was to ensure that what worked in the private sector would do so in the public sector as well. This was widely applied as a reform package in the UK as well as many parts of the US. It was followed later, as a public sector reform practice, by national governments of other Commonwealth countries, mainly New Zealand and Australia. It was after the successes of these countries' administrative reforms that the NPM got onto the agendas of almost all OECD (Organisation for Economic Cooperation and Development) countries and many other countries in the world (OECD 1995).

### **2.3.1.1 Theoretical basis of New Public Management**

Two key theoretical trends in evidence in NPM are Agency Theory and Public Choice Theory (Bhatta 2003). Agency Theory is part of the new institutional economics thinking

that deals with the contractual relationship between principals and agents, in which the agents serve the principals in accordance with the conditions stated in the contracts. As applied in the public sector, this means that a clear relationship is defined between ministers ('the principals') and officials ('the agents'), or many other layers of management within the public sector. This could also be associated with citizens of a nation as 'principals' and public sector managers or politicians as the 'agents' elected or contracted to perform to meet the needs and desires of citizens.

Another theoretical base that explains the practices of the NPM is Public Choice Theory. This theory focuses on understanding the problems of bureaucracies behaving in self-interested ways, drawing primarily from the fundamental assertion that people will be utility maximizers in all that they do. Bhatta (2003) states that Agency Theory and Public Choice Theory both recognize that incentives are an important means of changing behaviour. This is why NPM focuses on incentivization to managers. Table 1 below outlines the link between the major characteristics of the NPM in comparison with the theoretical basis and in relation to common reforms in the public sector.

**Table 1 Characteristics of the NPM and theoretical approaches**

Reform measures	Theories	Classical PA	Neoclassical PA	Public choice	Austrian School	Principal- Agent	Property rights	Transaction Costs	NPA	Constitutionalis	Communitarians	Discourse	Political	Rational PuMa	Organic PuMa
Budget cuts															
Privatization															
Separation of prov'n & prod'n															
Contracting out															
User charges and vouchers															
Customer concept															
Competition															
Flexibility for management															
Separation of politics & admin															
Accountability of performance															
Decentralization															
Performance measurement															
Improved acc. & financial mgt															
Performance auditing															
Strategic planning and mgt															
Management styles															
Personnel management															
Use of IT															
Legal Spending constraints															
Improved regulation															
Rationalization of jurisdiction															
Rationalization of admin structure															
Analysis and evaluation															
Democratization & participation															

Source: Modified from Bhatta (2003)

### 2.3.2 Re-Inventing Government

Reinventing Government is another facet of the public sector restructuring and improvement movement that followed the public management revolution in the USA. It is another interpretation of the New Public Management movement. One could argue that what NPM was for the UK, Re-inventing Government was for the US, as most of its



practices and initial ideals originated in the reform efforts of public sector management of the US more or less at the same time as NPM was being practised in the UK.

The main proponents of this public sector reform thought are Osborne and Gaebler (1992). The initial arguments for this thinking are similar to the ones in NPM. As stated by Osborne (1993), government today consists of many dedicated people trapped in bad systems: budget systems that provide incentives to waste money; personnel systems; and civil service systems that are cumbersome and provide little incentive. These systems and others must be changed if government is to improve its performance. These arguments were being aired mainly at the time that the US public sector was exhibiting dire inefficiency and was strangled in bureaucratic red tape. Osborne (1993) stated that the federal government was facing huge deficits, yet it continued to mandate services at state and local level without the money to deliver these services. The public were frustrated, angry, disgusted, and ready for change.

The essence of Re-Inventing Government, as stated by Osborne and Gaebler (1992), is to make government more productive: do more with less. They add that the first step is to identify the underlying problems for this predicament, which is that government is doing business in an outmoded way (Osborne 1993). This means most public sector policies and systems are quite old and have not incorporated the changes in the world of doing business. Hence the public sector has not changed, when all these systems and policies have changed and evolved. They state that choice is also possible in the public sector and that we should get rid of the old monopolistic way of providing public services. Osborne

(1993, 18) in his arguments states that in the rapidly changing environment of management, the old top-down bureaucratic monopolies delivering standardized services are not effective. He adds that to be effective today, an organization must be lean, fast on its feet, responsive to its customers, capable of adjusting to constant change, and able to improve productivity continually. 'In other words, it needs to be entrepreneurial rather than bureaucratic' (Osborne 1993, 18).

### **2.3.2.1. Major principles of Re-Inventing Government**

In their pioneering work on Re-Inventing Government, Osborne and Gaebler (1992) outlined the principles of re-invention and what they entail. As a result, Re-inventing Government has ten principles that need to be in place to ensure that the public sector or government is efficient in pursuing its mandate. These ten principles and their practice describe what Osborne and Gaebler (1992) termed an entrepreneurial government that is flexible and seeking improved ways of doing business. Table 2 is a short summary of these principles.

**Table 2 Principles of Re-Inventing Government**

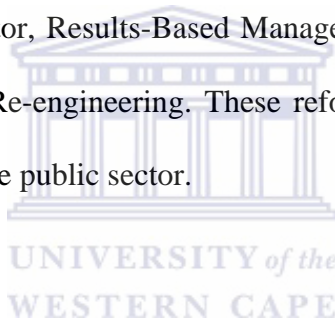
Item	Principles of government	Description
1	Catalytic	Government should steer rather than row Bureaucratic systems are expensive and should be minimized
2	Competitive	Injecting competition into service delivery Competition brings productivity and efficiency
3	Mission driven	Setting goals, missions and visions as the driving force Setting missions will allow managers to manage
4	Results oriented	Measuring results, not inputs or process Providing incentives for achieving results
5	Customer driven	The public should be the customer Customers have choice of service delivery which would promote competition among service providers
6	Enterprising	Instead of only spending, government should be earning
7	Decentralized	Empowering employees Pushing decisions down from one level of government to another
8	Community owned	Pushing control out of bureaucracy and into the community
9	Anticipatory	Stressing prevention rather than cure
10	Market driven	Exploring the idea of changing markets rather than always using public programmes to solve problems

Source: Modified from Osborne and Gaebler (1992)

The NPM and Re-Inventing Government approaches to public sector reform have some obvious similarities. Their main parallel is that they both start by acknowledging the inherent inefficiencies in the public sector and the strong need for change in the sector. The other similarity is reflected in the solutions that they offer to alleviate this inherent inefficiency of the public sector. Both approaches resort to borrowing from the experiences of the private sector in order to solve these problems. NPM talks about running government as a private sector, whereas the Reinventing Government approach

refers to it as creating an entrepreneurial government with visions, missions and goals that can be interpreted into visible activities that can produce results in the public sector.

The NPM and Re-Inventing Government movements are the initial trendsetters in the adoption of radical measures of reform in the public sector with the objectives of improving the performance of the public sector in carrying out its mandate. There are similar reform initiatives for the public sector, which argue towards improving the performance of the public sector as the major player of development. Reform initiatives that have been selected for discussion in this study are the application of Total Quality Management in the public sector, Results-Based Management or Managing for Results, and finally Business Process Re-engineering. These reform approaches have had some experiences of application in the public sector.

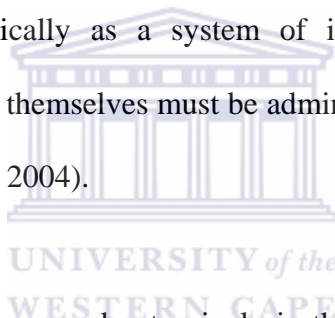


### **2.3.3 Total Quality Management**

Total Quality Management (TQM) is a management strategy aimed at embedding awareness of quality in all organizational processes. It is a combination of quality and management tools intended to increase business and reduce losses owing to wasteful practices. An important part of this approach is that it is a philosophy towards continually improving activities of the organization and its results.

TQM has three basic principles. The first one is to *satisfy the customer*. This is the person who has paid for the product or the service. Customers want to get their money's worth

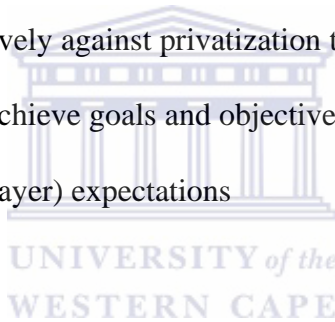
from a product or service. The second principle is to *satisfy the supplier*. The supplier in this case is the person or organization from whom the product or service is acquired. One of the reasons that TQM focuses on the suppliers is to get more productivity out of the workers and improve their motivation and their performance in the process. This is proposed to be done via empowering employees to make decisions on things that they can control. The third and major principle is *continuous improvement*. This step states that there is always room for improvement and one can never be satisfied with the current method. Therefore organizations should always seek out methods that enhance their productivity and continuously improve processes by working smarter. With TQM, an organization is viewed holistically as a system of interrelated and interdependent processes, and the quality tools themselves must be administered in complementary ways (Bowman 1994; and Stringham 2004).



This is an approach that has been used extensively in the private sector as well as with some applications in the public sector in certain developed countries. With regards to its application to the latter, there are contesting views. Some studies, such as Swiss (1992), argue against the usefulness of trying to implement TQM in the functions of government because TQM stresses products rather than services; is insensitive to the problems of defining government customers; has an inappropriate emphasis on inputs and process rather than results; and demands top-level leadership that can rarely be met by the governmental culture. An extension of this argument is that quality matrices for government services are extremely complex to develop and apply in a meaningful way (Swiss 1992).

Others argue that with some modifications, it is possible to apply the principles of TQM in the public sector (Rago 1994). On the other hand, the major proponents of TQM, such as Stringham (2004), argue for the broad areas of advantages and benefits of implementing TQM in the public sector by stating potential areas of improvement such as:

- Producing better and more goods and services with the same or fewer resources
- Motivating and empowering employees
- Developing strong leadership among senior management
- Reducing layers of organizational hierarchy
- Competing more effectively against privatization threats
- Helping organizations achieve goals and objectives
- Meeting customer (taxpayer) expectations



Like many of its predecessors, the TQM approach has had differing results in its application in the public sector in many countries. This can be for many reasons, ranging from the level of understanding of the approach to types of tools that have been implemented, as well as the overall organizational commitment that has been accorded to the approach in the public sector; these are essential cross-cutting factors for many other reform initiatives in the sector.

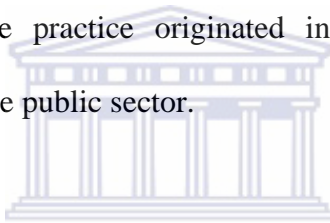
### **2.3.4 Results-Based Management**

The Results-Based Management (RBM) initiative began in the UK, New Zealand, and Australia in the 1980s, and later expanded to USA in the early 1990s. It was encouraged by the OECD among developed countries in the 1990s. As a policy strategy for development aid, it was promoted by the Bush administration and is increasingly being adopted by developing countries in various forms (Asian Development Bank Institute 2005).

By definition, RBM is a participatory and team-based approach to management, designed to improve programme and management effectiveness, efficiency and accountability that focuses on achieving defined results (United Nations Population Fund 2001). It is an approach that integrates the management of strategies, resources, activities and information about performance, with a view to improving effectiveness, efficiency and accountability, and achieving results. RBM can be applied in planning, monitoring, evaluating and reporting on any type of programme or management initiative.

The RBM approach can be simply characterized according to three main tenets. The first is that it focuses on 'performance', which can be defined as outputs and outcomes, not completion of activities or disbursement of allocated budgets. The second tenet is its emphasis on 'efficiency and effectiveness'. 'Efficiency' in the public sector application refers to how the budget is used to deliver outputs; and 'effectiveness' implies ensuring that the outputs result in outcomes for the people. The third tenet is a focus or emphasis

on 'accountability for these results'. To do this, the RBM approach employs a number of sets of tools that help measure results and accountability. These tools include Output-based Performance Plans and Performance Reports, Output-Based Budgeting, Balanced Scorecard, Quality Award Systems, Benchmarking, as well as Performance Contracts and Pay. Some were borrowed from applications in the private sector and their success in helping achieve results and monitor accountability there. This has been a point of strength as well as one of criticism as to their functionality in the public sector. The strength arises from the fact that the approach has been tested and proved to produce visible results towards performance and accountability. The serious criticism, on the other hand, stems from the fact that the whole practice originated in the private sector, which is monumentally different from the public sector.



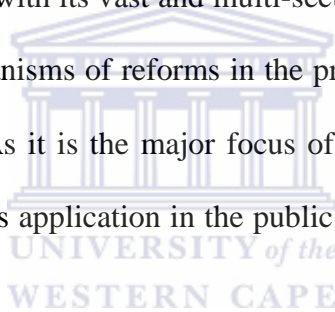
Some of the arguments state that private sector firms have clear and central profit-making objectives, and relatively straightforward ancillary objectives, including those related to employees and society. The public sector organization, on the other hand, has to cope with deep complexity in management structures, objectives, widely differing stakeholder perspectives, and much less control over policy, strategy and incentive structures (Park 1997). In addition, Saldanha (2001) argues, the market and clients they service are different. One is competitive; the other not inherently so. Human resource management systems also differ widely, with the public sector being subject to more controls through civil service regulations. Public sector organizations, having much less autonomy (particularly in financing and internal structures) are usually more hierarchical and rule bound. As a result, currently there are widely varying applications and similarly varied



effects of RBM in most countries. While opponents argue that it is very difficult to capture the concrete results of the public sector, thereby even more difficult to measure performance, the proponents argue that the performance and results of the public sector, like any other organization, can be measured and managed.

### **2.3.5 Business Process Re-engineering**

This is probably one of the most revolutionary concepts in management with regards to organization and development with its vast and multi-sector applications. It is also one of the most widely applied mechanisms of reforms in the private sector, though later it was adapted to the public sector. As it is the major focus of this study, the thinking behind BPR, its basic principles and its application in the public sector are discussed in detail in the ensuing chapter.



## **2.4 Chapter summary**

The effort to improve the performance of government, and the need to make it deliver as expected, has taken many shapes and thoughts. Various approaches have been tried (above). There have been as many different results and outcomes as there are approaches and theories. The most visible cross-cutting line in all these approaches and theories is the shared recognition that government in the modern era cannot continue to function

with old and outdated systems of bureaucracy and inefficiency. Hence, the need for designing public sector reforms is realized. For this, experiences have been drawn from many types and levels of reform initiatives, which seek to run government like a private sector organization; re-invent government, and instil entrepreneurial essence into it; run quality assurance in the tasks of government in producing public goods and services; shape government to function toward achievable results and goals; and make government a lean and smart system focused on achieving set goals and objectives for the public at large. The crux of this argument is that the public sector needs to change its way of doing business. However, there are those who argue that if reforms take place, they should have clear objectives and should be carefully designed. Based on historical accounts of developed countries, they argue that there could be cases whereby reforms would be expected to adhere to more than the agendas originally intended. In such cases the results could be negative, impacting on the future implementation of other reforms. This has been captured in the arguments of 'Reforms as administrative rhetoric' by March and Olson (1983) and Brusson's (1989) 'Reform cycle' concept.

This chapter has highlighted some of the major trends that have been practised to bring about change in the public sector. The ensuing chapter discusses in detail the BPR concept, as one mechanism of public sector reform.

## Chapter 3

### Business Process Re-engineering

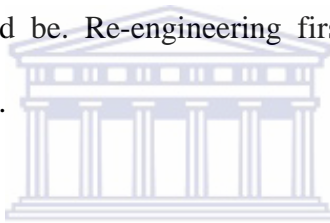
With its vast and multi-sector applications, BRP is probably one of the most revolutionary concepts in management with regards to organization and development. It is also one of the most widely applied mechanisms of reforms, mainly in the private sector, but later adapted to the public sector. It has been argued in much of the literature that BPR has enabled many organizations to truly achieve dramatic improvements in performance. It has also been contended that the effort to re-engineer in many private and public organizations has failed badly with severe impacts. The purpose of this study is to explore in detail the founding ideas, thinking and implementation of BPR. In this chapter its internal mechanisms are dealt with in detail. Because BPR has been applied mainly to the private sector practice, the focus here is to look into the experiences in the public sector and draw lessons from them.

#### 3.1 Defining Business Process Re-engineering

Business process re-engineering (BPR) has to do with radically reviewing how a business works in order to achieve dramatic performance improvement (Hammer and Champy 1993). The main principles of re-engineering are embedded in its definition, as stated by the authors. The given definition is that BPR is the ‘fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical

contemporary measures of performance, such as cost, quality, service and speed' (Hammer and Champy 1993, 32).

Unbundling this definition, Hammer and Champy (1996) put forward certain clarifications. The principles of the concept are also embedded in this definition. The initial part of the definition, *fundamental*, refers to asking an organization certain questions: Why do we do what we do? Why do we do it in the way that we do? One important point in this definition is that re-engineering begins with no assumptions and no givens. This means that in re-engineering nothing is taken for granted. It ignores what is and focuses on what should be. Re-engineering first determines what a company should do and then how to do it.



The second part of the definition and one of the ground principles of re-engineering is that it is radical (Hammer and Champy 1996). In other words, it means that in carrying out re-engineering, one should go to the root of things and not make superficial changes or fiddle with what is already in place, but throw away the old. In re-engineering, radical redesign means disregarding all existing structures and procedures, and inventing completely new ways of accomplishing work. It is about reinvention and not about improvement, enhancement, or modification. It is, in sum, a complete shift in the way an organization carries out its duties.

The third principle of re-engineering is the concept of dramatic change (Hammer and Champy 1996). Re-engineering is not about making marginal or incremental

improvements, but about achieving quantum leaps in performance. Re-engineering should be brought in only when a need exists for heavy blasting. Marginal improvement requires fine-tuning; dramatic improvement demands blowing up the old and replacing it with something new.

The fourth and major principle of re-engineering stated in the definition is the understanding and focus on processes (Hammer and Champy 1996). 'Process' in an organization is defined as a collection of activities that take one or more kinds of input and create an output that is of value to the customer. A process is any related sequence of activities that transform inputs into outputs. Every process receives inputs: raw material or information from another source. These inputs are transformed by a process. The components of a process include people, technology, methods, materials, and management. A process generates outputs: the products or services provided to those outside the process. The recipients of process outputs are customers, who have expectations for both products and services. In this whole set-up, anyone who is interested in and has vested in the success of a process is called a stakeholder. This could include employees, citizens, customers, policy makers, research organizations, administrators, the government, and the local community.

In an effort to clarify the confusions and misconceptions of re-engineering, Hammer and Champy define what re-engineering is not and should not be. Re-engineering is not the same as automation or computerization, software re-engineering, restructuring or downsizing. Nor is re-engineering the same as reorganizing or de-layering or flattening

an organization; although re-engineering may produce a flatter organization. Nor is re-engineering about bureaucracy relieving. It is the basic ill-design factor of processes that creates a bad bureaucracy. If one needs to get rid of bureaucracy, one must focus on the fragmented processes within the system and redesign those processes to create a better functioning bureaucracy. Finally and most importantly, the proponents of BPR state distinctly that re-engineering is not quality improvement or Total Quality Management.

In sum, with all that it is and is not, BPR seeks breakthroughs, not by enhancing existing processes, but by discarding them and replacing them with entirely new ones. BPR is a managerial approach that holistically incorporates institutional strategy, work processes, staffing and technology to dramatically improve performance using operational, technical and business knowledge in a unified way. It is the search for new models of organizing work. Hammer and Champy (1996), state that 'Tradition counts for nothing.' 'Re-engineering is a new beginning' (1996, 45).

### **3.2 Expected outcomes and results of Business Process Re-engineering**

Re-engineering starts with process redesign, but does not end there. The full implementation of BPR promises, as an outcome of the re-designing process, that certain changes will take effect, according to Hammer and Champy (1996).

- *Work units change*: from functional departments to process teams. Once the business has been redesigned, process teams prevail. BPR eliminates what are

traditionally termed ‘departments’ and converts them into processes. Process teams are groups of people working together to perform an entire process. This is not necessarily changing what they do, but rearranging them to do their tasks together rather than separated by departments. A process unit, in other words, is a unit that naturally falls together to complete a whole piece of work – a process (Hammer and Champy 1996).

- *Jobs change:* from simple tasks to multi-dimensional work. Members of the process team share joint responsibility with their team members for performing the whole process, not just a small piece of it (Hammer and Champy 1996).
- *People’s roles change:* from controlled to empowered. People, as process team workers, are both permitted and required to think, interact, use judgment, and make decisions. Teams of one person or several, performing process-oriented work, are inevitably self-directing. Within the boundaries of their obligations to the organization – agreed-upon deadlines, productivity goals, quality standards, etc – they decide how and when work is going to be done. If they have to wait for supervisory directions for their tasks, they are not process teams (Hammer and Champy 1996).
- *Job preparation changes:* from training to education. Hammer and Champy are of the opinion that if people are made to decide on their activities, then they need education and not training. The authors believe that training increases skills and

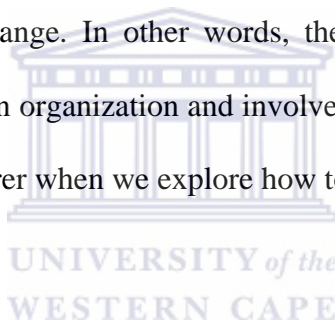
competence, and teaches employees the 'how' of the job. Education, on the other hand, increases their insight and understanding and teaches the 'why' (Hammer and Champy 1996).

- *Focus of performance measures and compensation shifts:* from activity to results. When work is fragmented into simple tasks, companies have no choice but to measure workers on the efficiency with which they perform narrowly defined work. The trouble is that increased efficiency of narrowly defined tasks does not necessarily translate into improved process performance. In addition, paying people according to their position in the organization – the higher up they are, the more money they get – is inconsistent with the principles of re-engineering. Substantial rewards for outstanding performance take the form of bonuses, not pay rises. It is the staunchest stand of re-engineering that in organizations that have re-engineered, performance is measured by value created, and compensation should be set accordingly (Hammer and Champy 1996).
- *Values change:* from protective to productive. Re-engineering demands that employees deeply believe that they work for their customers, not for their bosses. Process teams do not need bosses; they need coaches. Coaches help teams solve problems (Hammer and Champy 1996).
- *Organizational structures change:* from hierarchical to flat. When a whole process becomes the work of the team, process management becomes part of the team's job, thereby eliminating hierarchies (Hammer and Champy 1996).



- *Executives change*: from scorekeepers to leaders. Executives must be leaders who can influence and reinforce employees' values and beliefs by their words and their actions. Executives have overall responsibility for the re-engineering process performance without having direct control over the people performing it (Hammer and Champy 1996).

BPR assumes that such results and outcomes proliferate when re-engineering is done with the utmost commitment and full force of an organization that seeks to reap the benefits and embrace the power of change. In other words, the whole re-engineering process should be the only priority of an organization and involve all the potential stakeholders in the process. This becomes clearer when we explore how to do BPR.

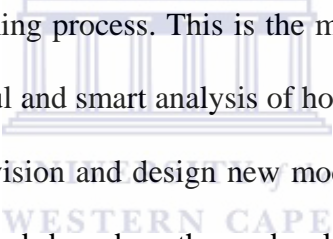


### **3.3 Who should do re-engineering?**

Hammer and Champy (1993) classified the types of organizations that would need to be re-engineered and that could potentially find solutions through re-engineering. These are organizations going through serious problems; those that foresee problems in the mid/long term; and those that are well situated, but wish to increase their advantage over their competitors.

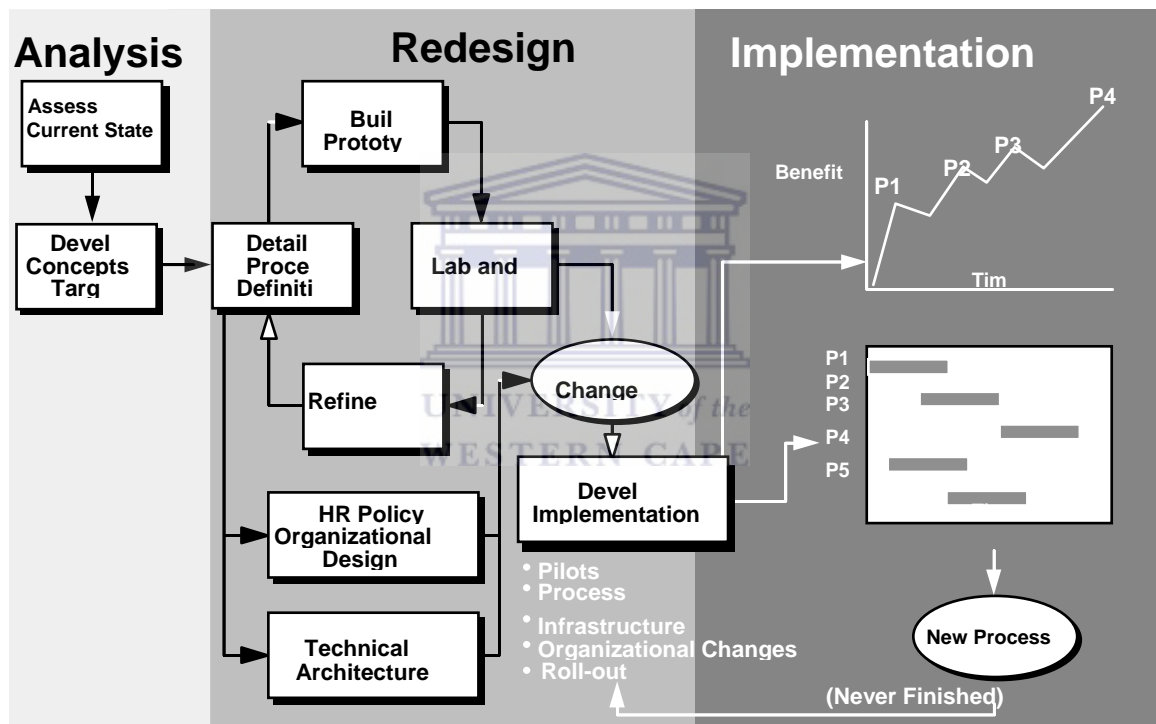
### 3.4 How to do BPR

The process of re-engineering involves a number of steps. These can be categorized into three distinctive stages, based on the detailed activities involved in them, as well as their outcomes. The first step is the analysis stage, whereby the existing business processes in an organization are mapped out and clearly understood. It involves collecting and analyzing data on how work is done currently; how much the process costs; and how efficient and effective the process is. The output from this stage is a document indicating the existing business process of the organization as it is: *As-Is*.



The second step is the redesigning process. This is the most extensive part of the whole process, which requires a careful and smart analysis of how business should be done. It is the stage at which to develop vision and design new models. It explores existing model practices in similar scenarios and, based on these, develops the vision for the future. It looks into the process, organization, technology and policy changes that need to happen. Above all, it engages with defining what customers think of the new model. This stage requires imagination and setting the vision for the way in which an organization wants to see itself transformed. In the words of Hammer and Champy (1996), the redesigning process requires very good insight, imagination, intuition and a touch of craziness. The output from this stage is an indication of the trends the organization is going to follow in order to improve its performance and the way in which business should be done: *To-Be*. The main part of designing the To-Be stage is to discuss the newly designed processes of doing business with all stakeholders and obtain inputs and comments for improvement.

Once this has been done, the third stage is implementation. This stage will have clear roles and responsibilities for all stakeholders. The activities involve testing how long the new models will take to implement and be functional. It also deals with the timing and sequencing of activities and planning the transition into the new model. It outlines tasks and activities to be done to put the processes in place: *To-Do*. Figure 1 below outlines these three stages of process re-engineering comprehensively.



**Figure 1 Business Process Re-engineering stages and outcomes**  
 Source Coopers and Lybrand Consulting 1997

### **3.5 The experiences of Business Process Re-engineering**

More than a decade of application of BPR, mostly in the private sector, has resulted in controversial outcomes. Some believe that it has been instrumental in bringing about change in the way organizations conduct business and showcasing the profit and performance levels that have been registered by many organizations. Others argue that many organizations have failed badly in trying to re-engineer their way of doing business and that this has come at a severe cost. On the other hand, there have been applications of BPR in the public sector, although not much has been said about it. Many countries in Europe, such as UK, Germany, Denmark, Norway, Switzerland, Slovenia and Spain, have tested this approach and have recorded varying results (Albizu and Olazaran 2006). The best-known examples are New Zealand and Australia, which have implemented BPR in the public sector for a considerable period of time. Let us look at these applications by dividing them into the private and the public sector. In general, whatever the outcomes may be, they would always provide valuable lessons for any private or public organization that seeks to follow the same path of reform.

#### **3.5.1 BPR in the private sector**

In the past decade, BPR has been the hottest and most hyped system of management in the private sector in many parts of the world. Most modern consulting companies, boards, and management firms were singing this song of re-engineering with the same voice. However, the overall results have been patchy, leading to controversial attitudes towards

the effectiveness of BPR to bring about the promised radical and fundamental improvements, both in cost reduction and in productivity and other performance indicators. Many have prospered by applying the techniques internally and have exhibited dramatic changes in their portfolio of overall performance. Others have failed severely, which has affected their financial strength, loss of market share, and survival as a business entity. In their chronicle of 20 big European private companies, Albizu and Olazaran (2006) present their findings of outcomes after re-engineering. They state that with regards to staff cut-backs 'BPR has not led to heavy job losses in Europe, and when it has, the staff reductions carried out have been negotiated with workers' representatives, seeking customized solutions for the workers affected' (Albizu and Olazaran 2006, 16).

On the other hand, with regard to 'economic results, we can say that, except for a few cases, BPR implementations did not produce dramatic global improvements in cost reduction or in other corporate performance indicators' (Albizu and Olazaran 2006, 19). However, they state that BPR has helped in certain areas by enhancing service provision and by improving the qualities of products to meet international standards, which to some extent have helped firms to become competitive. Compared with the magnitude of the re-engineering process and the time spent in doing so, Albizu and Olazaran state that the results have not been satisfactory. They argue that the application of BPR in most of these European companies generated 'less dramatic economic results than predicted'. Hammer and Champy admit that many companies that begin re-engineering do not succeed, estimating that as much as 50 to 70 per cent of the organizations that tried a re-engineering effort did not achieve the dramatic results intended (Hammer and Champy

1993, 200). Reyes (2001) summarizes the results in the private sector worldwide, stating that the message here is simple and straightforward: businesses must struggle to discard habits and traditions, those sacred and cherished walls of large, corporate entities that have transformed them into centralized bureaucracies, creating layer upon layer of management over time, which, in turn, symbolizes the production of strata of corporate rules, procedures and manuals. What had resulted is less flexibility and adaptability, and therefore, less capacity for competition against small, lean, and aggressive niche competitors engaged in predatory market offensives.

Arguing for its potential success, Attaran (2000) gives an account of why most failures take place in the implementation of BPR in an organization, and what they should improve. Most of the reasons for failure in many countries and organizations come from poor top management support and involvement, lack of flexibility, lack of effective organizational communication, lack of effective training, failure to cope with people resistance, failure to assign the organization's best human resources, misunderstanding and misapplication of the concept and, most of all, failure to test the concept.

### **3.5.2 Business Process Re-engineering experiences in the public sector**

The arguments as to whether BPR is a solution to most of the problems in the public sector are similar to those of the private sector: for and against it. Those who believe that BPR could assist in solving public sector problems base their arguments on the potential similarities of the structures and existing problems in both the private and the public

sector. The public sector is faced with the usual issues and problems confronting most bureaucracies today. These include multiple layers of management, centralized and expensive systems, as well as the accumulation of control procedures and regulations which are formidable obstacles in ensuring efficiency, economy and productivity of public sector organizations (Reyes 2001). On a larger scale, these situations are mostly seen to lead to public sector corruption and red tape, delays in delivery of services, and extremely heavy bureaucracy in most public offices. BPR as part of a public sector reform could offer potential solutions to such inherent problems in the public sector.

There have been many experiences in the application of BPR in the public sector in the US and the UK. Visible breakthroughs have been claimed, particularly among local authorities in the US. Attempts to re-engineer audit and management performance have likewise been introduced in the European Union (EU). Similarly, in South Africa, re-engineering has been introduced to streamline the consultative process in industry, labour and government trade authorities (Boer 1995, as cited in Reyes 2001). In Ireland, re-engineering applications were introduced to improve facilities for personal social services (Lyons and Kearns 1997). However, Reyes (2001) argues that there could be potential dangers to the application of BPR in the public sector. In the cases cited above, BPR is applied only to specific processes and tasks of the public sector as a whole. Taken on the wider scale of public sector bureaucracies in general, many argue that this could pose potential dangers to the implementation of BPR. This is mainly because the cultures of bureaucracies have become so ingrained that any effort to modify them may receive resistance not only from dyed-in-the-wool bureaucrats, but from politicians and interest

groups as well. This argument stems from the fact that government and bureaucracy may not be as flexible as those systems in the private sector; and this may be a major source of resistance for the success of the re-engineering. Reyes (2001) adds that the incremental nature of government policy making may militate against it. In government, any deviation from the status quo will always be considered a threat, and, in some cases, may be seen as part of a hidden agenda that can be political in nature.

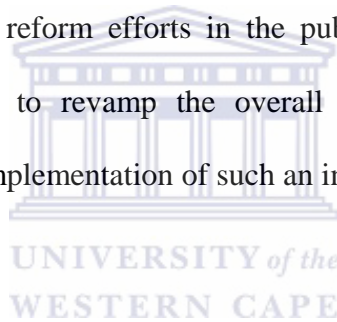
Emphasizing strongly the peculiarity of the nature of the public sector in general, Halachmi (1996) argues that managers in both sectors (private and public) should not expect the experiences of others to be readily applicable to their situation, despite surface similarities. Even within the public sector, Halchmi seems to be sceptical that the experiences of other organizations can determine the preferred model of re-engineering for another. Halachmi (1996) strongly recommends that each re-engineering effort be tailored to the specific needs and circumstances of each case. What makes the public sector largely different from the private is that in the public sector it is much more difficult to define 'values' in such a way that they are shared and owned. By the same token, ownership of a process in a private sector can easily be mapped out, whereas it poses great difficulty in the public sector as a result of the prevalence of multiple layers and actors, as well as the internal and external owners of a certain process.



### 3.6 Chapter Summary

In sum, like the cases in the private sector, there are success stories for re-engineering in the public sector. However, many have argued that the intrinsic differences between the two sectors make comparisons of success and failure difficult for decision making. As a result, it has mostly been stated that each re-engineering process is unique as to its experience, and should have its own mechanisms for capturing success and learning, as well as safety nets for possible failures in implementation.

The ensuing chapters discuss reform efforts in the public sector in Ethiopia and the application of BPR in order to revamp the overall efficiency amid such striking differences worldwide in the implementation of such an instrument.



## Chapter 4

### The public sector and reform in Ethiopia

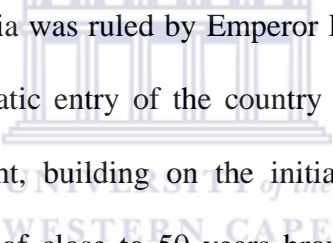
Ethiopia is one of the poorest countries in the world, with a large proportion of the population existing below the poverty line. It consists of a poorly developed public sector, the growth and advancement of which has been severely affected by the continuous political changes in the country. As a result, its role and efficiency in spearheading social and economic development, as well as public service delivery, have been tampered with by these changes in political spheres. In this chapter a chronological list of the number of approaches towards public sector management and administration is provided. In this chronology, three of the political regimes are discussed that contributed to the stages of the public sector until its current one.



#### 4.1. The public sector in Ethiopia

Modern public sector scenarios in Ethiopia date back to the early 1900s. Many argue that the times before that are characterized by traditional administration without any systematic framework of management and exercise of power (Chanie 1997). The early 1900s brought about changes in the global situation with regard to technological development and advancement in the many undertakings of science and development. This brought about a need during the reign of the emperor of Ethiopia, Menilik, to ensure that the country benefited from this advancement in science, development and the management in the public affairs. Perham (1969, 41) in his history of the government of

Ethiopia, states that ‘Emperor Menilik, keenly interested in the new world suddenly impinging upon his country and determined to modernize his administration upon European lines, began the creation of ministries.’ This led to the systematic classification of government affairs in various ministries, departments and responsibilities. These included the Ministries of Justice, War, Interior, Commerce and Foreign Affairs, Finance and Agriculture, and Public Works. In later years, a Ministry for Posts and Telegraphs was added, and Foreign Affairs became a separate ministry (Perham 1969, 89). Chanie (1997, citing Asmelash 1972) states that the civil service was part of this new set-up. It was small in size and number and was engaged primarily in maintaining law and order.



After Emperor Menilik, Ethiopia was ruled by Emperor Haile Selassie. Many claim that this was the actual and pragmatic entry of the country into modern systems of public administration and management, building on the initial steps taken by the previous regime. Haile Selassie’s reign of close to 50 years brought the country into advanced stages of public administration by introducing a number of international practices and reform efforts. A centralized system of administration, coupled with modern education of civil servants, promoted the development of the public sector to a better organized institutional set-up. Many argue that this was a milestone for real modern bureaucracy. A number of additional ministries and organizational structures were set up to undertake the various priority development affairs in the country (Chanie 1997). Chanie (1997) argues that this regime, specially the 1960s, was crucial in recognising the importance of an efficient administrative system. In addition, he states that the sector as a whole was accepted as the leading institutional framework of administration for government to

assume the role of promoting economic and social development. Hence, a great deal of the contribution towards socio-economic development was based on the prevalence of a well-established and efficient public sector at the time (Chanie 1997).

After the overthrow of what is commonly termed the ‘time of the princes’ or the monarchy, the overall political and economic set-up of the country was replaced by a socialist administration. The new regime of the military junta of 1974–1991 (the Derg) introduced a highly centralized and Soviet-inspired socialist ideology to govern the public sector. Scholars in this area posit that there were few significant or visible advances in the operation of the public sector of Ethiopia during this regime. Chanie 1997 strengthens this point, stating that the civil service during the Derg operated under orders and decrees issued during the reign of Haile Selassie. Instead, the Derg regime contributed towards the slow-down or backward movement of public sector management and administration in the country as a result of its ill-conceived centralized socialist management systems. Chanie 1997 adds that ‘many problematic situations that crippled the civil servants and their respective tasks were observed during this period’. He cites lack of trust, respect and confidence in the politicians and by the civil service personnel; the absence of competitive merit-based recruitment and promotion practices at higher and middle-level posts; and poor pay. These factors, argue other scholars, have been the main sources of inefficiency and corruption in the public sector in Ethiopia. These are the scenarios that were inherited by the current federal democratic government, which required many reform measures to clear.

The current government came into power when the Derg was overthrown in a military struggle. In addition to the opposition to the Derg's political stand, it is widely contended that the inability of the public sector to address immediate development priorities in the country was one of the main objectives of the struggle to oust the Derg. As a result, the military government was ousted in a military defeat in 1991. This was another milestone for change in the public sector in the country.

#### **4.2. Public sector reform efforts to-date**

Public sector reform in Ethiopia is a phenomenon that has been in place since the time of the last imperial government. This regime introduced the initial steps in reform in order to bring about changes in the way most of the tasks of the government were being administered. Chanie (1998), on the contrary, argues that the initial reform attempts of the Ethiopian government were driven largely by internal economic crisis such as acute budget deficit, and the global push for structural adjustment influenced by the neo-liberal ideology of 'less state, better state' translated into mainstream donor policies mainly by the World Bank and the International Monetary Fund (IMF). However, these arguments refer mainly to reforms driven by economic changes that led to crisis in the country. This study focuses on a wider approach to the sense of reform in Ethiopia that has been triggered not only by economic crisis, but also by shifts in paradigms and changes in thinking and ideology in the public sector that necessitated reform in order to revamp the way things are done in the sector. The reform measures are classified according to the period in which they were instituted.

#### 4.2.1 Reforms during the last imperial period

A number of reforms were introduced in the public sector in Ethiopia in the last imperial era. These focused on the de-concentration of political administrative structures with little emphasis on how public sector management functions or on the philosophy behind it. At a later stage of the regime, there were attempts to create a structured system of public administration by instituting departments that handle the assignment and management of public service employees. Chanie (1998) claims that with the coming to power of Emperor Haile Selassie, the foundation of the modern bureaucracy was laid down. In this period, especially in the 1960s, the importance of an efficient administrative system was recognized.



Almost a decade after coming into power the imperial government introduced the Administrative Regulation Decree No 1 (1942). This decree stated the appointment by the central government of governors-general, directors, governors, principal secretaries, and police to each province. The decree brought about a de-concentrated form of administration, since the governors-general were given power to exercise only general supervision over all officials appointed in their province by the ministries, and the officials were responsible only to their own ministries (Chanie 1996).

A year later, cites Chanie (1998), the Order to Define the Powers and Duties of the Ministries, No 1 of 1943, and the Order to Amend the Ministers (Definition of Powers) Order, No 2 of 1943, were introduced.

These two orders initiated the creation of the council of ministers. Twelve ministers were listed, their powers and relations were defined, and the Office of the Prime Minister was established. The Office of the Prime Minister was made head of all ministries and was responsible for the good administration of all the work in the ministries, harmonizing their duties and transmitting the emperor's orders (Perham 1969, 89). The ministers, among other duties and responsibilities, were charged with the duty of preparing draft laws – except those reserved for the emperor. They were also empowered to appoint their staff and prepare their budget estimates (Chanie 1998).

The other round of public sector reform introduced in this period came in 1952 with the establishment of the Imperial Public Administration. The institute was established as a joint venture of the Ethiopian government and the technical assistance programme of the UN. Its objectives included training of civil servants, and consultation and research in the affairs of the public sector (Asmalsh 1972, as cited in Chanie 1998). In 1955, the constitution was revised in consideration of the administration of the public sector leadership. As a result, the newly revised constitution made a clear distinction between posts of confidence and career posts. In article 66, it states that the emperor has the right to select, appoint, and dismiss the prime minister and all other ministers and vice-ministers. The appointment, promotion, transfer, suspension, retirement, dismissal and discipline of all other government officials and employees was to be governed by regulations made by the Council of Ministers, to be approved and proclaimed by the emperor (Chanie 1998, 11).

One of the last notable reform efforts of the imperial era was the establishment of the Central Personnel Agency. It came at a time that the public sector was getting bigger and the number of employees was becoming larger. In Chanie's (1998) analysis, it is stated that the agency was entrusted with the task of maintaining an efficient, effective and permanent civil service based on a merit system. The agency was also responsible for establishing a homogeneous public service governed by uniform rules and principles, and recruitment of classified and unclassified public servants was to be within the agency's jurisdiction. All appointments up to the rank of assistant minister were to be the agency's responsibility. There was to be open competitive examination in the selection of government employees. The grading and the salary structure were to be based on the position classification system. Merit as a criterion for appointment was introduced, replacing the old method that was based on favouritism or ascription. A pension scheme for public servants was instituted (Asmelash 1972 and Atkilt 1998, as cited in Chanie 1998).

Most of the reform packages in this period were targeted mainly at a not-so-well developed public sector. In addition, these packages were directed at the institutional or organization aspects of the public sector. This was evident from the establishment of the Central Personnel Agency, with the focus to address the performance management of public servants in the administrative system of the public sector.



#### **4.2.2. Reforms during the Derg Period (1974–1991)**

There had not been notable reform efforts during the Derg regime that would have had a positive influence on the growth and advancement of the public sector and public administration in general. A reform effort that can be mentioned is the increment in the public service salary, which had been quite low during the last imperial era. As a military government that came into power without clear-cut economic or development objectives and manifesto, and as a government whose main ideology was based on communist thinking, the major role of the Derg during its rule was that of expanding its strong central hold over the country. This was exhibited in the ‘expansion of the state apparatus’ (Chanie 1998). Many private and multilateral business organizations were nationalized. The only main player in the economic set-up of the country was the public sector. It was the main employer and yet the least efficient in terms of performance in service delivery. Because it was the only actor in the sector, and because the country’s economic strategy was a closed system with strong relations with other socialist countries of the same trend, this left little room for comparison and lessons learnt in standards and efficiency in public service delivery. There were no mechanisms in place to gauge the level of satisfaction in service delivery. By the same token, no incentives were provided for public servants to improve their performance. Because the overall governance structure was based mainly on socialist state monopoly, the need for performance management and improvement systems had never materialized. These scenarios ultimately dragged the public sector backwards by opening loopholes for corruption, nepotism and an overall inefficiency of the public sector as a whole (Chanie 1998). There was little concern over the concepts of

performance and efficiency. Many burning aspects of the public sector, such as system of management, reform, efficiency and service delivery, were overshadowed and hijacked by socialist political ideologies.

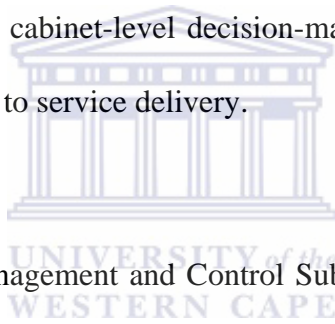
#### **4.2.3. Reform post 1991 (Federal Democratic Republic of Ethiopia)**

Since coming into power in 1991, the current federal government has introduced two sets of reform in the public sector which target the civil service. The initial steps of the reforms were focused on alleviating the overall public sector of the inefficiency and corruption that had been inherited from the centralized socialist system of governance that prevailed in the country for almost two decades. These first phases of reforms were carried out between 1991 and 1996. It was the intention of the federal government to weed out the remnants of the previous government that had been assigned to positions in the public sector, and that were believed to have caused the inefficiency and corruption that prevailed in the country. It was also directed towards demolishing the centralized and socialist systems of public administration. The justifications provided in the reform policy stated that the rules and regulations governing the civil service are outmoded and outdated; the civil service was characterized by a general lack of experience in plan execution; the civil service did not have a structural set-up that was amenable to plan execution as well as to effective monitoring and control; there was a lack of clearly defined management systems and procedures in the management of personnel, finance and property; and there was inadequate managerial know-how, lack of standard job classification, weaknesses in manpower planning and utilization (Chanie 1998, 14).

In order to undertake this, an inter-ministerial committee was established under the leadership of the Prime Minister's Office, which was entrusted with the task of researching and providing solutions in the areas of restructuring of institutions; civil service pay; position classification; personnel directives and manuals; efficiency, effectiveness and accountability; and training (Office of the Prime Minister of Ethiopia 1994).

With the new market oriented economic policy adopted by the federal government, there was a need to put in place a strong and capacitated public sector and civil service that could carry out the implementation of the policies and programmes. It was also the objective of the reform efforts to build a stronger and more capable public sector administration in the country. It can be argued that this regime exhibited growth in the size of the public sector in general. As part of the first round of reforms introduced between 1991 and 1996, a number of committees and sub-committees were set up to undertake the overall reform of the various segments of the public sector structure. The focus of this round of reform was on the shift from the socialist system of public sector management into a market led system. Although a number of recommendations and strategies were proposed by the committee and sub-committees, implementation in the first round has been quite slow compared to the prevailing problem of inefficiency and corruption in the public sector and the civil service in particular.

The second round of reform was introduced after 1996, and most of the reform agendas are still functional and are being implemented. The reforms constituted in this round were composed of five sub-programmes. During the second round of reforms, which began in 1996, the focus was on alleviating the deep institutional constraints on basic functions such as policymaking, service delivery, and regulation. Mengesha and Common (2006) state that core public management systems at the federal and regional levels were hampered by outdated civil service legislation and working systems; the absence of a medium-term planning and budgeting framework; ineffective financial and personnel management controls; inadequate civil service wages and inappropriate grading systems; poor capacity for strategic and cabinet-level decision-making; and insufficient focus on modern managerial approaches to service delivery.



These are the Expenditure Management and Control Sub-programme; Human Resource Management Sub-programme; Top Management System Sub-programme; Service Delivery and Quality of Service Sub-programme; and the Ethics and Judicial Reform Sub-programme. Chanie (1998) argues that compared with reform measures taken so far in the country, the reform measure being taken by the federal government is ‘the most extensive, ambitious, demanding and difficult’.

Each sub-programme constituted specific objectives and modes of intervention. The Expenditure Management and Control Sub-programme was concerned mainly with the financial performance and administration in the many organizations of the public sector. The objectives of this programme were to develop a comprehensive legal framework for

the entire financial management of the civil service, install an improved system of government revenue collection and utilization, as well as the development of professional and qualified human resources in financial management and control. By the same token, the Human Resource Management Sub-programme was initiated with the objectives of modernizing the human resource capacity of the public sector to enable development of effective and efficient civil service in the country, improving the system of administration of human resources in the civil service, implement a results-based performance management system for improved efficiency, effectiveness and accountability in the civil service and ensuring the improvement of human resource planning, recruitment and management system. In line with the Human Resource Development Sub-programme, the Top Management System Sub-programme was put in place to improve the selection of senior top management officials in the public sector. It carried the objectives of introducing and implementing strategic management approaches in the planning, implementation and control of the total operations of federal institutions. It also set out to improve the practice of management in the areas of planning and controlling, delegation of authority, responsibility and accountability, in the federal and regional institutions. This sub-programme also targeted the improvement in selection of senior top management officials.

The service delivery improvement aspects of the public sector were covered in the Service Delivery and Quality of Service Sub-programme. Its main objective was to improve the overly centralized and bureaucratic system of service delivery. In this sub-

programme it had been envisaged to improve the quality of service provided by public sector employees, via the establishment of a complaint-handling mechanism. In so doing, the public sector sought to follow an appropriate and improved system of service delivery to provide service to the public in an effective, efficient, transparent and impartial manner.

The fifth part of this reform package was the Ethics and Judicial Reform Sub-programme. This package was targeted at freeing the public sector from the corrupt and fraudulent systems of functioning. Its objectives were directed at improving awareness of civil service personnel that government activities should be free of fraud, embezzlement, corruption and other unwanted malpractices. It sought to develop a sense of commitment among the civil service employees to appropriate use of government resources. To ensure ethical behaviour in public service delivery, this sub-programme proposed to develop the necessary arrangements to promote ethical practices in federal institutions and regional governments. In the same way it proposed to improve the capacity of the police, courts and attorneys to investigate and pronounce on unethical practices.

### 4.3. Chapter summary

The culture of reform in this country dates back to more than 60 years ago; to the time that a real bureaucracy and public administration system were being conceived. The reforms can be categorized according to the three types of modern political regime that existed in the country. The reform types also range from political de-concentration to centralized public control and finally to the reform towards creating an efficient, effective and accountable public sector and administrative system in Ethiopia. As has been seen in the records above, in most cases the initiation of reforms was related to political turns and the changes in the types of regime. Most of the reform efforts were superficial, politically driven, and did not help to address the root causes of growth. However, the last round of reform efforts introduced by the current federal government seem to be focused on improving the public sector, along with its systems and its performance in carrying out the role of catalyzing development and providing better public services to citizens in the country. This could be because, with the growing trends of globalization and the expansion of public management and administration philosophies, the country has no choice but to integrate itself with such movements. The ensuing chapter discusses the practical cases of such an approach for reform in the public sector in Ethiopia with specific reference to BPR.

## Chapter 5

### **The application of Business Process Re-engineering in Ethiopia: The case of two ministries**

BPR is one of the main components of recent civil service reform packages in Ethiopia. The objective of this chapter is to demonstrate the results that have been achieved after application of BPR in the public sector. For this reason, two ministries have been chosen as case studies. The first is the Ministry of Works and Urban Development and the second is the Ministry of Trade and Industry. These two differing ministries are chosen to capture the varying activities and levels of the public sector, both as a service-giving institution to citizens and as a policy and legal framework-setting organization. While the nature and functions of these ministries differ, both interact with clients at some time. In the Ministry of Trade and Industry the interaction is more direct and frequent. In the Ministry of Works and Urban Development, however, the interaction is less frequent.

#### **5.1. Initial assumptions and indicators**

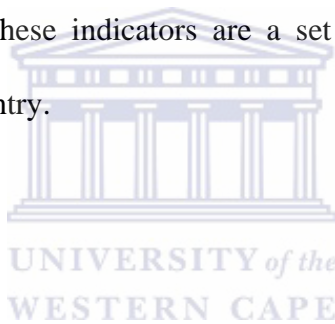
Measuring the roles and responsibilities as well as the performance of the public sector is not as easy as that of the private sector. In the private sector there are defined clients with clear and concrete expectations that companies or private entities should adhere to. In the private sector, clients demand services or goods congruent with their expenditure.



Because they demand their money's worth, this gives them the choice of exit or of alternatives.

However, these strategies are not common in the public sector and are not available to clients in the public sector. This is also because the public sector is entrusted with the task of delivery of what are commonly termed 'public goods'. The public sector is also in place to spearhead a country's development endeavours. According to Schacter (2000) the public sector designs and enforces policies that 'cover virtually everything that the government wants to achieve'. In performing these duties, the public sector has to be accountable in attending to the needs of the citizens. The public sector is the engine of government efforts to achieve poverty reduction and development. The World Bank (2000) classified the functions of the public sector broadly into three distinct categories. These are making and implementing economic policy; delivering services; and ensuring accountability for the use of public resources and public regulatory power. The design and implementation of economic policies requires setting up institutional mechanisms that ensure maintaining discipline in fiscal and monetary aggregates, effectively set priorities among competing demands for resources, and mobilize revenues. At the same time, the delivery of public services requires putting in place institutional arrangements that are workable in specific country contexts and that promote the goal of poverty reduction. The regulatory power on the other hand requires the setting of internal control mechanisms to ensure the proper function of the institutional arrangements in the sector.

In consideration of this vast array of roles of the public sector, it is difficult to measure the outputs and performances of the public sector as is practised in the private sector. There have been various attempts to measure the public sector. In Ethiopia, the performance of the public sector is measured against a set of indicators. These are quality, quantity, cost and time. These indicators are used to gauge the outcome of any reform initiative and programme intervention, as well as the policy framework for overall development. In other words, they measure the efficiency and effectiveness of these interventions in the public sector. Although not dealt with in detail in this study, accountability is another indicator of performance, especially in the public sector, that is measured in various forms. These indicators are a set of agreed frameworks for the overall public sector in the country.



### **5.1.1 Quality**

Taking the role of public service delivery, quality in the performance of public sector, as adopted in the Ethiopian reform process, refers to three main points: standards of service delivery; equity of service delivery; and the level of citizens' satisfaction in the process (Government of Ethiopia, Civil Service Reform Sub Programme, 2002. p.40). Standard of service delivery has to do with the introduction of continuous improvements in the way in which the tasks of the public sector are carried out and the level at which the services are delivered. It also has to do with setting mechanisms for the users of public services on which they can compare the changes in the level of the services being offered. A quality essence in the public sector entails systems and procedures of implementation

that are free from corruption, nepotism and red-tape, which hinder overall social and economic development in a nation.

The point of equity in service delivery to reflect quality in the tasks of the public sector has mainly to do with equal accessibility of the services to all citizens at the same time. On a larger scale, the developmental goals and objectives of the public sector have to inculcate the attainment of the larger good for all citizens equally. It is therefore imperative that all policy measures and interventions at all levels should ensure utmost inclusion of the interests of the larger public. Accordingly, these two points are geared towards ensuring the satisfaction of citizens with the levels and extents of the services being provided by the sector. There are mechanisms to capture citizens' satisfactions and dissatisfactions, to measure complaints and assess participatory planning at vital levels of the public sector where people express their opinions, as well as to ensure that these opinions are included in the decision-making process. These are some of the main variables in citizen satisfaction with the performance of the public sector.

### **5.1.2 Quantity**

Measuring the quantity of performance of the public sector in the reform processes in Ethiopia is linked with the outreach and coverage of the tasks of the public sector (Government of Ethiopia, Civil Service Reform Sub Programme, 2002. p.46) The main domain constitutes the citizens and the extent to which a large part of them have had access to the benefits from public service delivery. Furthermore, it has to do with

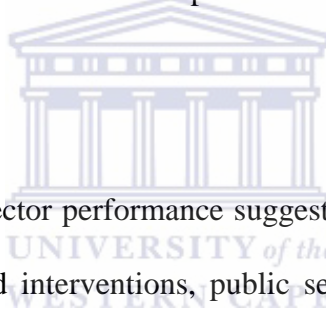
devising policies sufficient to address their ever-growing basic human needs. The current reform process in the country emphasises the number of development policies and packages that have been designed to cover specific sections of the citizens of the country, the development of programmes and support interventions vast enough to address marginalized members of the nations, as well as the extent of resources provided to ensure successful implementation.

### **5.1.3 Time**

The essence of time in public service delivery in Ethiopia has been one of the main targets of reform and improvement in the performance of the public sector (Government of Ethiopia, Civil Service Reform Sub Programme, 2002. p.48). Taking into consideration the current level of underdevelopment and the poor social, economic and overall conditions that the country is faced with, the public sector as a whole has been geared up with a sense of urgency in executing its roles and responsibilities. For the country to catch up with rapidly changing global economic exchanges, it needs to adopt and implement timely and sound social and economic policies and programmes. With specific reference to public service delivery, the objective in measuring time as an indicator of performance has to do mainly with the goal of eradicating the archaic lengthy and bureaucratic processes that plagued the public sector and hindered the smooth delivery of the services.

#### 5.1.4 Cost

One of the major constraints of a public sector such as that of Ethiopia is the severe lack of financial capacity to address the economic development and social advancement needs of its citizens (Government of Ethiopia, Civil Service reform Sub Programme, 2002. p.53) The country is faced with constant debt as a result of continuous loans advanced by international partners for public development activities. As a result of the very young and fragile private sector in the country, the tax base of the economy is one of the weakest and needs considerable time to grow. The argument in the current reform efforts that cost must be measured as a major indicator in the performance processes is strongly justified by these premises.

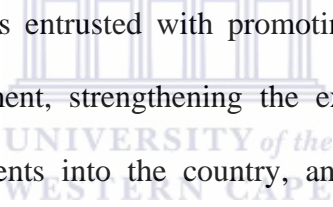


The cost factor of the public sector performance suggests strongly that, in implementing their policies, programmes and interventions, public sector organizations need to take cost-saving mechanisms into serious consideration. The argument here is to ensure that that policies and programmes for socio-economic development and public service delivery are done at the least cost in order to service additional larger parts and citizens of the country.

## **5.2.Presentation of the case studies**

### **5.2.1. The Ministry of Trade and Industry**

This ministry is one of the pioneers in the implementation of public sector reforms of various sorts. It has served as a testing ground for many civil service reform initiatives. This is because it is one of the ministries where there are frequent interactions with clients. This makes it easy to measure the changes brought about by reforms as there are immediate clients who are beneficiaries of these initiatives. As a result, it was one of the first ministries to adopt BPR in order to improve service delivery in its departments.



In its mandate, this ministry is entrusted with promoting private sector development, promoting industrial development, strengthening the export capacity of the country, inducing the flow of investments into the country, and establishing beneficial trade relationship with partner countries. Accordingly, it provides services to domestic as well as international business organizations.

#### **5.2.1.1.Re-engineering service delivery in the Ministry of Trade and Industry**

For the BPR experience in service delivery, the Licensing and Registration Department of the ministry was selected as a case study. The ministry as a whole has about 400 employees in its departments, and the Licensing and Registration Department consists of 60 public servants. This department is responsible for the provision of business and

investment licences to clients. It also deals with new trade licences for businesses, renewal of trade licences, revocation of trade licences, registration of trade names and trademarks, change of trade names, and authorization of trademarks for private business and organizations. This department is visited on average by 350 clients daily with cases related to trade licensing and registration (Ministry of Trade and Industry unpublished report 2005).

#### **5.2.1.2.Rationale for re-engineering the licensing and registration process**

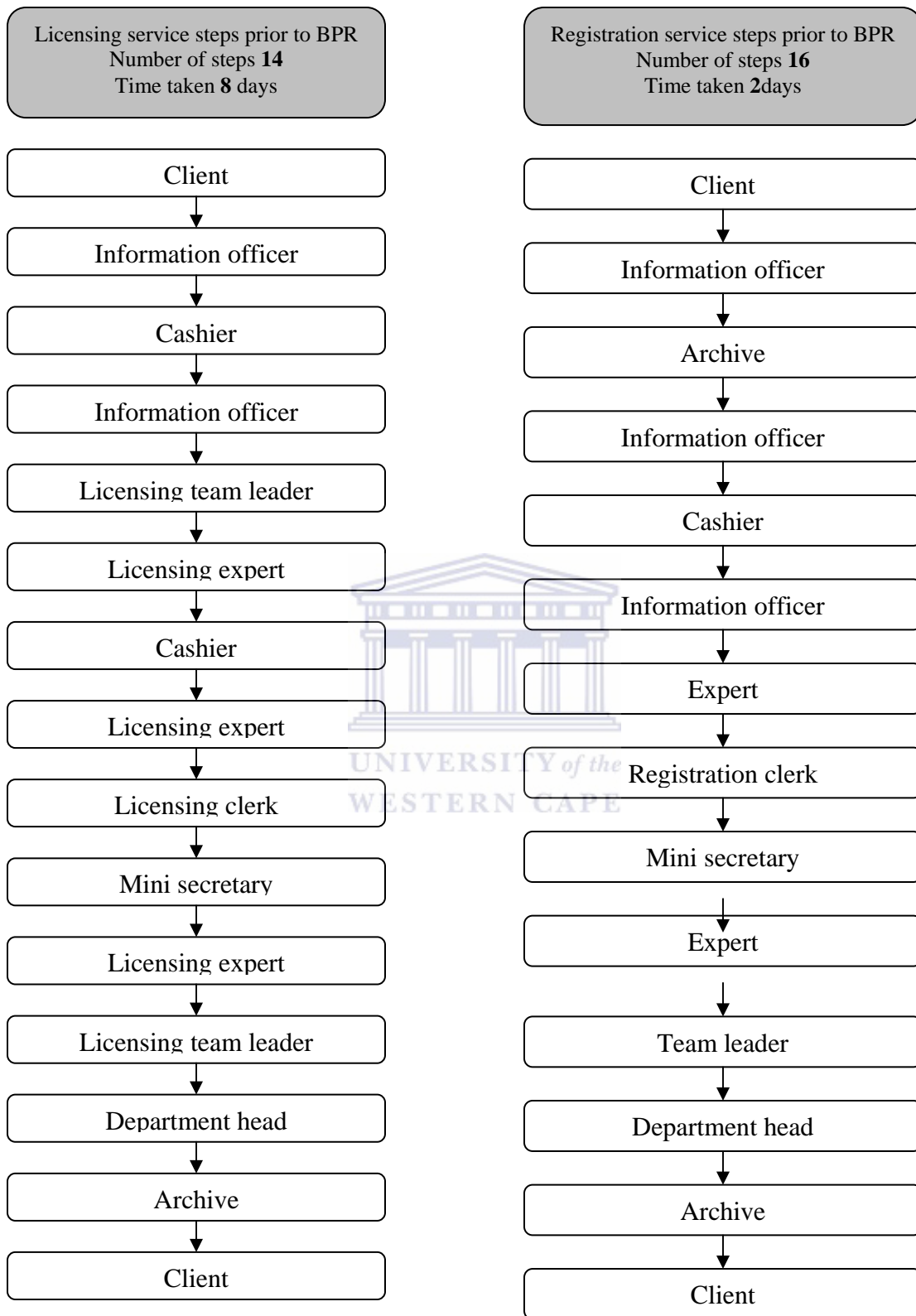
Licensing and registration most often deals with private businesses involved in a wide array of activities all over the country. It is an activity that handles legalization and registration of businesses which make a profit and generate revenue for the government. This ministry had a chequered past before the recently launched civil service reform and the application of the BPR concept five years ago (in 2004). It has frequently been reported to be the most severely corrupt and at the same time most inefficient part of the public sector. There have been repeated reports of malpractices in the provision and registration of business licences. This has led to a proliferation of illegal businesses without valid licences and registration, thereby creating a burden on government revenues and the overall business community as well.

Corruption also arises because the processes involved in acquiring a legal document or licence required clients to knock on a number of doors. This paved the way for dishonesty and harassment of clients. It also made it easy for some clients to circumvent

the whole process by promising bribes and favours to public servants. At the same time the cycle of providing licences and registering businesses took a very long time to complete. Numerous efforts to clean up this department and improve its performance brought about few results, of which none were sustained. As a result, this ministry and this particular department were among the main targets of the government during the launch of the third round of wide-ranging public sector reform in 2003.

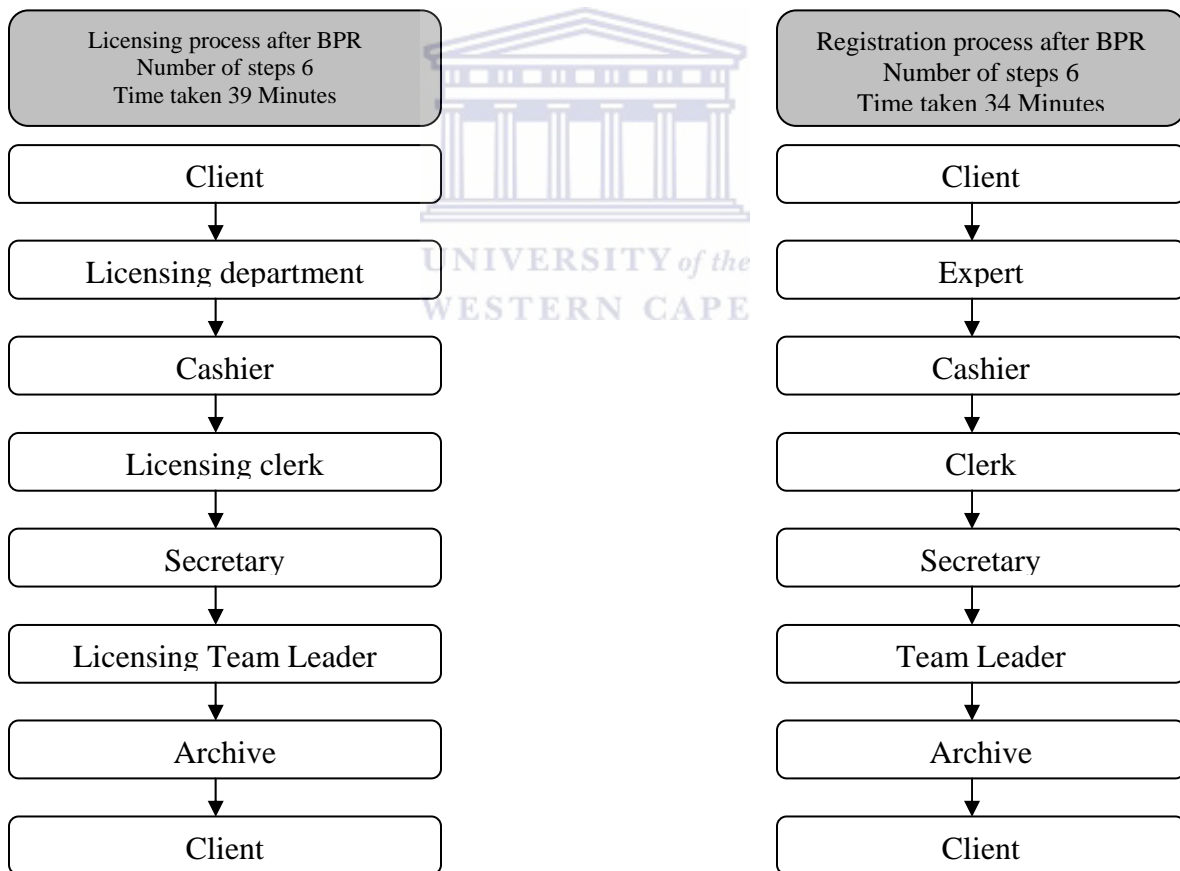
Before the introduction of the BPR initiative, acquiring a licence for a new business used to take an average of 14 steps, with a total of eight days for completion. The registration process then took an average of 16 steps and a total of two days to complete. In most steps of the process, clients had to go from door to door to finalize the stages until the last point. One typical step involved a number of doors and windows. A public sector benchmarking survey conducted by the Ministry of Capacity Building (2004) on the introduction of BPR indicated that close to 70% of the clients had been requested by the public servants to pay bribes for the services, and 65% indicated that they paid bribes to obtain the licence and registration service. These reasons, and the potential impacts they imposed on the business community, as well as on the public sector as a service delivery node, necessitated a rethink of the way in which public affairs were being conducted: hence, BPR was launched. The following diagram depicts the steps involved and the time taken to acquire a licence and registration before re-engineering was introduced in the Ministry of Trade and Industry.





**Figure 2 Pre-BPR processes in the Licensing and Registration Department of the Ministry of trade and Industry. Source Mengesha and Common (2006)**

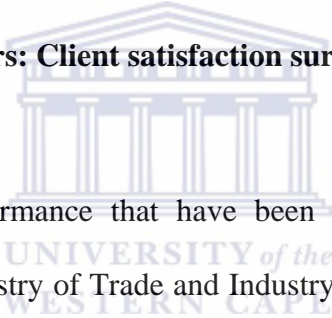
The re-engineering exercise in the licensing and registration department has brought about dramatic changes in the processes of acquiring licences and registration, as well as the overall performance of the department and the ministry. As indicated in the diagrams below, processes have been significantly reduced and this is reflected in terms of time. As a result, in the new process, acquiring a business licence takes only six steps and an average time of 39 minutes. In addition, in the new process, registration of business names and trademarks involves only six steps and an average of 34 minutes. These reductions are indicated in the following diagram.



**Figure 3 Post-BPR processes in the Licensing and registration department of the Ministry of trade and Industry. The New processes. Source Mengesha and Common (2006)**

In addition to the reduction in time and steps, the ministry has made efforts to improve transparency and customer empowerment in service delivery. As a result, it has adopted a one-stop-shop principle in providing services. These services are not being provided behind closed doors anymore, but in an open hall with glass windows, which makes it easy for supervisors to control their subordinates and for clients to observe the processes taking place openly. In terms of customer empowerment, the ministry conducts periodic client satisfaction surveys and provides regular platforms for complaints and reply mechanisms.

#### **5.2.1.3. Performance indicators: Client satisfaction survey**



To gauge the levels of performance that have been achieved in the licensing and registration process in the Ministry of Trade and Industry, two client satisfaction surveys were compared. One was conducted in 2004 by the Ministry of Capacity Building right after the first year of the launch of the BPR. The second survey was conducted via primary data collected for this study. As a result, certain outcomes have been observed.

The results from the client satisfaction survey conducted by the Ministry of Capacity Building indicate that of 65 people interviewed, in general 83.4% of the clients were satisfied with the services being provided by the Licensing and Registration Department, while the remaining 16.4% remained dissatisfied. In a detailed interview regarding the perception of bribery and such practices in the department, the survey reported that all the respondents denied any such knowledge. Furthermore, all denied that they had *ever* paid

a bribe in return for services. Asked whether in the past 12 months they had obtained services through nepotism or favouritism, only five respondents (7.6%) admitted that they had done so.

On the other hand, 50 randomly selected clients were interviewed (at the entrance of the Ministry over a period of one week) as part of the study survey. As part of the survey, clients were asked to compare the incidences in the past when they have been asked to pay bribes to acquire a service in the licensing and registration department with those in the previous 24 months. Of the 50 clients that were interviewed in the survey period, 20% had been using the services of the licensing and registration department for more than 5 years; 64% had been using it for 3 to 5 years; and 16% reported that they have been using it for fewer than 2 years. Accordingly, 22% answered 'Yes' and 68% answered 'No' to the question about *ever* paying bribes in the past years to use the services of the department. When asked whether they have been asked to pay bribes in the past 24 months to obtain services in the department, 2% responded 'Yes' and 96% responded 'No', while the remaining 2% did not respond. This indicates that there had been larger incidences of bribery in previous years than in recent years, which could be attributed partly to the improvement of the system.

With regard to the level of satisfaction with services being provided by the department, of the group interviewed, 98% stated 'Yes' they were satisfied with the services of the department. The remaining 2% commented that the department needed to improve more avenues of service provision and that they were not satisfied with the service delivery

status at the time. Considering the efforts made to bring about improvement in the system of service delivery in this particular department, these levels of satisfaction are very good indicators of movement to the right direction of better service delivery to clients.

### **5.2.2. The Ministry of Works and Urban Development**

The Ministry of Works and Urban Development is a newly established part of the public sector structure in Ethiopia. It is mandated with the task of coordinating urban development policy and programme design; providing urban development capacity building support; managing urban development resources; designing urban plans for cities and regions throughout the country; administrating the Road Fund for the maintenance and upgrading of roads; and regulating public works and other construction activities in the country. The ministry has conducted BPR in all of its functions. The case selected for this study is the re-engineering process that has been conducted in the Policy, Programming and Legal Affairs Department. The reason for choosing this function of the ministry is to analyse the application of BPR in sectors of government activities other than core service delivery, such as policy making and regulatory action. Moreover, it is important to understand the impact of BPR on policy making and regulatory processes.

### **5.2.2.1. Re-engineering in the policy, Programme and Legal Framework**

#### **Department**

This department is entrusted with the responsibility of designing policies and programmes that ensure sustainable urban development with the participation of the residents as a whole. It designs programmes that ameliorate urban development problems in areas such as roads, housing and other essential infrastructure in urban areas throughout the country. The department is also responsible for conducting research that informs the design of model projects that are necessary to meet these goals and objectives. The results of the research policies and programmes designed in this department determine the activities of the rest of the departments of the ministry. The mandate of the department does not end only in conducting research and designing policy and programme frameworks, but extends to monitoring and evaluating their implementation by the rest of the departments for which the policies and programmes are relevant.

#### **5.2.2.2. Rationale for re-engineering policy design**

With the application of the BPR concept, the tasks related to policy, programming and legal affairs have been categorized into two processes. This is what is termed the As-Is study in BPR. These are core processes and support processes. Core processes are defined as the main tasks or the objectives that the process sets out to achieve. On the other hand, support processes are necessary to ensure that the core processes are being

achieved and to monitor that they are on the right track. In the example of the Policy, Programming and Legal Affairs Department, the core processes are the design of the policies, programmes and legal frameworks for sustainable urban development. The support processes are the activities of monitoring and evaluating the design of the policies, their implementation and the evaluation of their outcomes and impacts against their initial set targets.

Since it was established as a main part of the ministry, the department has been engaged in designing policies, programmes and legal frameworks for urban development. These include the construction and industry policy, housing development policy, urban industrial development programme, urban good governance programme, construction industry capacity-building programme, small-town development programme, public buildings construction project, and the emerging regions urban development programme. Some of these policies and programmes have been completed, and some are partially complete, while the rest have been presented for approval by the parliament. The beneficiaries of these policies have been identified as the federal government, regional government and city administrations, construction companies and contractors, construction materials suppliers and producers, and the general public eventually.

There are three reasons that Business Process Re-engineering is being applied in this ministry. One is the overall objective of reforming the public sector function as a whole and nationwide without sparing any parts of the sector. The second concerns the problems and obstacles faced in the performance of policy design, programming and

legal framework. The third reason is, based on the principles of re-engineering, to introduce new standards of policy designing, programming and legal framework preparation in the ministry. These reasons were identified in the first re-engineering task, that is, process mapping. As a result, these problems are categorized into the four measurements of performance: quality, quantity, time and cost.

#### *5.2.2.2.1. Quality*

So far, most of the policies that have been designed, the programmes that have been formulated, and the legal frameworks that have been put in place have been observed to lack clarity and their implementation has been affected as a result. These documents lack substance in content and are conducted in a top-down approach, without the participation of the beneficiaries of the implementation of the policies. Hence, visible problems are being encountered in the effort to implement them.

Poor quality in policy programmes and legal aspect has sprung from a number of factors. One is the lack of sufficient qualified and skilled human resources in policy making, programme formulation and legal framework. As a result, employees with unrelated experience and irrelevant qualification are assigned to the job. In addition, the process of designing these policies, programmes and legal frameworks was conducted in an ad hoc manner, involving sporadic mechanisms not based on sufficient research and scientific methods. This has been aggravated by the severe lack of up-to-date and organized information as input for the whole process. More emphasis was given to the process of



designing policies, programmes and legal frameworks, and less on their implementation. Stakeholders and beneficiaries did not participate in the process. Moreover, mechanisms were not put in place to monitor and evaluate the trends, outcomes and impacts of policies and programmes in the development process (BPR results 2008).

#### **5.2.2.2.2. *Quantity***

Urban good governance and development are among the top priorities of the public sector in Ethiopia. These need to be guided by the availability of sufficient policies, programmes and legal frameworks. Considering the depth of poverty and socio-economic underdevelopment in the country, the assessment stresses that there is a lack of sufficient urban good governance and development policies, programmes and legal frameworks to address these issues. The mapping of the activities of the department entrusted with this task indicates that the quantity of policies and programmes and legal frameworks is not sufficient to realize the objectives of urban good governance and development. This is partly because so far the ministry has been entangled in old and traditional mechanisms for policy design, programme formulation and legal framework preparation with limited implementation and follow-up capacity. In addition, lack of sufficient and qualified human resources for policy making, programme formulation and legal framework, lack of commitment from management and authorities, coupled with the lack of motivation for the task on the employee's side, have been identified as the causes of the unavailability of sufficient policies and programmes to address poverty and development issues in the urban areas in the country (MWUD BPR reports 2008).

### 5.2.2.2.3. *Time*

One of the major problems identified in mapping the current process of policy design, programme formulation and legal framework preparation is the issue of time and the concomitant delays that are being observed in getting all these products timeously. Research usually takes much more time than had initially been planned for, thereby delaying the subsequent activities of policy design, programming and legal framework preparation. In addition, there are extreme delays in the monitoring and evaluation of the implementation of these policies and programmes. This time-lag has affected the effectiveness of the policies and programmes in addressing the problems on the ground.

These extreme delays in policy design, programme formulation and legal frameworks preparation are caused by a multitude of factors. One of the main reasons is the former sporadic nature of policy and programme conception via the establishment of committees to undertake this task. This way of managing the process resulted in policies, programmes and legal frameworks that lacked ownership and accountability, thereby taking long periods and causing delays in addressing development needs. In addition, the system of management in place focused on routine tasks and short-term activities. The lack of up-to-date and organized information as input for the task, as well as the right amount of qualified personnel, has also affected the timing of the process negatively. Because the process was conducted on an ad hoc basis without any manuals or systematic guidelines, there were no mechanisms to control the time of completing the tasks. Above all, the visible lack of commitment from stakeholders involved in the policy and

programming process contributed to the delay in delivering timely and suitable policy and programmes (MWUD BPR results 2008).

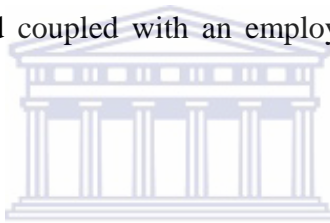
#### **5.2.2.2.4. Cost**

The cost of ill-designed policies, programmes and legal frameworks extends beyond the finances allocated for preparation into their implementation and potential impact. As a result, the existing process of policy design, programming and legal framework preparation reveals that cost-wise there need to be improvements. Although no measures have been put in place to indicate the actual cost of the policy processes, it is measured with respect to the time it takes to prepare and finalize policies as well as the actual quality of the policy documents. In other words, costs of policy preparation escalate as the time taken to finalize them is longer. In addition, the lower the quality of the policy documents, the higher is their cost as there will be vast amounts of time spent in improving and ameliorating them.

#### **5.2.2.3. The newly re-engineered process for policy, programme and legal framework preparation**

The new process is based on a number of fundamental assumptions that seek to move away from the old system of handling the policy design and programming task in the ministry. One of the main assumptions is related to the simplification of the whole

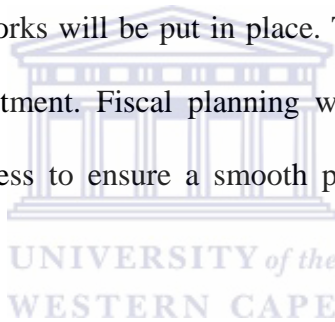
process. It seeks to cut through cumbersome and tedious routine steps and structure the tasks in an organized manner. In so doing, it proposes to abolish the previous temporary committees, and assign a defined and clear process or team with qualified staff that could undertake the task. This is believed to ensure strong ownership of the task and instil accountability at all levels of the process. The lack of qualified and skilled staff had been the major hiccup in the previous system. The new process proposes that the ministry revise its incentive and payment scales to attract highly skilled and qualified personnel in policy design and programming, as well as legal management. In line with this, it recommend the introduction of a performance management system, based on clearly defined terms of reference and coupled with an employees' motivation and incentives schedule.



The process of policy design, programming and legal framework preparation should be guided by a clear vision, mission and concrete plan of action with a responsible budget and timeframe. To ensure sustainability, policies and programmes should be based on national missions, visions and development goals. Empirical research and scientific mechanisms will be put in place to support the design process as a whole. It will be much more organized and proactively done with the inclusion of all necessary stakeholders and beneficiaries. The whole process will be strongly supported by a network of information nodes and systems that generate as well as store research, best practices and archives in the process of policy design and programming. For this purpose, the ministry has invested in a governance and urban information database and system that will ensure

access to and availability of up-to-date and adequate information for undertaking its tasks.

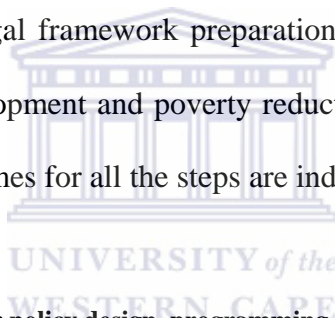
The new process places more focus on implementation and follow-up. In line with this, monitoring and evaluation are integral parts of the task of policy design, programming and legal framework preparation. The power of these outputs to bring about change in poverty and development depends greatly on the timely monitoring and evaluation of the implementation processes. As a result, the ministry is allocating a considerable amount of its resources to this task. In addition, a new process to gauge the quality of policies, programmes and legal frameworks will be put in place. The whole process will be fully supported by financial commitment. Fiscal planning will be fully integrated into the policy and programming process to ensure a smooth process of designing as well as implementing the products.



To sum up these new assumptions, the newly designed process is geared towards reducing the time allocated for policy design, improving quality and quantity with better utilization of financial and human resources. These assumptions are intended to improve the quality of these products by a maximum of 95%. In other words, in order to improve quality, these new benchmarks entail the design of appropriate client- and results-oriented policies, programmes and legal frameworks, produced by highly qualified personnel through a consultative, participatory and transparent process to address burning governance and development issues in urban areas in the country.

With regards to improving quantity, the new process entails the design and preparation of all necessary policies, programmes and legal aspects that will enable federal, regional and local governments to address the needs of development from all valid directions and reduce poverty. The process proposes to conduct continuous research and assessment to identify development needs and gaps. Based on the outcomes, policies, programmes and legal interventions should be continuously devised to fill identified gaps in development.

With regards to time, table 3 illustrates the approved reduction in the design process. The time by the ministry taken to design policies ought to be improved by 70%, for programming by 55%, and legal framework preparation by 75%, with the objective of timeously responding to development and poverty reduction needs in urban areas in the country. The proposed timeframes for all the steps are indicated in table 3 below.



**Table 3 Time in the new process for policy design, programming and legal framework preparation**

<b>Processes</b>	<b>Time taken before BPR (months)</b>	<b>Time after BPR (months)</b>
Policy design process	10	3-4
Programme formulation process	7	3
Legal frameworks preparation	9	3

**Source: Compiled from Ministry of Works and Urban Development, TO-BE design for policy design, programme formulation and legal framework preparation process 2008**

The new process of policy design programming and legal frameworks, as well as implementation, will be monitored each month, quarter and year. The monthly monitoring reports will be produced within five days of completion, the quarterlies within 15 days, and the annual monitoring reports within 320 days of completion. This is to

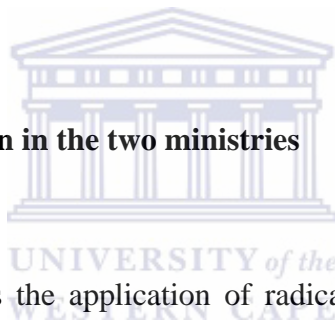
ensure the availability of appropriate and timely information for the decision-making process.

In sum, the main differences between the old system and the newly re-engineered system of policy design programming and legal framework preparation task of the ministry differ in certain points:

- In general aspects, the new process focuses not only on the mere preparation of policy, programme or legal documents, but also on implementation, monitoring, evaluation and revision, based on the implementation experiences.
- The times needed for the preparation of these policies, programmes and legal frameworks have been clearly set and have been reduced by 50% in general in order to respond more promptly to the country's development needs.
- Within the new process, there are mechanisms to measure the quality of policies, programmes and legal frameworks, unlike previous eras. The quality depends on the types of experts working on them, and the participation of stakeholders and institutions.
- The cost of designing these policies, programmes and legal frameworks has been clearly identified. To reduce this, cost centres have been established. Furthermore, the utilization of information technology has been integrated to help reduce the cost.

- Unlike the previous approach of setting up temporary committees, the new policy design, programming and legal framework preparation process is to be an organized procedure , equipped with qualified teams, assigned clear tasks with accountability, integrating stakeholders and with full ownership of all those involved in the process.
- The new process values the utilization of information technology. It has been designed on a strong information technology infrastructure as well as a wide information database, supported by information from various levels of intervention.

### **5.3. Analysis of the application in the two ministries**



The basic principle of BPR is the application of radical thinking to achieve dramatic improvement in performance. As can be seen from the applications of BPR in the Ministry of Trade and Industry, visible and potentially dramatic changes in service delivery have been achieved. That this ministry has daily contact with the citizens (its clients) is perhaps the reason that it has been easier to measure its achievement and observe its outcomes than any other service-giving institution. Its customers are identified and their needs are clearly outlined. This has made it simple for the ministry to set a vision and mission, and measure its performance against a benchmark in service delivery. The performance measurement in quality, quantity, time and cost has been measurably achieved. This is backed up by gauging changes in client satisfaction through periodic



surveys. This has helped to observe the trends that the services provided by the ministry have taken.

The re-engineering of policy making in the Ministry of Works and Urban Development, on the other hand, has proved slightly more difficult to measure. Although its implementation is in the early stages, the overall conception of the re-engineering effort on policy making leaves a lot questions unanswered. Policies, programmes and legal frameworks are not quantifiable aspects that can be measured in one satisfaction matrix, such as service delivery in the other case scenario. It is not the number of policies that determines sustainable development in a country. It is certainly not the speed at which the policies are produced that determines urban development, but their coverage and substance. Similarly, it is difficult to formulate policies and programmes that satisfy all the citizens in a nation. What can be learned from the experience of re-engineering the policy-making process is that public sector organizations could make better use of their resources in terms of money and time required for policy making, programming and legal framework preparation.

#### **5.4. Chapter summary**

This chapter has illustrated the mixed outcomes of re-engineering efforts in the public sector by studying two roles of the sector in general. As has been demonstrated, certain aspects of public sector functions need to be re-engineered to ensure quality, to effectively utilize resources, and to provide services timeously. Where corruption and

inefficiency in service delivery have been visible, BPR has proved a viable solution. On the other hand, in higher-level tasks – such as those demonstrated in policy making, programming and legal framework preparation – the application of BRP does not present the best solution to the intrinsic problems of public sector inefficiency in policy making and programme design. At least in Ethiopia and in the particular case presented, the outcomes have not been promising in terms of bringing about the dramatic increase in performance promised by BPR as a concept. In fact, it has concentrated on bringing the ministries to a somewhat mundane and predictable level of performance.



## Chapter 6

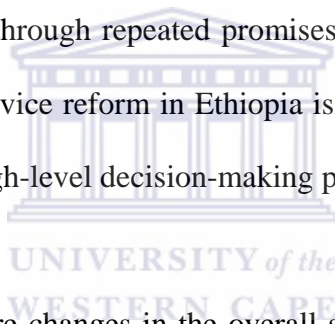
### Conclusions and recommendations

#### 6.1. Conclusions

##### 6.1.1. Public sector reform in Ethiopia

Much of the argument for reform in the public sector is directed towards improving the three 'Es': efficiency, effectiveness and economy. Because the public sector is mostly related to the government, recent literature adds accountability to public sector characteristics. Until recently, the pattern of reform in the public sector did not exhibit these major characteristics and focused on politically driven changes to the façade of public sector functions. The last imperial regime contributed to laying the foundations for what could have been a real modern bureaucracy. This brought order and function to the administration of the public sector, mostly by de-concentrating provincial political management. On the other hand, many legal frameworks have been crafted and enabled the functionality of the public sector and its internal systems. These include personnel administration systems, and legal decrees defining roles and responsibilities of state structures. These major reforms were introduced in the sector during the imperial period (between 1925 -1974) and speeded up the creation of a functioning and capable bureaucracy. But the subsequent military government brought most of these efforts to a standstill by concentrating on strengthening its hold on the functions of the public sector for socialist objectives. The public sector did not grow in any considerable manner in this period. In other words, there were no improvements in efficiency and effectiveness, and certainly not in accountability and economic performance.

Reform efforts after the 1991 government change, on the other hand, are focused on weeding out the inefficiency that is endemic in the public sector in Ethiopia and raising the sector to better standards. Visible improvements have been observed in many of the structures in the public sector, compared with previous eras. However, a number of reforms have been introduced in various packages, more or less all at the same time, making it difficult to attribute changes to specific reform efforts and strategies. As the theory also argues, because reform efforts have been introduced frequently in Ethiopia and in such magnitude, this leads to doubt about the intrinsic objective of the reform efforts. The question remains whether these are political moves to ensure popular support of incumbent political parties through repeated promises of change through reforms. At least the first round of civil service reform in Ethiopia is designed to weed out members of the previous regime from high-level decision-making positions in the public sector.



When one compares the meagre changes in the overall socio-economic condition in the country with the number and frequency of reforms in the past three to four decades, one concludes that reform efforts have so far been politically driven rather than efficiency-led. The problems that the country is facing have brought about the need to be more strategic and result oriented in order to bring about deep-rooted change in the system. The norms of almost two decades of communist ideology are still reflected in the way business is conducted in the public sector and elsewhere. This implies that much needs to be done to improve efficiency in the public sector. Reform measures must be more focused and targeted at efficiency and effectiveness with strong accountability to the people.

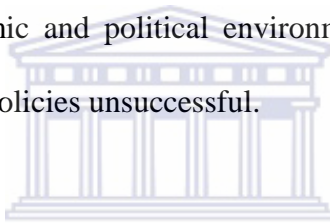
### **6.1.2. Re-engineering the public sector**

By applying the concept of BPR, the federal government joined those institutions and governments that seek to copy the success of reform in other countries. While appreciating the outward-looking attitude and learning capacity of the government, it is important to underline the implications of such a move.

First of all, lessons show that not all experiences of the private sector can be borrowed or applied to improve issues of the public sector. This has been extensively argued because there are intrinsic differences in the structures of the two sectors, just as there are similarities. With regards to re-engineering and the stated requirements for success, the differences in structure in the private and public sector are major factors that should be considered. In the public sector, these are issues such as values, the difficulty of identifying the customer because of heavy hierarchies of interests, and most of all the difficulty in identifying the ownership of a process – for the same reason.

From the case studies presented for the public sector in Ethiopia, the application of BPR has seemingly brought about changes in the way service delivery and policy making are conducted. Clients of the service delivery department have reported their satisfaction with the efficiency in delivery. At this node of public sector function, it is easy to measure performance and gauge potential changes in efficiency. The results are visible in terms of the reduction of time of service delivery and the number of clients accessing the services in a given period.

However, in the policy making, programming and legal framework preparation tasks of the Ministry of Works and Urban Development, it is difficult to measure efficiency and effectiveness by simply using 'time to design' as a variable. In the first instance, the design of policies and legal frameworks is a time-consuming process that entails a number of steps, of which consultation with citizens is only one. Second, the cost of poorly designed policies and laws is great, and has significant implications for the entire country. Therefore this activity cannot be rushed into. Third, benchmarking policies according to other countries' experiences is no guarantee of their effectiveness and efficiency. The social, economic and political environments prevailing in a particular country can render successful policies unsuccessful.



Therefore, it is difficult to state that BPR has brought about any visible change in policy making in the Ministry of Works and Urban Development. It is important that policies and programmes are designed in an efficient, timely and effective resource utilization manner. The impact of shortening the process in terms of time should be monitored with utmost caution and follow-up. As development policies need to inculcate the most important needs of the citizens, they should be designed in a participatory manner and given sufficient time to capture these needs carefully. On the other hand, in ministries such as Trade and Industry, where measurable indicators of service delivery are clearer, the immediate results of reform and the impact of BPR may be easier to assess.

## 6.2. Recommendations

The study recommends certain major points as an approach to reform in the public sector and particularly the implementation of BPR.

- Reforms should be demand driven and efficiency led in general. They should be demand driven in such a way that they address visible gaps and development needs. They should be efficiency led so that they bring about improvement in the way public sector business is conducted where resources are meagre. The main improvement that is demanded in the public sector in Ethiopia at the moment is greater efficiency and effectiveness in the implementation of policies, particularly those addressing key problems confronting the country. Reforms should be highly focused and based on empirically observed needs and gaps in the system.
- Reforms should be measured and evaluated according to the results or impacts that they have produced. As a result, efficiency-led reform efforts should have a visible implementation and scale-up strategy designed for them. They should not be hasty political moves to secure the next round of political elections.
- Reforms should not have a one-size-fits-all approach. They need to be tested before mass-scale implementation nationwide. Nor should reform come in a complete package, as in the civil service reform in Ethiopia. This makes it difficult to attribute changes and impacts to any one of the components.
- Re-engineering is a powerful instrument that can make or break an organization or institutional set-up. This depends on how well the re-engineering is understood and

how ready the organization is in terms of commitment, decision making and investment of all necessary resources. The public sector in Ethiopia could benefit greatly from this powerful instrument if it spends enough time in understanding it and adapting it to suit the cultural, organizational and socio-economic make-up of the overall public sector.





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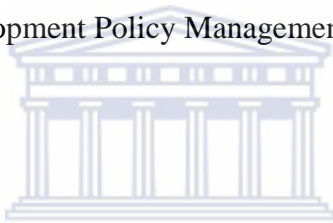
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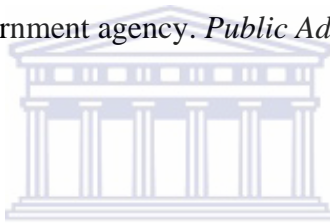
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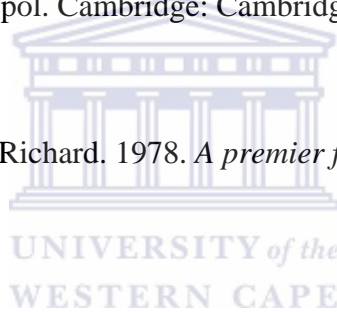
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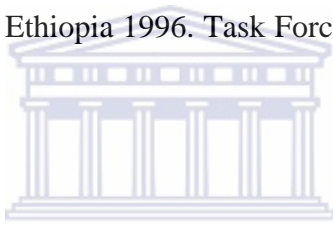


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## Annexes

### Annex 1: Clients Satisfaction Survey Questionnaire

#### Ministry of Trade and industry/ Licensing and registration department Client's Opinion survey

1. How long have you been using the services of the ministry for licensing and registration?  
 1-2 year                       3-5 years                       5 years
2. Which of the services of the ministry do you often make use of?  
 Licensing  
 Registration  
 Annual license renewal  
 License Termination  
 Utilization of business information services  
 All
3. In making use of the services of the licensing and registration department of the ministry how long do you often spend in undertaking your business?  
 ½ hour               1-2 hours               2 hours
4. How do you assess the support provided to you by the staff of the licensing and registration department of the ministry?  
 Cooperative  
 Very cooperative  
 Bureaucratic  
 Negligent
5. In your opinion how do you assess the attitude of the staff in attending to the clients who are there in search of services?  
 Very helpful and courteous  
 Somehow helpful  
 Not helpful at all
6. How do you assess the time it took the staff of the ministry to provide you with assistance to your affairs in the licensing and registration department?  
 Too Long  
 Long  
 Moderate  
 Quick
7. How do you assess the time the whole process took to get services and leave  
 It took too long  
 It was moderate  
 It was a fast service
8. How do you compare the quality of the services being provided by the department compare to previous years?

- It is improving
- It is the same
- It is getting worse

9. Have you ever been asked to pay bribes for services in the licensing and registration department?

- Yes
- No
- No response

10. Have you been asked to pay bribes for services of the licensing and registration department during the past 24 months?

- Yes
- No
- No response

11. Have you ever paid bribe for services in the licensing and registration department?

- Yes
- No
- No response

12. Have you paid bribes for the services of the licensing and registration department during the last 24 months?

- Yes
- No
- No response

13. Are you satisfied with the service delivery in the licensing and registration department of the ministry?

- Yes
- No

14. If your answer is yes, please state why?

15. If your answer is no, please state why?

Thank you for your participation and willingness to complete this questionnaire.

**Annex 2: Record of time improvement in acquiring services in the licensing and registration department of the Ministry of trade and Industry.**

It	Service Type	Average time before reform	Average time after reform
1	New Principal registration and business licensing	43 days	0:49 minutes
2	Substitute of principal registration	1 day	0:49 minutes
3	Alteration of principal registration	1 day	0:36 minutes
4	Return or cancellation of principal registration	1 day	0:29 minutes
5	Substitute of business license	1 day	0:30 minutes
6	Renewal of business license	17 days	0:18 minutes
7	Alteration of business license	10 days	0:24 minutes
8	Return/cancellation of business license	6 days	0:28 minutes
9	New trade name registration	21 days	0:90 minutes
10	Trade name alteration	1 ½ day	0:40 minutes
11	Substitute of trade name certificate	1 day	0:28 minutes
12	Return/Cancellation of trade name	1 day	0:29 minutes



### **Annex 3: Interview questionnaire with department heads and reform consultants at the Ministry of Works and Urban Development**

1. What are the core functions of your ministry?
2. What are the main functions of your department?
3. What reform packages are currently active in your ministry?
4. Which functions and mandates of the ministry do these reform packages concern?
5. Is your department involved in the implementation or re-engineering reform process?
6. How long have you been implementing the re-engineering process in the department as well as the ministry?
7. If so, what are the expected outcomes and potential impacts of the reengineering process for the functions of your department?
8. How do you measure these outcomes and impacts of the re-engineering with regards to your departments core tasks?
9. What are the human resource implications of the business process re-engineering?
10. Would you expect potential downsizing as a result of the radical changes to be made?
11. What are the efficiency implications of the re-engineering process for your department and the ministry?
12. Would you expect dramatic changes compared to your previous performance before the reform?

13. Who are the clients of the policies, programmes and legal frameworks that your department is entrusted to prepare?
14. What are the policy, programming and legal frameworks preparation improvements expected as a result of implementing the BPR?
15. How are policies, programmes and legal frameworks' preparation tasks of the ministry and this department measured?



**Annex 4: Interview questionnaire with department heads and reform consultants at the Ministry of Trade and Industry**

1. What are the core functions of your ministry?
2. What are the main functions of your department?
3. What reform packages are currently active in your ministry?
4. Which functions and mandates of the ministry do these reform packages concern?
5. Is your department involved in the implementation or re-engineering reform process?
6. How long have you been implementing the re-engineering process in the department as well as the ministry?
7. If so, what were the expected outcomes and potential impacts of the reengineering process for the functions of your department?
8. How do you measure these outcomes and impacts of the re-engineering with regards to your departments core tasks?
9. What are the human resource implications of the business process re-engineering?
10. Did the re-engineering involve downsizing as a result of the radical changes to be made?
11. What are the efficiency implications of the re-engineering process for your department and the ministry?

12. Did you experience dramatic changes compared to your previous performance before the reform?
13. Who are the clients of the licensing and registration department?
14. Were you able to measure the improvements recorded as a result of implementing the BPR?
15. What have been the factors for the successful implementation of the Ministry of Trade and Industry?

