



Strengthening Capacity for Plan Implementation by Provincial and District Governments in Indonesia

Penguatan Kapasitas Pemerintah Tingkat Propinsi dan Daerah dalam Pelaksanaan Rencana

Training Course Manual

**Prepared by the Centre for Developing Cities,
University of Canberra, Australia**

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Glossary of Terms

Benefit Cost Analysis (BCA) Technique used to determine the feasibility of a project

BOOT Build Own Operate and Transfer, a means of involving the private sector in the provision of public infrastructure, which it owns and eventually transfers to government

BOT Similar to BOOT, but the developer never owns the project

Capital Money or property invested in an asset for the creation of wealth; alternatively, the surplus of production over consumption

Co-location The location of various activities and services in a defined area to create a multi functional urban environment, which reduces reliance on the automobile and maximises the capital investment in infrastructure

Controlled Economy An economy where production and prices are set by government

‘Corporatisation’ The process of changing the management of a State Owned Enterprise into a business that competes with the private sector

Density The level of concentration (high or low) of buildings, including their total volume, within a given area. Often expressed as a ratio, e.g. dwelling units per acre or floor/area ratio

Developer A private or state owned business involved in developing projects

Ecologically Sustainable Development Using, conserving and enhancing the community's resources so that ecological processes, on which life depends, are maintained and the total quality of life, now and in the future, can be increased

Endogenous Activities that influence and occur within an economy

Exogenous Activities that influence and occur outside an economy

Infrastructure Services and facilities provided by government, including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Can also be privately owned or managed

Infrastructure Agreement An agreement between a developer and local and state governments on infrastructure to be provided by a project

Joint Venture An association of two or more companies, individuals or parties to carry on a business enterprise for profit or jointly develop, manage or maintain a service or facility

Lease A contract that gives the lessor (the tenant) the right of possession for a period of time in return for paying rent to the lessee (the landlord)

Market Economy An economy where prices are not fixed by government but determined by what buyers and sellers are willing to pay for goods and services

Market failure Situations where markets are unable to provide goods and services

Neighbourhood A segment of a city or town with common features that distinguish it from adjoining areas

Network A system of interconnected activities and people

Planning Permit Legal document that allows a use and/or development to proceed on a parcel of land and is often subject to a number of conditions on the permit with which the developer/owner is required to comply

Planning Scheme Basic tool which planners use to control land use and development

Plot Ratio The ratio of floor area to land area; typically used as a formula to regulate building volume. Also referred to as floor/area ratio

Policy Statement of intent in terms of what the urban management system is aiming to achieve, the key principles which underpin future use and development and the actions and programs needed to implement the policy

Redevelopment The redesign or rehabilitation of existing properties

Risk The possibility that the returns on an investment or loan will not be as high as expected

Statutory Planning Control of the use and development of land and a means of implementing land use and development policies

Strategic Planning Formulation and evaluation of planning policies and the mechanisms put in place for implementing these policies

Subdivision The division of land into building lots

Suburbanisation The movement of development to the suburbs created by the overflow effect of cities and by the automobile, which improves access to the inner city

SWOT Analysis Identification of the Strengths, Weaknesses, Opportunities and Threats that impact on the urban management system in terms of economic, social, physical and environmental factors

Urban Consolidation Achieving a greater proportion of urban growth and development within established urban areas as a means of slowing down the suburban growth on the edge of the city

Urban Design The art of making places for people. It concerns the connection between people and places, movement and urban form, nature and the built fabric and the process for ensuring successful villages, towns and cities

Urban Renewal Process of the physical environment and redevelopment of an area through government action or assistance

User Pays Principle People pay for public goods and services according to use

Zoning Classification and regulation of land by local governments according to use categories (zones); often includes density provisions as well

Introduction

This manual provides supplementary material and notes for participants involved with a series of training courses designed to strengthen the capacity for plan development and implementation by Indonesian Provincial and District Governments. The courses will be conducted for participants from Jakarta Provincial and Bekasi Regency governments in four phases over a period of one year in Indonesia and Australia

The materials for the manual have been prepared by the Centre for Developing Cities at the University of Canberra, Australia, which is responsible for delivering the course. The course has been developed in partnership with the Jakarta Provincial and Bekasi regency governments under the AusAID Public Sector Linkages Program (PSLP). The Jakarta Provincial and Bekasi Regency governments have contributed significantly to the cost and support services to run the course.

The Manual is divided into three parts. This introduction outlines the aims, training program, locations and time of training activities and the course instructors. The second part of the manual includes course note materials related to lectures and workshops. Participants are encouraged to read these materials in advance of lectures and workshops. The third part of the manual includes teaching, lecture and workshop notes used for instruction.

Aims of the Course

The primary aim of the course is to enable those participants involved to learn, and gain experience, knowledge, competencies and skills to prepare and implement strategies plans and projects under a more decentralised system of government in Indonesia. The short courses of instruction are expected to help participants:

- Develop an understanding of corporate planning process and change management and its link to sector strategic and development plans
- Apply new techniques to develop integrated strategic plans and development (action) plans to deliver projects through the budget process
- Undertake project feasibility and risk analysis studies of a priority development project.
- Develop Human Resources management skills to implement these programs or projects
- Develop an understanding of how to conduct training needs assessment studies as part of Human Resources Management.
- Gain an understanding of urban management practices in Australia and learn how to apply these to practice in Indonesia

Structure and Organisation of the Course

There are four major primary activities proposed for the program:

Course 1 – In-country Training Course on Plan Implementation, which will involve 10 days training in Jakarta and Bekasi on corporate planning, integrated strategic and detailed development planning and the budgeting process. The course will be run concurrently in Jakarta and Bekasi with 20 participants in each group. This will take place in November 2005

Course 2 – Australian Study Tour and Training Program, which involves an eight day training study tour in Australia including Brisbane, the ACT and Sydney. The study tour will focus on practice and implementation of a range of development plans for transportation, solid waste, tourism and economic development and on principles of good governance in areas of public administration. Systems to introduce accountability, efficiency and effectiveness in planning and implementation will be studied. This will take place in January/February 2006. Participants will spend one week in Canberra.

Course 3 – In-country Sector Training Course Program, which will involve eight days of training in Jakarta. The program will be designed in two parts. The first part will focus on the implementation of approved budget programs, packaging of development projects and project management skills (three days). The second part will involve four five day workshops run concurrently applying this knowledge to financing and implementation of specific sector development projects. The courses will focus on financing and managing the implementation of integrated waste management; rapid bus way transit system; infrastructure, and tourism development projects. The courses will run in March/April 2006.

Course 4 – Training and Mentoring Development Program, which will involve a four day follow-up visit to review and evaluate the project with senior and middle management. The lessons learnt will be used as input into a future training and mentoring program to be administered through the training departments of each organisation. A key element of this part of the training program will be the development of a framework for training needs assessment of DKI and Bekasi administrations. It is intended that this will provide a basis for a new grant. This activity will take place in July 2006.

Training Program

The training program and dates each of the courses is set out below. The courses will be run separately in Bekasi and Jakarta, with project groups coming together during different sessions of the course.

FIRST TRAINING COURSE

Corporate and Strategic Planning

14th -18th November – 2005

SECOND TRAINING COURSE

Study Tour of Australia

Thursday 9th Feb – Friday 17th February 2006

THIRD TRAINING COURSE

Project Planning Development and Implementation

26th April to 28th April 2006

FOURTH TRAINING COURSE

Institutional Human Resource Development and Management

17th to 20th July 2006

FIRST TRAINING COURSE Corporate and Strategic Planning

14 -18 November, 2005: Corporate Planning and Institutional Reform

	Monday	Tuesday	Wednesday	Thursday	Friday
8.30 10.30	Opening Ceremony Introduction Objectives of the Training Program Evaluation Test	Public Policy Process	Organisational Change and Change Management	Human Resource Management - Training Needs Assessment -	Competitive Tendering -Contract & outsourcing - Competitive tendering process
11.00 12. 30	Internationalisation Impacts of Corporate Governance National Reforms to Local Government/ Provincial Government	Strategic Management and Corporate Planning	Workshop on Corporate Planning - Mapping the Organisation	Performance Management - <i>Institutional</i> - <i>Department</i> - <i>Personal</i>	Public Management in the Information Age – - E-governance - ITC and MIS
1.30 3.30	Models of Public Sector Management	Case Study on Corporate Plan Discussion	- Identifying core Business - Corporate Goals - Corporate values - Sector Strategies	Financial management and Budgeting	Workshop on Divisional Planning - Strategies - Operational areas

21-25 November, 2005: Strategic and Metropolitan Planning

	Monday	Tuesday	Wednesday	Thursday	Friday
8.30 10.30	Research and Analysis tools for Strategic Planning - Quantitative Techniques - Qualitative Techniques	Field Visit to Jakarta Metropolitan Region - Urban Development - Infrastructure - Environmental management - Economic Development	Metropolitan Sector Strategic Plan Workshop Presentation on Urban Systems (M Spiller)	Preparing Sector Strategic Plans (Case Studies)	Action Plans Develop and Action plan for key sector projects
11.00 12. 30	Strategic Planning - Purpose - Strategic planning cycle		Purpose is for Bekasi and Jakarta sector departments to develop sector planning frameworks for the development of the SE corridor Metropolitan Jakarta Development Plan	Workshop to Prepare Planning Framework for four sector strategies	Workshop to preparation of Action Plans plan for key sector projects
1.30 3.30	Integration of Sector strategic Plans		Workshop will be run in Bekasi		Purpose is to get sector groups to develop a strategic plan framework for sector for 4 sectors of DKI and Bekasi

SECOND TRAINING COURSE (Study Tour of Australia)

Thursday 9th Feb – Friday 17th February 2006

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Morning				Fly Brisbane QF 516 Briefing and Welcome Hotel	Brisbane City Council Urban Finance Urban Management Corporate Planning Mosque	Study tour SE Queensland Urban Development Projects Brisbane Gateway Ports Development Urban Growth Management Strategy Infrastructure investment	Fly Sydney QF 521 10.10
After Noon			Depart Jakarta Sydney QF 42 20.50	City Walk Brisbane Inner city Redevelopment and commercial development South Bank Development	Study Tour Brisbane Bus ways Brisbane Ferry Traffic Management		Walking Tour Sydney and Harbour Trip

	Monday	Tuesday	Wednesday	Thursday	Friday
Morning	Sydney Metropolitan Plan	Study Tour of Canberra central area	Public Sector Management and Finance Professor Woods Urban Infrastructure Planning and development sequencing Urban Services	Public Sector Management In the ACT Environmental Management in the ACT	Depart Sydney Bus 12.00 Mosque Sydney
After Noon	Visit to Penrith Bus to Canberra	Planning of Canberra ACT Planning Authority Civic Reception	Waste Management Water Recycling Reception Indonesia Embassy	Social Planning and Community Development Afternoon free for shopping and sight seeing Farewell Dinner	Flight QF 42 16:15 Jakarta

THIRD TRAINING COURSE - Project Planning Development and Implementation

26th April to 28th April 2006: Project Design and Development

	Monday	Tuesday	Wednesday	Thursday	Friday
8.30 10.30			Introduction Objectives of the Training Program Annual Planning Process and Development Plans	Project Costing and Budgeting How to cost projects How to develop a financing strategy Staff and Consultant requirements	Environmental and Economic Impact Assessments statements
11.00 12. 30			Detailed Project design and Development	Implementation models - Public execution - Public Private Sector - Partnerships	Project Management Project Management Cycle
1.30 3.30			Working with International Development Agencies on Project development (Presentations for ADB and World Bank)	Project feasibility Analysis - Benefit Cost Analysis - Economic rates of return - Project Feasibility - Risk Analysis	Working with MS project and other tools

1-5 May 2006: Detailed Development Plan and Feasibility Studies

	Monday	Tuesday	Wednesday	Thursday	Friday
8.30 10.30	Each sector groups analyses key projects in the Renstra and Establish Criteria for evaluation of priority projects	Project Analysis - Key components - Timescale - Resources - Evaluation criteria	Design the Project Continue	Develop cost estimates for project components	Assess Project Feasibility
11.00 12. 30	Ranking and prioritisation of projects in relation to corporate policies and priorities	Design the Project Each team member to work on the design with an instructor		Develop and implementation plan, budget and Financial Strategy	Presentation of projects to Peer review Assessment
1.30 3.30	Selection of a major project for design and development. Develop a Design framework of the Project		Defined Project Task descriptions, inputs and outputs	Develop a Framework for the Implementation mechanism PPP Public Construction	Wrap up and Discussion Session

FOURTH TRAINING COURSE - Institutional Human Resource Development and Management

17th to 20th July 2006

	Monday	Tuesday	Wednesday	Thursday	Friday
8.30 10.30	Corporate Plan and HRD management Requirements	Workshop to develop a Training Needs Assessment for Organisation Workshops in Bekasi and Jakarta	Workshop to develop a Sector Training plan for DKI and Bekasi	Course Evaluation in Jakarta	
11.00 12. 30	Conducting a Training Needs Assessment Audit - Supply - Demand - Delivery				
1.30 3.30	Design of HRD organisation and Sector Department Training Plans		Presentation of Sector Training Plans	Course Evaluation in Jakarta and Assessment	
		Participant Evaluation Assessment			

Australian Trainers

Training Team Leader

Professor Brian Roberts



Brian Roberts is Professor of Urban Management and Director of the Centre for Developing Cities at the University of Canberra. Brian has 25 years experience as a professional planner, project manager, academic and adviser on a wide range of urban planning, management and economic development projects. He has worked in 24 countries and held senior positions in the United Nations Organisation, Queensland State Government and the consulting industry. He has been involved in the management of very large multi-disciplinary projects involving regional and urban planning and overseeing national and institutional restructuring programs in several countries. During his professional career he has been involved extensively in research and has had published over 50 papers, books and technical reports. He has been involved extensively with developing integrated strategic planning for development in Vietnam and several other developing countries.

Perry Daroesman



Perry Daroesman is a development consultant with twenty years experience in design and management of development cooperation programs in education, health and governance in Southeast Asia, in particular in Indonesia, and the Pacific. He has ten years managerial experience in the private sector and ten years in government where he has been involved in organisational change and public sector reform including the Financial Management Improvement Program and shift to Management by Objectives and performance management. Over the last six years he has been involved in the establishment and management of Melbourne University Private, was program Director of the Indonesia Specialised Training Program, worked on ASEAN economic policy, and provided training in management and public accountability to senior Indonesian government officials. Currently he advises a number of development companies on strategy planning, and consults on program monitoring and evaluation.

Professor Marcus Spiller



Marcus Spiller is a Director of SGS Economics & Planning Pty Ltd. His consulting experience spans land economics, regional development, housing policy, infrastructure funding, policy co-ordination systems and business planning for cultural institutions. He has taken up secondments as lecturer in urban economics at Melbourne University, adviser to the Minister for Planning and Housing in Victoria and senior executive in the Queensland Department of Housing, Local Government and Planning. He is an Adjunct Professor in Urban Management at the University of Canberra and the current National President of the Planning Institute of Australia. He is also a Director of VicUrban, the Victorian Government's land development company.

Training Venues

Bekasi Diklat, Bekasi Regency, Chikarang

Jakarta Diklatprop, Jl H.R Rasuna Said, Jakarta South.

Training Course Session Times

Morning Sessions:

Session 1:	8.30 -10.30
Refreshment Break:	10.30 -11.00
Session 2:	11.00 -12.30

Afternoon Sessions:

Session 3:	13.30pm - 15.30
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Week 1

Corporate Planning and Institutional Reform

Session 1.1.2

Impacts of Internationalisation and National Reforms on Local Governments in Indonesia

Development in Indonesia in the Era of Decentralisation

This section of the course notes describes in detail recent regional economic development in Indonesia, with a special emphasis on the decentralisation scheme enacted in 1999. The discussion starts with the national frameworks supporting regional economic development that is linked with a discussion on the current decentralisation regulations. The different aspects of fiscal decentralisation schemes will also be covered. All this leads to a new economics of regional economic development. Two important ingredients of the new economics are strategic investment and partnerships between the public and private sectors. Several examples from Batam and Balikpapan will be highlighted in relation to strategic investment and partnerships.

The decentralisation scheme points to the need for local good governance practice. Its principles and some future challenges in its implementation will be discussed later. This short note will be concluded with some notes about future plans for Indonesian regional economic development. These proposals are not by any means exhaustive, and merely serve as basis for future discussion on the continuing debate about the regional economic development in Indonesia in the era of decentralisation.

National Frameworks Supporting Regional Economic Development

The current regional economic development program is driven mainly by the 1999 decentralisation scheme that came into full effect in 2001. This section will detail the national framework that supports and leads to the current format for regional economic development.

National Economic Policies

Indonesia is as a nation covers a vast territory, with enormously diverse ethnic and cultural groups and differing resource endowments from one region to another. The stages of economic development in the different regions vary considerably. In the face of such diversity, Indonesia has sought to build up a semblance of nationhood since its independence in the form of a unitary state, with a strong aversion towards the notion of federalism, deeply rooted in its struggle for independence. However, given the vastness and diversity of the country, the need for decentralising government functions has long been recognised, albeit with varying intensity.

The 1970's saw a more serious effort to promote regional development and decentralisation as a means of achieving this end (Hill, 1991). In the 1980's a modest attempt was made to decentralise the provision of urban infrastructure to local governments, as it was becoming increasingly obvious that the central government alone would not be able to provide for the growing needs of rapidly growing urban areas. Finally in 1992, the government issued the overdue *Peraturan Pemerintah 45/1992* to implement *Undang-Undang 5/1974*, in which certain functions were devolved from the central government to the second level local

governments, regency and municipality, within a four-year transition period. The policy was later confirmed by MPR as State Policy Guidelines.

Peraturan Pemerintah 45/1992 was important because the government appeared to have accepted for the first time the “fiscal federalism” argument that those public services that could be more efficiently provided by the local government should in principle be transferred to it and that the appropriate level of local governments for that purpose is not the provincial government, but regencies and municipalities. Before Indonesia was hit by the contagious Asian crisis, the government passed *Undang-Undang 18/1997*, which widened the tax power of local governments to enable them to discharge the functions-to-be-transferred.

The Habibie government enacted the basic laws on decentralisation, *Undang-Undang No.22/1999* and *Undang-Undang No.25/1999*, the former devolving certain powers to local governments and setting up regional political processes, and the latter supporting such decentralisation by providing fiscal resources which were to be at the disposal of local governments. Though those laws had been enacted in 1999, the policy implementation was begun on 2001. A number of important government regulations have been issued. There have been MPR’ and DPR recommendations and deliberations on the designs and process of decentralisation. There has also been some talk of revising the basic law.

Since *Undang-Undang No. 22/1999* and *Undang-Undang No.25 /1999* do not conform with the developments, state system and demand for regional autonomy, the Megawati government amended them with *Undang-Undang No.32/2004* regarding *Pemerintahan Daerah* and *Undang-Undang No.33/2004* concerning *Keseimbangan Fiskal Pemerintah Pusat dan Daerah*.

The National Development Plan released recently by Bappenas in RPJPM 2004-2009 states that there are eleven problems and challenges faced by Indonesia in its five year development period.. Its vision is for the country to realise a safe, integrated, harmonised and peaceful society. To realise a community, country and citizenry that respect and value the law, equality and human rights. To realise an economy that creates job opportunities and a standard of living that strengthens sustainable development. The missions are to realise security, peace, democracy, justice, and social welfare.

The plan is to be implemented through two main national strategies. *First*, is the strategy to reform Indonesia? It aims to secure national governance based on national ideology Pancasila. *Second*, is the strategy to develop Indonesia as stated in the implementation of UUD 1945?

Legislative Framework

According to *Undang-Undang 32/2004*, the DPRD at provincial and regency/municipality level plays a significant role in ensuring that local governments are practicing good governance. Prior to the 2004 elections DPRD members and head of the regency or municipality were appointed. This made them the most powerful parties in the regions since they had powers sanctioned to them. All of local regulations had also to go through them. In an ideal world, the local parliament that represents local people, who in turn force the local government to practice good governance, resulting in full trust towards the local government.

According to *Undang-Undang No.32/2004*, DPRD is the regional House of Representatives and as such is an influential element of regional government administration. The main roles of DPRD are drafting the laws, preparing the regional budget and conducting supervision of programs.

Funding of Regional Development

Based on *Undang-Undang No.33/2004* concerning Fiscal Balance Between the Central Government and the Regional Governments, the sources of state finances are made available to the regional government through the implementation of decentralisation based on the transfer of tasks previously undertaken by the Central Government to the regional

government with due regard to fiscal stability and fiscal balance. It is a comprehensive system covering the funding of decentralisation, de-concentration, and co-administered tasks. The administration of regional government affairs in the implementation of decentralisation, is funded by regional budget namely *Anggaran Pendapatan Belanja Daerah APBD*. The administration of regional government affairs, in the implementation of de-concentration and co-administered tasks by the governor, is funded by the State Budget. In addition, the delegation of authority in the implementation of de-concentration and/or co-administered tasks from the government to the regional government is funded by the provision funds.

There are two major divisions of regional development funding sources:

There are regional incomes for the implementation of decentralisation and de-concentration consisting of regional revenue and financing. The regional revenue is derived from *Pendapatan Asli Daerah (PAD)*/Regional Income that consists of regional tax, regional retribution and proceeds from the management of regional assets set aside for the purpose, *Badan Usaha Milik Daerah (BUMD)*/ (Regional Own Enterprise), and other legal revenue; and a balancing fund consisting of *Dana Bagi Hasil (DBH)* / Revenue Sharing Fund, *Dana Alokasi Umum (DAU)*/General Allocation Fund and *Dana Alokasi Khusus (DAK)*/ Special Allocation Fund and other income.

Financing is derived from remaining budget, regional loans, the regional reserve fund, and proceeds from sales of regional assets set aside for the purpose.

Based on *Undang-Undang No.32/2004* (Article 27.1) the total amount of DAU is set at least 26% of Net Domestic Revenue as established in APBN. DAU for a region shall be allocated based on fiscal gap and basic allocation. Fiscal gap means fiscal need less the fiscal capacity of the region. Basic allocation shall be calculated based on the total salaries of the civil service in the region. Based on article 39.1, the amount of DAK shall be established annually in APBN. DAK shall be allocated to certain region to finance special activities being the affair of the particular region. The Government shall establish criteria for DAK, including general criteria, special criteria and technical criteria. General criteria shall be established with due regard to the financial capacity of the region in APBD, special criteria shall be established with due regard to the prevailing laws and regulations and the characteristics of the region, and technical criteria shall be established by the state ministry/technical department. A region receiving DAK shall provide matching funds in an amount of at least 10% of DAK allocation.

In Indonesia, PPIAF (Public Private Infrastructure Advisory Facilities) is one agency that is helping the government to improve its ability to involve and partner with informal, small-scale water providers in urban areas. This activity through quantitative and qualitative analysis is supporting the development of a framework for urban water service delivery by such providers.

Should certain regions experience a shortage of funds; there is the possibility of regional loan as a supplementary fund. Regional Loans are meant to be a transaction to enable a region to receive money or benefits of from a third party with the obligation on the part of the region to repay the loan. It may be a short-term loan (less than or equal to one budget year), a medium term loan (to finance the provision of non-public profit services) and long-term loan (to finance investments in income-generating projects). The medium and short-term loans are subject to DPRD approval.

Regional Loans may be sourced from: the central government, other regional governments, banks/financial institutions, non-bank financial institutions, and the public. The opportunity given to local government to finance its expenditure from banks/financial institutions and also non- bank financial institutions affords opportunities to the development of regional banking such as the regional development bank called *Bank Pembangunan Daerah (BPD)*. Such BPDs have a significant role and function in the context of regional development economy because they open access of banking services in areas that are not economic for commercial

banks. After Keppres 181/2000 about the General Allocation Fund, the government issued Keppres 39/2001 about *Dana Kontingensi*.¹ This fund is used to solve mismatching of the financing of civil workers (PNS). Since decentralisation, there has been a transfer of civil workers from the central government to local governments that has changed the status of workers from central civil workers (central PNS) to local civil workers (local PNS).

The above change is indicative of the shifting of financing from central to local government. On the other hand, the realisation of DAU has been a long time coming. Therefore, through Keppres 39/2001, the *Dana Kontingensi* is used to finance routine needs (such as civil employee's salary). Since in 2001 there has been an increase of base salary for civil employees, the local government must now finance the additions to wages itself. This is besides, government declared increases in the middle of the year. This prevents allocation of additional wages. The local government may borrow from BPD to finance increases. Instead of lending, the local government may save its funds. It can buy bonds issued by the central government or government bonds. There are two ways to buy government bonds. It may buy government bonds through BPD, which does not need the approval from DPRD.

Regional Economic Governance

One of national development agendas stated in National RPJM 2004-2009 is on good governance (Chapter 14). Good governance is manifested by government procedures that ensure transparency, accountability, effectiveness, and efficiency, law enforcement and society participation to achieve the integration and harmonisation of government tasks and functions. It is aimed at creating a governance organisation process that is clean, healthy, respected, professional and responsible. The overall intention of good governance is to achieve an effective and efficient public sector.

Good governance in Indonesia has now become associated with the:

- Reduction of corruption in the bureaucracy
- Establishment of institutional and execution of good governance practices
- Elimination of law and regulation that discriminate against citizens, groups, or social groups
- Enhancement of greater civic society participation in public decision making
- Ensuring of central and regional regulation consistency

Transparency is a household word in Indonesia. The executive arms of government are expected to be transparent in the activities of the legislative assemblies and in dealing with the community, especially concerning the local budget. However, transparency is still a difficult thing to achieve in the early years of the democratisation process. It is still not easy for local people, for example, to obtain the details of the local budget from local financial bureau. Local legislative members, who should represent the people interests, often fail to enforce transparency due to personal political interests. Non-governmental organisations (NGOs) have become very active in promoting transparency through a process of continuous advocacy. The NGOs have become the sole agents of local transparency, although some of the NGOs are trying to take advantage of their position.

Planning and Management

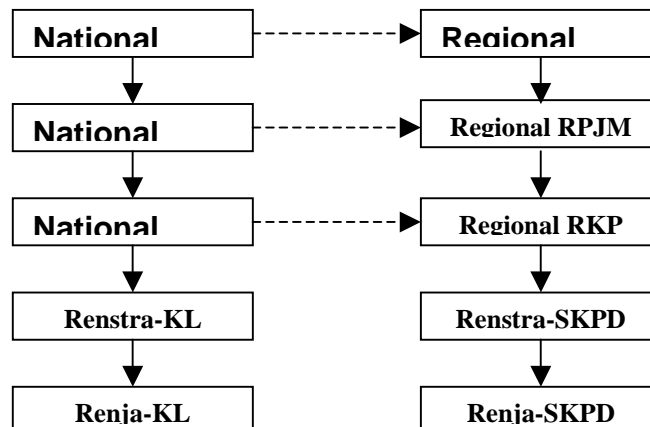
The planning documents at a regional level are similar to those at a national level. They explain the development by general policy, programs and strategy, work plan, sources of funding and functions of monitoring and evaluation. The relationship between documents of development planning in national and regional level is shown on Figure 1

In the national context, the President is responsible for national development planning. Each ministry arranges their respective departmental planning. The *Governor* as central

¹ The main criteria of giving supporting fund based on Keppres 39/2001 is for the regions which receive BHSDA and DAU lower than its expenditure for wages an salary of civil workers and non wages expenditure. The focus of Dana kontingensi, based on Keppres 39/2001 is on routine expenditure for Detail of Dana Kontingensi regulated by KMK 382/KMK.07/2001

government representative coordinates the implementation of de-concentration and co-administered tasks. The Regional Head is responsible for regional development assisted by Head of *Badan Pembangunan Daerah (Bappeda)* as Chair of the regional development planning board and Head of Regional Administration Work Unit. The *gubernur* is responsible for development planning by coordinating, integrating, synchronising, and promoting a synergy between cities. However, all document planning flows through four stages, arranging, setting, monitoring of implementation and evaluation of planning.

Figure 1. Planning and management framework based on law 25/2004



Implementation Mechanisms

The central government certainly still plays a major role in monitoring and evaluating the decentralisation process. A significant problem, however, is the number of district and provincial units to be monitored, which have increased since decentralisation. Provincial government has increased from 26, prior to decentralisation, to 33. The district/municipal government has increased from 290 (2000), prior to decentralisation to 407 (until 2004). Those increases occurred in a two-year period. Monitoring and evaluating large and increasing number of units is certainly not an easy task. One good example the complex task of is monitoring and evaluating the local government regulations.

Decentralisation has basically minimised, not to say eliminated, the vertical accountability mechanism in which the local governments no longer have to report their budget process and implementation to the central government. The state internal auditor cannot audit local governments anymore. Every local government now has their internal auditor. The reason for the very minimum vertical accountability mechanism can be traced from the structure of local revenue practices that will be described later in this report. Local revenue now consists of local own revenue (tax and charges), natural resources revenue sharing, tax revenue sharing, general-purpose grant, and specific allocation grant. Among these types of revenue, only in the specific allocation grant, (specific-matching grant) does the central government have some authority to carry out monitoring and evaluation. The local governments receiving this type of grant have to report to the respective ministries and the Ministry of Finance (MOF). Other types of revenue entail local governments' full authority in allocating the spending needs, while central government has the obligation to allocate the money but not to monitor or evaluate the use of the money.

A horizontal accountability mechanism plays an important role in the monitoring and evaluation process. The DPRD is now the institution that has the rights to monitor and evaluate the budgeting process and budget implementation. It will be involved in budgeting

process and have to be given approval before it becomes the proposed budget of the fiscal year.⁹

As previously mentioned, the central government cannot now have direct supervision and review of the local financial affairs except for the specific allocation fund (DAK), de-concentration activities, and local borrowing. Local parliaments are now in charge and local governments have to make quarterly reports to them. To ensure better local fiscal management, the combination of local parliament and central government (MOHA and MOF) need to monitor and evaluate the said reports. Local parliaments basically monitor the overall performance of local budgeting.

Since the local government will have to adopt hard-budget constraint in the decentralisation era, any borrowing proposals intend to fill budget deficits. In these cases, the local parliament will still have power to evaluate borrowing proposals and once they are approved it, the central government (especially MOF) can play a significant role. If the proposed borrowing is from a foreign institution, the minister of finance has to give approval as it does if it is from the central government. For other sources, even though there may be no direct influence, the central government can have control over the total cumulative borrowing of all local governments and can make the decision to manage that total borrowing. Implicitly, the central government can influence, indirectly budgeting behaviour of local governments throughout Indonesia.

On the Good Governance²

Realising the problems of the past in a centralised system of government, is one step. For decentralisation to be truly meaningful and for development to occur, local governments have to change the way they conduct their affairs. This creates the need to strive for good governance. The following is a lists ten principles of normative good governance elements:

Participation - To encourage all citizens to exercise their right to express their opinion in the process of making decisions concerning the public interest, both directly and indirectly.

Rule of Law -To realise law enforcement, which is fair and impartial for all, without exception, while honouring basic human rights and observing the values prevalent in the society.

Transparency - To build mutual trust between the government and the public through the provision of information with guaranteed easy access to accurate and adequate information.

Equality - To provide equal opportunities for all members of the society to improve their welfare.

Responsiveness - To increase the sensitivity of government administrators to the aspirations of the public.

Vision - To develop the region based on a clear vision and strategy, with participation of the citizenry in all the processes of development so that they acquire a sense of ownership and responsibility for the progress of their regions.

Accountability - To increase the accountability of decision-makers with regard to decisions in all matters involving the public interest.

⁹ DPRD has the following duties and authorities: Drafting Regional Regulations that will be discussed with the regional head to obtain joint approval, discussing and approving draft Regional Regulations on the Regional Budget along with the regional head; supervising the execution of Regional Regulations and other laws and regulations, regulations of the regional heads, regional budgets, regional government policies in carrying out the regional development program, and international cooperation in the regions; proposing the appointments and terminations of regional heads/deputy regional heads to the President via the Minister of Home Affairs for provincial DPRD, and to the Minister of Home Affairs via the Governor for district/city DPRD; Electing the deputy regional heads in case of vacancy of deputy regional heads; Giving opinions and judgments to the regional administration on the international agreement plans in the regions; Giving approval to international working agreement plans that will be entered into by the regional administration; Asking for accountability reports from the regional heads concerning the administration of regional governments; Establishing the supervising committee for electing the regional heads; Supervising and asking KPUD (regional general election commission) reports in conducting the election of regional heads; Giving approval to the inter-regional cooperation plans and with the third parties that put some liability to the communities and regions.

² Taken from Local Government Forum, 2002, Introducing Good Local Government: Indonesian Experience

Supervision - To increase the efforts of supervision in the operation of government and the implementation of development by involving the private sector and the general public.

Efficiency & Effectiveness – To guarantee public service delivery by utilising all available resources optimally and responsibly.

Professionalism - To enhance the capacity and moral disposition of government administrators so that they are capable of providing easy, fast, accurate and affordable services.

A movement of good local governance thus gradually emerges now in Indonesia, owned and led by Indonesian individuals and organisations, working towards a common purpose. A network of information sharing and coordination of activities and support mechanisms will form the basis of this movement. It is the demonstration of successful introduction of change toward good local governance that provides the impetus for the movement to constantly be dynamic in achieving higher levels of good governance and in anchoring good governance practices in national and regional policy and operational measures. For such a movement to take root and further achieve its goals, the following areas of work are provided as currently being discussed amongst various stakeholders:

Documentation, Information-Sharing and Up scaling of Successful Approaches

Innovations and best practices in good local governance should be documented and shared with other local governments and stakeholders for application (or replication) in their respective governance affairs. It should also be disseminated to other development partners to build on in their approaches and programmes. As the concept of good governance is dynamic and constantly evolving, it is critical that new approaches or innovations be continually developed. Cities and regencies, which have demonstrated the ability to successfully apply good governance practices in several or selected areas of competences would serve as 'models' of lessons learned to be emulated by other local governments. Information sharing and training among peers, champions of governance reform in their cities/regencies would be one of the characteristics of the movements.

Advocacy and Awareness Building

The popularisation of the guiding principles for good governance is necessary for the generation of support for the movement and in bringing about that commonality of goals. It entails the conduct of nationwide advocacy to allow more individuals and organisations to better understand good governance thereby recognising bad governance practices and not accepting this as the norm. Popularisation also involves the adoption of a common monitoring system and the raising of stakeholders awareness to the extent of which the guiding principles for good governance have been applied in governance affairs. A system such as 'report cards' with indicators to monitor the performance of local governments could be developed. The results of such an assessment system could be made public and used as basis for a nationwide recognition or award system to be given to local governments that best applied the good governance principles in its affairs.

Networking

The movement involves individuals and organisations working towards a common purpose. It is imperative that with this movement, a network where information could be shared, programmes approaches and outcome of activities (particularly donor support programmes) could be discussed, and mutual support could be provided at different levels be strengthened. The different network or 'Alliances' could be the platform for such networking at national and local level making. The movement should be inclusive by getting more stakeholders involved and enhancing the interaction between and among individuals and organisations from different spheres of governance. It also serves as the avenue for the establishment of linkages with international networks or alliances on good governance.

Influencing Policy Formulation

The movement must be able to exert influence on the formulation of policies that impact on governance affairs. It has to be grounded in the local situation requiring the setting-up of mechanisms for feedback where complaints and suggestions are received, processed, and acted upon. Complaints are viewed not from the perspective of trying to undermine the authority of local governments, but as inputs to the priming of systems and policies for improved governance. Feedback should also be 'up streamed' by providing the National Government information on the implication of laws and policies and, in the process, influencing the formulation of new laws and policies and revision of existing ones that hinders the advancement of good governance. The Associations and national and local alliances would serve as very good institutions for this purpose.

Development of Local Capacity

With decentralisation, many of the responsibilities for service delivery are transferred to local governments. While several local governments are able to maintain the "quality" of services devolved to them, it is unable to improve beyond its present capacity and has limited success in getting the communities involved in addressing local problems. It becomes imperative, therefore, that local capacity in planning, investment programming, micro-finance, monitoring and evaluation, and other areas where capacity is needed in the efficient and effective running of local governments be developed. Likewise, capacity for reporting the use of local resources, foreign loans and grant assistance should be enhanced not only for local governments but, more importantly, for national government ministries and offices. Emphasis should be placed on the 'operationalisation' of good governance principles in the affairs of government and the provision of additional assistance to poor local governments in order to improve their credit worthiness and allow them access to additional financial resources.

Facilitation of Behavioural Change

Ultimately, the effect of pushing for the institutionalisation of good governance would be felt not only in the systems that are put in place or the affairs of local governments but also engender a change in the behaviour of people, especially those in the civil service, with regards to service delivery and governance. Behavioural change could be brought about by the inclusion of checks and balances in established operating rules and procedures, coupled by the provision of awards and imposition of penalties. It is also brought about by the changing of mindsets, developing initiative in the application of the guiding principles of good governance in their respective tasks and of doing things differently. Such change in the mindset could be accomplished either through the integration of good governance in the curriculum or the introduction of a new course on good governance in Public Administration schools which all civil servants have to take. The integration of good governance in the curriculum could be expanded to include that of local universities and other institutions of higher learning while other innovative ways of sensitisation such as peer-training and through the use of media and ICT could also be explored.

Future agenda

There are still several agendas that one needs to keep in mind for future Indonesian regional development analysis and practices. By no means is this list meant to be exhaustive, it is merely a list of topics for further deliberations on regional development in Indonesia.

Government should continuously shift its attention more and more to the people's welfare. Recently, there is a quite strong tendency for the local government to concentrate merely on the fiscal indicators, such as the PAD. Local government should not stop there. It should realise that the ultimate goal is the people's welfare.

The distribution of authority, tasks and responsibilities of different levels of government should be clarified. Two dimensions of this are the revenue and authority. Previous discussion in this presentation should be used as the basis for further clarification. The current Dana

Dekonsentrasi should be gradually transferred to the DAK. It will further increase the accountability of the local government.

Continuous reorganisation of the government, especially in the central government is needed. With the decentralisation scheme in effect, the number of departments and ministerial offices at the central government should be reconsidered. Several line ministries have been decentralised to the local government, and thusly the central government is merely a policy making institution without the power to execute policies. Related to this is the issue of personnel and it's financing.

Improving and empowering the PAD. The land and building tax (PBB) (excluding mining) should be transferred to be local tax. That means local government would be able to decide on tariff & bases. The distribution of non-tax revenues between central and local governments should be clarified (this may need a revision of Law on the non-tax revenues). In addition, *Business tax* is an option in the future PAD.

Revision of laws related to the decentralisation scheme. This includes UU No. 17/2003, UU No. 25/2004, UU No. 32/2004, and UU No. 33/2004. Realignment is not only needed in these laws, but also between these and other sectoral laws. Further, there are also laws that are not within the scope of decentralisation laws, but are deemed related to the decentralisation practice. One example is the law on non-tax revenue that defines non-tax revenues as the central government revenue. In the era of decentralisation, this needs to be revised.

Diversifying the alternatives to local development financing. Specifically, the laws permit local government loan. However, there are prerequisites to this loan. For one thing, local government must be prepared in terms of the asset management. The system must be in place for different eventualities, such as what would happen if a local government default on its loan?

Increasing interregional cooperation. Potentials are in the infrastructure provision, which would involve a role for upper level governments. This allows the project to exploit the economies of scale, which may not be available should the project is administered singly by local governments.

Economic considerations in the establishment of new kabupaten/kota should dominate the socio and political reasoning. In those respects, the newly created kabupaten/kota need to be evaluated.

When they are not seen to improve people's welfare, then they need to merge with surrounding areas. Thus, a system to encourage interregional merger would be needed.

Session 1.1.3

Models of Public Sector Management

Aim:

By the end of this module, you should be able to understand

- Traditional models of the public sector
- Describe key challenges to traditional models of public administration
- Outline what is meant by New Public Management

Traditional Models of Organising and Managing the Public Sector

For most of first half of the twentieth century the role and functions of government included

- Provision of basic economic infrastructure: institutions, rules and arrangements
- Provision of various collective (public) goods and services
- Resolution of and adjustment of group conflicts
- Maintenance of competition
- Protection of natural resources
- Provision for minimum access by individuals to goods and services of the economy
- Stabilisation of the economy

Public Administration Model

It was thought that the “best way” of organising public institutions to fulfil these roles would be to base it on principles of public administration. Under the Public Administration Model, a public employee works in a bureau (an office for the transaction of public business) and these bureaus are organised collectively into a bureaucracy. According to Weberian administrative theory, a bureaucratic form of government is capable of attaining the highest degree of efficiency. This was based on the principles of:

- Developing a division of labour and specialisation of function;
- Establishing a hierarchy with clearly defined roles and explicit rules;
- Making employment decisions (such as selection and promotion) based on merit; and
- Separating the office from the individual: That is, the person and the position s/he holds are not the same: the attitudes of officials should be impersonal and they should not be able to use their office for personal gain.

These principles were expanded to develop principles of public administration commonly understood today, which include:

- Tasks of public institutions are to be decided by politicians but executed by administrators
- Administration based on written documents.
- Public tasks organised on a continuous, rule governed basis
- Rules to which work is conducted and may be either technical or legal
- Tasks or functions divided into distinct spheres, each with its authority and sanctions
- Offices and tasks arranged hierarchically – often leading to centralization
- Resources of the organisation is different from its members
- The notion that public interest must dominate
- The idea that public employees are expected to have a sense of duty

Challenges to Traditional Model

The traditional model is acceptable as long as the public sector is relatively small, and the socio-economic and political environment is stable. There are other issues, which include:

- The impractical assumption that there can be a separation between politics/policy making and administration – the reality is that each influences the other as will be shown later.
- Rule governed basis of public administration is dysfunctional because the means (the processing activity) tend to displace the ends – There is a tendency to follow rules and procedures rather than work toward an outcome
- Claims that public institutions operate more effectively when decentralised
- Large public sector organisations are slow to adapt to changing circumstances and often have difficulty in learning from their mistakes
- Assumption that staff and politicians act in the public interest (Public Choice Theory)

Public Choice Theory

Public Choice Theory is based on the premise that human behaviour is dominated by self interest. This results in government officials maximising their departmental budgets and politicians maximising their votes. Maximising budgets, in turn, results in state growth that is more than necessary to guarantee national security, maintain law and order, provide essential services and satisfy voter preferences. It is also argued that government departments have a vested interest in ensuring their own survival.

Public Choice theory suggests that the answer to these problems is to minimise the role of the state, limit the discretionary power of politicians, reduce public monopolies to a minimum, and maximise liberty (that freedom from state coercion). Finally, government departments should not both advise and implement policy. Policy advice, regulating, and delivery functions should be separated.

In the 1970s/1980s, these challenges were reinforced by growing interest by politicians and academics in management models from the private sector: The argument was that public organisations needed management, not administration – the fulfilment of goals, rather than following procedures. By 1990s, there was a trend for the New Public Management. NPM includes:

- a focus on results and performance,
- a devolution of responsibilities
- evaluation and accountability
- a shift away from traditional model of a monolithic bureaucracy, mainly professionally driven
- toward a concept of government of small politically tightly controlled, policy focused core departments supervising decentralised mission-centred organisations, inside and outside the public service.

The NPM also promoted:

- A shift from input controls and rules to a reliance on quantifiable output measures and performance targets
- Separation of policy making from service delivery
- Disaggregation of large bureaucratic structures into quasi autonomous and specific purpose agencies
- Contractual relationship between decentralised service providers and central service providers
- Preference for private ownership, contracting out and contestability in public service provision
- The pursuit of greater efficiency in use of public funds through
- Greater publication of public information
- Targets for efficiency savings
- The introduction of competition where possible
- Strengthening of audit arrangements
-

More commercial style of management practices, including

- Human resource management (HRM) policies (for example, short-term labour contracts and performance-related reward systems)
- Strategic and business planning
- Internal trading arrangements
- Flatter organisational hierarchies
- Greater customer orientation; and
- Revised corporate governance arrangements.

Reforming Public Sector Management

From the previous slides, we can say that there are three basic models of the State.

- Traditional: the Weberian bureaucracy; traditional theory of public administration, dominated by process, inputs, hierarchy, use of public service for service delivery
- Management: recognises shift to management as central operating principle and focus to outputs, and
- Market: competition and outcome are central, and the public sector has become smaller while the role of the private sector has expanded.

There is substantial scope for variation in practice. In some countries it is also possible to see a sequence of stages in the movement from traditional administrative state, through 'managerialism', to the market state. The key issues and themes can be seen as follows:

Characterisation	Model 1: Traditional Public Bureaucracy	Model 2: Public management	Model 3: Market
Dominant Values	Administration	Management	Competition
Management Focus	Process & inputs	Results & Outputs	Outcomes
Role of Government	Provider	Provider	Enabler / purchaser
Structure	Centralised hierarchical	& Decentralised	Networked, outsourced
State Fiscal Policy	Broad	Focused	Narrow, contracted spending
Relative importance of public and private sectors	Public sector dominant	Public/private shared	Private sector dominant

The Market State

In recent times, the concept of the "Market State" or "Enabling State" is particularly influential. This idea has emerged from a world dominated by an international horizon rather than the national economy and the nation state, where rules governing economic activity are increasingly set by the international framework of the international monetary fund, the OECD, the World Bank and the World Trade Organisation, as well as Group of Eight Summits, and include regional economic blocs.

In this model, there is increasing acceptance that the State's extensive role in production and delivery of services is no longer appropriate. The State's role is therefore transformed into an "enabling" organisation, where services are delivered by government and non-government (i.e. private sector or other) organisations contracted under market processes. The new concept of the state becomes,

- **Enabling state or virtual government** - Role of ensuring service delivery rather than direct production of services
- **Hollow State** - Minimal state intervention
- **Entrepreneurial government** - Government as a competitor
- **'Transgovernmentalism'** - State disaggregating into functionally distinct parts, networked with overseas counterparts, allowing new modes of international governance

Public Sector Reform Patterns and Pathways

Within the OECD, some countries have not engaged in any notable reform, or only have some selected changes, and other countries have undertaken extensive and comprehensive reform. For example:

- Comprehensive reform: Australia, New Zealand and United Kingdom (England)

- Mix of experiences and partially reformed systems: Canada, France, United States
- Limited reform: Germany, Japan

But there is no common pattern. The main issue and debate is about how much reform is necessary.

Conclusion

- There is continuing debate about the most appropriate mechanisms for the public sector
- The distinction between public and private sector is increasingly less clear, especially when the public sector defines its role as **ensuring** public services are provided and **enabling** those services are provided by other agents.
- The result is a complex network of relationships: The management of this network is now referred to as **Governance** – managing the processes by which public services are provided to communities.

The Public Policy Process

Aim

Policy work is often considered more important than either implementation or the management of ongoing programs. While this is understandable, it is also unfortunate. This is because it does not take into account that policy work is required for good implementation, and implementation planning is necessary for good policy making.

By the end of this section, you should be able to

- Understand the concept of policy cycle
- Identify key aspects for managing the policy process
- Appreciate policy skills

What is Public Policy?

A **Public Policy** is a product such as a cabinet directive, a piece of legislation, or a promise made by a political party. Public Policy expresses an intention, or a choice made by government.

Public Policy is fundamentally political. It reflects the electoral and other interest of political parties. It is also about value – that is, those beliefs we have about what is right and wrong for us. Through policy (and politics), policy communities make difficult collective choices about which values to pursue as a society and as a country.

Policy Agendas (that is, what governments choose to act upon) shape all policy making activity. Policy agendas are built up over time, but can change dramatically in response to critical events. Agendas reflect dominant ideas or ideologies and are interpretations through which political parties order their priorities and develop their constituencies.

While published documents and statements are important, it is equally important what governments do, or not do, if we are to have a full picture of their policy agendas.

Conceptualising Policy

Policy is often described in terms of **levels**, fields, systems, institutional forms, or decision making types. Therefore, we can have

Levels

Broad objectives,

Strategic choices,

Operational plans

Fields

Social policy,

Fiscal policy

Defence policy

Systems

Health system

Education system

Private sector

Institutional

Networks

Markets

Hierarchies

Decision making

Rational-comprehensive

Instrumentalist

Levels of Policy

It can be helpful to make a distinction between levels of policy.

Sometimes we use “**Big P**” Policy, which expresses or represents community values through major choices of direction. Examples of this include Financial Deregulation, or National Competition Policy, or even Decentralisation Policy.

Within these broad directions, we can identify strategic choices that reflect decisions about how to reach an overall objective.

We also sometimes use “**small p**” policy, or “operational policy”. These cover the enormous number of decisions that are made in implementing strategic choices. Examples include: how many foreign banks are to be licensed, how are we going to determine electricity prices, what aspect of services are to be decentralised, to whom?

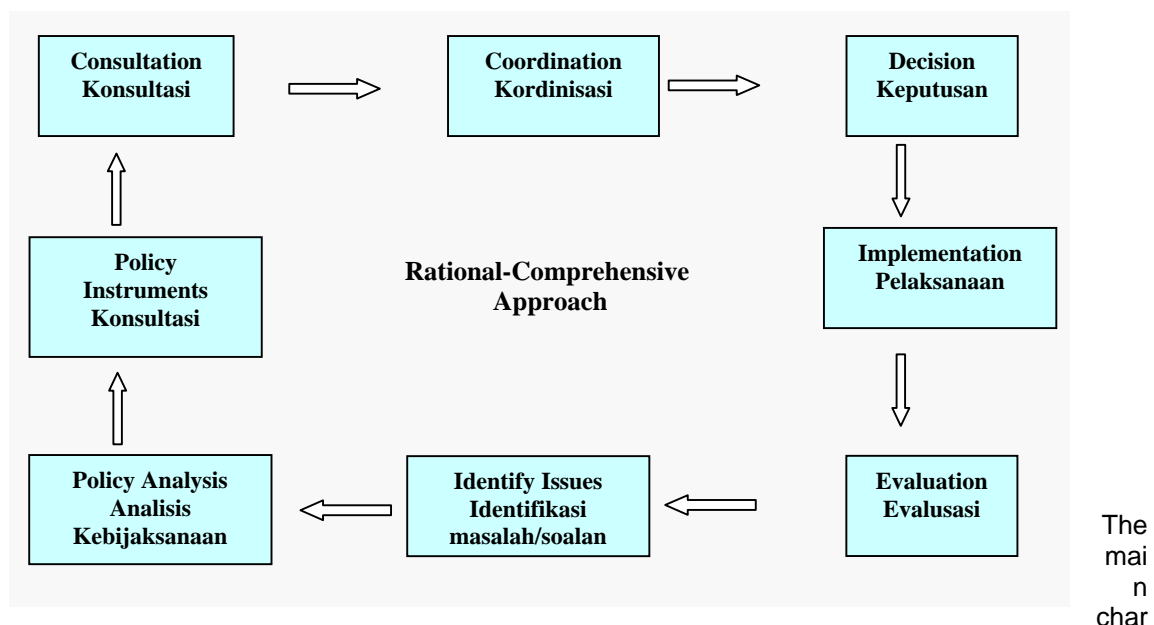
Another way to look at it, as an example of levels, is:

Do we believe in God?	VALUES
What religion will we join?	STRATEGIES
How do we pray?	OPERATIONAL

It is important to recognise that in all organisations, it is policy all the way down. You may think that work that a public servant does bears no relationship to policy making. However, the processes and the skills, resources and contacts needed to succeed are similar at all three levels.

The Policy Cycle

Policymaking is an essentially orderly process with a number of interlinked stages, each which builds towards a successful outcome. The following is a simplified model:



A characteristic of this model is that it is cyclical. Public policy is never completed – there is no final stage. Instead, the results (or consequences) of past decisions create the need for further action by government. A good policy process anticipates this continuity by including ongoing consultation, monitoring and evaluation. The information gathered is used to fine tune, restructure, or maybe even terminate the policy or program.

Policy processes are also iterative. For example, information and conclusions arising from the consultation phase can lead to further work on the identification of issues. It is important to recognise

that there are other political and external factors that influence the policy and policy cycle, making the task of managing policy much more uncertain and complex.

Where the Policy Cycle breaks down

For example, a crisis blows up, key interests are opposed to change, or there is confusion or disagreement as to what the issues are. For this reason, the above model (referred to as Bridgman and Davis Model), often called the “rational-comprehensive approach”, can seem artificial.

For this reason, the comprehensive-rational approach gives way to something more disjointed and less predictable. Policy development may become blocked or able to proceed through a series of compromises. Existing policy may be altered in incremental steps.

As a model of the policy process, instrumentalism recognises that very little policy work involves starting from a clean page and constructing an entirely new policy framework. Instead, most policy work involves, incrementally adjusting current policy setting, often on the basis of little or no real analysis.

This form of policy making relies much more on the adviser's and decision maker's judgment than it does on analysis. Instrumentalism also gives much more weight to past and current trends of an issue, rather than an abstract idea of a future goal.

Managing the Policy Making Process: Some key components

Because process is important to good policy making, it is often best to ensure that each of the phases of the policy cycle is handled in an appropriate way. The key components of the policy cycle are:

- Understanding the Agenda
- Identifying Issues
- Policy Analysis
- Consultation with stakeholders
- Coordination within the bureaucracy
- Evaluating Impact of policies and programs

We will go through the elements of each of the above.

Understanding the Agenda

We can think of the policy process as a way of concentrating collective attention on particular problems. But

Not every potential issue makes it on to the political agenda.

Many will fall off before attention can be given to them; others cycle through policy communities but never reach a point where a definite choice can be made.

Some arise very quickly and suddenly, often as a result of a single, often catastrophic, event.

Agendas can be set by “insiders” or “outsiders”, or by a combination of the two. As an example, some agendas may not be debated or discussed in the DPR or DPRD, but decided by key political figures and their advisers or influential figures in the bureaucracy or in the private sector. On the other hand some significant policy reforms have not originated within party political or bureaucratic circles, but have been pushed on to the political agenda by groups operating outside government.

Identifying the issues

It is important to draw a distinction between

Political agenda setting – the responsibility of elected officials, other politicians, lobby groups, community organisations and so on, but not public servants. And

Issue definition – where public servants often take a lead role.

It is desirable, but not always possible, to determine what the issues are and to obtain some agreement among key stakeholders. Usually these are expressed in terms of a policy problem – for

example, persistent long-term unemployment, or lengthening waiting times for treatment at public hospitals; On other occasions it necessary to extract the most important issues from a report, a series of representations from interest groups, or from a collection of events and problems that do not have a clear focus; Sometimes issues have already been clearly identified within department or agency, but require advocacy to take them further.

Issue selection at the departmental level will be shaped by an agency's perceptions of its stakeholder's needs, by net benefits in terms of government objectives, and by financial constraints.

Policy Analysis

Policy analysis is a form of problem solving. Having identified a problem (for example, low compliance with a regulation), policy analysts can suggest a range of alternative solutions.

Economic and statistical analysis is often important in framing problems and quantifying problems in useful ways. Decision making techniques such as cost-benefit analysis, sensitivity analysis, and social or economic modelling are also important

Very often, however, the analytical work does not produce definitive results, and/or the necessary research cannot be done. In these cases, "satisfying" – that is, producing good enough arguments – may be all that can be achieved.

It should be remembered that the problem presented to the analyst is not necessarily the one that needs to be solved. Defining, or redefining – the problem in a way that enables politically saleable solutions to be produced is regarded as the ultimate of practical policy analysis.

There is increasing competition in policy analysis. Lobby groups, think tanks, academics, private consultants, NGOs are all producing detailed analysis, but final decisions are nearly always political ones.

Consultation

Governments are notorious for consulting only in order to legitimise decisions that have already been taken. Genuine consultation, particularly where the broader community is concerned, is laborious and often time consuming. The advantage of consultation is that it brings those inside government face to face with the implications of their work. What seems a good idea in a committee room may arouse intense opposition in the wider community. Formal consultation processes, particularly where they involve the broader community, require considerable preparation and planning. However, failure to consult key interests is often the single greatest cause for policy breakdown.

Consultation outside government takes place informally through day-to-day contacts between ministers, their offices and senior public servants on the one hand, with members of parliament, lobbyists, representatives of peak bodies and industry, public servants and constituents.

Formal mechanisms include public meetings, inquiries and parliamentary committee meetings. Other sources of external inputs include ministerial correspondence, intergovernmental discussions and negotiations, and political party groups

Consultation occurs at many stages of the policy cycle so that the government can adjust the tactics to achieve the best results. Policy analysis develops iteratively through interaction with others in the policy community.

Where participants have diverse or opposed positions, consultations are unlikely to produce consensus, but may allow the participants to understand each other, and the issues, better. Experience is needed to gauge the representativeness of opinions expressed. As an example, it is possible for a public meeting to reflect strong feelings held by a small minority in the community.

Coordination

The prime role of coordination is to ensure that any particular policy initiative is broadly aligned with the explicit and implicit objectives of the government. Government is a key institution for identifying,

legitimising, articulating and negotiating the community's various and disparate forces and interest. Sometimes some interests "win"; sometimes some interests "lose": most often compromises are struck in the interest of sustaining the overall system.

Even within government, different departments express different interests, and a department may see itself as a champion of its constituency rather than a disinterested but informed conduit between community and government.

Further, all governments have well developed budgetary cycles which provide a timetable for the development and consideration of new policy proposals, or have cyclic processes of approvals; for example the need to be approved by parliament at particular times.

Many good policies may not be implemented because there is insufficient political will. Alternatively, the preparation of new policy proposals is often a good way to filter out worthy, but impractical proposals

Implementation

Implementation is often overlooked in the planning stages of policy implementation. However, without effective implementation inputs of money and expertise will not produce the required outputs. Sometimes this can be as simple as failing to involve the relevant or related department.

Major problems arise when operational policies fail within organisations. While the failures may be caused by a variety of reasons, inadequate monitoring of complex processes is very common; for example leaving important operational decisions to relatively junior people.

Implementation within the one organisation can be managed on a project-planning basis. Implementation involving more than one organisation gives rise to greater degrees of complexity and uncertainty. In all of these events, there is a requirement for good communication, and understanding of the required timeframes.

Feedback from implementation should influence policy-making processes. In practice, implementation often results in a re-run of the policy-making process itself, as problems emerge and groups seek to change the impact of policy decisions.

Evaluation

Policy decisions should have a formal evaluation strategy attached to them. Ideally, all stages of the policy development process are conducted with a view to an evaluation which assess how:

- The outcomes meet the stated or implied objectives
- The outputs match the deliverables agreed to by decision makers
- Specifics of the policy and implementation are aligned with intention of the government's policy framework

Evaluations often use quantitative measures (for example, expenditures, number of clients serviced). The most important and contentious issues in program evaluation are in identifying and evaluating qualitative outcomes such as community satisfaction, or economic benefits. This is often problematic because of high degrees of uncertainty, ambiguity and complexity. This is often best acknowledged openly and deliberately as part of the evaluation strategy and not an excuse for having no evaluation. Wherever possible, it is preferable that evaluations are conducted publicly and by an independent party.

Skills for Policy Advisers

We can say that key policy skills include the quality of "judgment", intellectual capacity, experience, and flexibility. However, we can also identify four key areas:

- Managing the political-bureaucratic relationship,
- Policy Advocacy
- Information management
- Outsourcing – using contractors and consultants

Managing the political-bureaucratic relationship

Policy work in government is often considered privileged work although (and because) it carries considerable professional risk. Policy advisors within government walk a fine line between providing sound, unbiased and accurate information and advice, and being drawn into party political matters. Managing this relationship requires mutual trust, considerable experience and careful judgment. In the early stages of the policy process, ministers may be unable or reluctant to precisely articulate their need. This can be a constraint (misunderstandings or “dead-end” work), or an opportunity because it may allow the agency to ensure the right questions are being asked (meaning that the agency can influence the direction of policy). The problem, however, may be a deeper or complex issue that requires a different approach.

The essential skill for all public servants is to be able to recognise when they should be advising and when they should be implementing. If the public servant is advising, then critical performance objectives could include:

- Timeliness (on time and forward looking)
- Accuracy (precision on what is known and honesty about what is not known)
- Comprehensiveness (appropriateness for need, resources and time)
- Relevance (keeping to the point according to the government view and taking into account related policies and issues)
- ‘Implement ability’ (identifying, avoiding or overcoming constraints)

Policy Advocacy

As there are usually different targets (meetings, forum, formal or informal settings, minister, superior or pressure group and so on) a different approach to the presentation of issues may be required.

Information Management

It is often the ability to follow the information trail that makes the difference between a defensible decision and one that can cost someone their job. Good information is essential for good policy. Where there are gaps in information there is scope for doubt and suspicion. The information required goes beyond that which provides a basis for policy, but also includes the necessary information to evaluate the impact of the policy in implementation.

Outsourcing; Using Consultants and Contractors

Traditionally, policy development has been an “in-house” process for government and its bureaucracy even though it may have used research and analyses from other sources. However, in recent years there has been a shift towards outsourcing of policy work for a number of reasons:

- Lack of in-house skills and/or resources
- A desire to use independent sources (either because of a perceived decline in independence, mistrust of the bureaucracy. Other examples?)
- Political “Kite Flying” (testing the political wind or minimising exposure to criticism)
- Removal of an issue from the political limelight (shifting attention away)

In some cases, governments have brought in consultants to be part of an in-house policy team.

Conclusion

Good policy making must be subtle, continual and limited in its aspirations. There is never going to be a final solution, because the questions themselves are always changing.

Session 2.2.2

Strategic Management and Corporate Planning

Aim

By the end of this module, you should be able to:

- Understand the scope and functions of strategic management
- Provide advice to a work team and managers on issues relating to strategic management and planning.

Background to Strategic Management

With public sector reform over the last 30 years, public managers have been required to improve their productivity, responsiveness and accountability and achieve greater organisational efficiency and effectiveness. Governments have been encouraged their agencies to become more businesslike and adopt the values, management structures, processes and techniques of the private sector to facilitate political imperatives.

Public sector bodies have been formulating organisational (or corporate level) plans outlining their corporate charter, major aims and objectives, and implementation programs. This approach involves public managers taking a longer-term broader view to anticipate and, if possible, shape changes in their environment. Their overall aim is to maintain the current and future viability of their organisation and to integrate diverse goals within a coherent and manageable framework. This strategic management framework has been adopted by government agencies to meet government policy and operational requirements.

Strategic Management can be described as a process of defining, selecting and performing activities that improve the longer-term performance of an organisation. The process stems from a vision of the future and a clear mission for agency staff. It also matches internal organisational strengths and weaknesses against opportunities and threats in the external environment.

The strategic management process relies on the organisation achieving the development of a number of activities, which enhance performance, through this it links with performance management.

Factors, which are required for effective strategic management, include:

- A well defined mission
- An agreed set of agency goals and values
- An information system which supports a cycle of analysing current strategy, determining directions, evaluating choices and implementing preferred strategies

As part of the strategic management concept, managers devise and put plans into action to meet specific goals, and use relevant feedback to adjust performance against planned outcomes. This process is enhanced by the support and participation of staff that are able to identify and implement any changes to improve organisational performance.

Whether private or public sector, managers need both an external perspective and an awareness of their operational environment if they are to include corporate goals and objectives in their work. The main difference is that public sector managers must be fully aware of, and react quickly to, political control and changing policy agendas.

Planners employ strategic management to plan, deliver and evaluate services to the public more effectively. To do this, each organisation needs to

Establish a vision for the future

Work from that vision to set long-term goals and objectives

Understand the resources requirements to meet the assigned role and to remain healthy, productive and increasingly competitive.

Meanwhile meeting immediate and short-term objectives of interpreting and implementing government policies.

Fight “bushfires”: that is, manage crises as they arise.

The ultimate measures of success of strategic management in public (and private) sector organisations are survival, growth, and improvements in stakeholder satisfaction, corporate vitality, profitability and competitive positioning.

Benefits and Pitfalls of Strategic Management

Strategic management practices however are prone to pitfalls or problems.

- Time and effort is required to establish planning structures and schedules and to achieve acceptance of this discipline.
- Once plans agreed, they may be taken as fixed and used to avoid the necessary and continuous dynamic review of environmental conditions or to oppose new ideas or objectives
- There are risks in attempting to forecast for long-term. If large errors are made, the organisation may later be faced with major adjustments;
- There is danger of planning becoming an end in itself, detracting from implementation and monitoring of performance.

As long as the organisation recognises and addresses these potential pitfalls, it can benefit from the implementation of strategic management practices. Benefits from Strategic management techniques include:

All members of an organisation being able to obtain a better understanding of their role, goals and direction

Managers being able to focus on more strategically important and relevant issues

An increased awareness and acceptance among staff of rapidly changing business environments

The organisation being able to make better decisions to match expected and actual environmental conditions;

Executives being better informed and able to utilise resources more efficiently while making sure that any plans for improvement are consistent with agreed corporate strategy and objectives;

Greater attention to planning leading to improved and consistent performance; and

Interactions with other groups during planning can breakdown functional barriers and foster greater organisational understanding. Involvement reinforces ownership of the process and participants can contribute with more and higher quality alternatives, thereby enhancing the organisation's capacity to prevent problems; and

Helps managers to establish effective and flexible procedural reporting systems that focus on outcomes and accountability.

Public Management Cycle

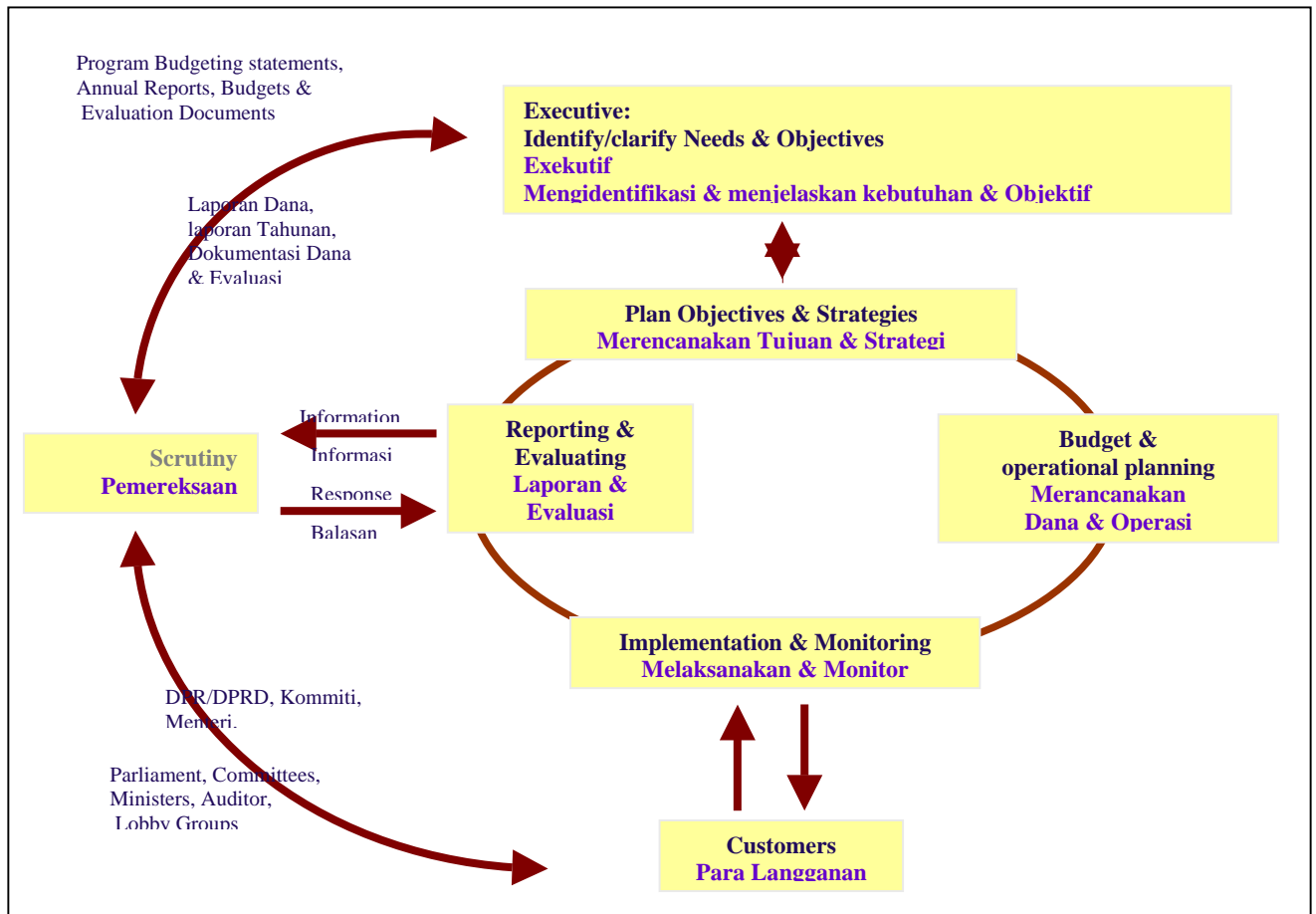
The management of government programs can be seen as cycle of four interlinked elements:

Planning objectives and strategies

Budgeting and operational planning

Implementation and monitoring

Reporting and evaluation



Stage 1: Planning Objectives and Strategies

The planning stage requires planners to

Identify or clarify agencies needs, then
Link these objectives and associated strategies to agency operations

Ensure that government objectives are major business drivers.

Stage 2: Budgeting and operational Planning

In the next stage, agencies need to

Obtain government funding approvals through annual or other development process
Allocate resources to activities
Subject matters to continuous policy and operations reviews

Stage 3: Implementation and Monitoring

The next stage is that the organisation:

Put individual programs and policies into practice through service networks
Regulate and monitor
Record outputs and relay to line and strategic managers

In many instances, the implementation and the monitoring are separated within the agency, and occasionally the monitoring is outsourced.

Stage 4: Reporting and Evaluation

Reporting incorporates

High level performance reports for heads of government/DPR

Departmental & organisational reports

It is critical that reporting refer back to and respond to the agreed strategies to clearly differentiate between the before and after, advise on progress, identify constraints and issues, and comment on performance.

Corporate Planning in the Public Sector

Planning at organisational level is referred to as Corporate (or Strategic) Planning. A corporate plan covers an organisation, gives direction and cohesion to its activities, relates to organisational values and priorities, is usually limited in time, and usually includes a mission statement, goals and strategies

The corporate plan for a public agency must start from government direction and objectives and form the basis for developing portfolio and organisational structures.

The Corporate plan can also outline devolution arrangements, Management Information Systems, Resource allocation priorities and evaluation needs. Importantly, it provides the basis for external accountability by providing precise statements of policy and objectives, and strategies for meeting those objectives. The Corporate plan also establishes the corporate identity and functions of a public organisation. The planning process helps to formalise goal setting and encourages a sense of direction for staff.

A Corporate Plan will also assist in "Output Budgeting". That is, detailing costs of outputs and outcomes derived from strategic planning frameworks. Thus the corporate plan process should:

Identify strategies to achieve planned outcomes

Link output to outcomes

Ensure that strategic priorities drive the budget

Build a capacity to understand complex problem and deal with long-term issues

Reach across agency boundaries to achieve goals

Develop responsiveness to stakeholders, including customers and staff

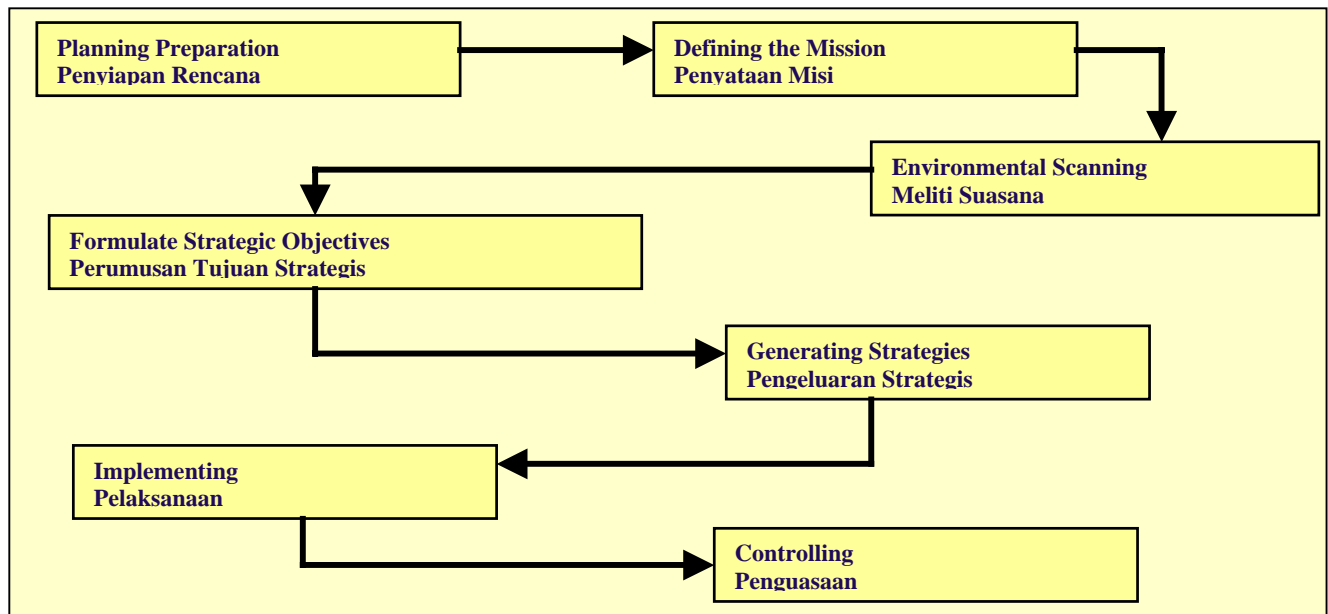
Maintain flexibility in a changing environment

Planners must take into account the organisation's stability as well as the turbulence of its environment. In fact the ideal planner is an integrated decision maker, technician and future thinker with well-developed political skills who is able to anticipate the future and use a systematic approach to produce an extensive and viable plan for the agency.

The Corporate Planning Process

Corporate Planning is a highly rational and structured process. It requires discipline and well organised effort. While there are many private, public and non-profit planning models, the processes involved are similar and reasonably straight forward, depending on the complexity of the organisation, its environment and its operations.

A simplified planning framework is shown below:



Planning Preparation

Senior managers must make a conscious decision to undertake and support strategic planning. This meta-planning, or “planning to plan”, agreement should clarify the purpose, scope, form, method, planning team responsibilities, timing, resources, and reporting requirements of the planning process. It is usual for a member of the executive to work closely with the planning leader and team.

Defining the Mission

A mission sets out the organisation’s reasons for existence. It should state the vision of its desired future, as well as its purpose, priorities, and direction. The Mission Statement is a public statement that reflects both commitment to stakeholders and organisational values. Planners must recognise that public organisations have a wide range of stakeholders who have claims on their attention, resources and outputs.

Environmental Scanning

Environmental scanning or strategic analysis identifies and examines internal and external influence, including stakeholder’s needs and expectations. This audit, or SWOT analysis, reveals internal strengths and weaknesses, and external opportunities and threats.

Internal scanning scrutinises internal processes and functional performance of management, structure, operations, finance, and research and development to discover strategic strengths and weaknesses. Strengths contribute to distinctive competencies or advantages, while weaknesses point to limitations or reduced capacities compared to other agencies or service providers. Internal scanning could cover resources, present strategy and performance, and organisational effectiveness measured against stakeholders’ criteria

It may be difficult to obtain accurate performance information, and this can create problems for analysts in evaluating different strategies and organisational design options. Internal scanning could include:

- Inventory of products and services, markets, geographical scope and unique competencies

- The structure and segmentation of business

- The degree of horizontal strategy and vertical integration to find likely synergies among business units and set boundaries to improve shared resources and services between units

Corporate values, policies and ethics, management styles, and relationship with stakeholders.

External scanning reviews the organisational historical and current macro environment (industry grouping, political, economic, social, technology) in which it operates, its customers and its competitors. It should identify current and likely opportunities for the agency as well as areas that would threaten operations, targets or even the agency's survival. Issues that may be subject to scanning may include:

Impact of economic growth, Gross National product, inflation rates, prime interest rates, unemployment trends, population growth, disposal income, and growth in critical industrial sectors including housing, defence, health and welfare

Projects in global trends in primary markets

The speed of emerging technological influences and trends which may effect the operations and viability of the organisation

The makeup and trends of professional and technical skills of staff

Social and legal environmental factors such as political influences and policies, statutes and regulations, community concerns, union influences, equal employment opportunities issues and pressure groups.

Formulating Strategic objectives

Planners develop broad statements of purpose from the SWOT, and extract specific corporate thrusts, goals or key results areas (KRAs) for set periods into the future. The goals need to cover basic policy issues such as its mission, product, services, customer mix, and revenue. KRAs are used later as performance benchmarks against which to compare performance or trends.

Generating Strategies

Once objectives are defined, the next step is to select a preferred set of strategies. Strategies are the ways and means for achieving objectives and are generally longer-term in focus. The overall corporate strategy of the organisation is more like a pattern of decisions incorporating existing and planned policies and plans, business intentions and expected outcomes for stakeholders. Corporate strategies for public agencies may cover finance, human resources, technology, procurement and assets, production, and marketing.

Effective strategies must align with corporate mission and must be practical.

Implementing

Implementation means developing appropriate systems, structures and tactics for putting strategies into practice. It must be executed at the corporate, business and functional levels of the organisation and be accepted by each work group and individual member.

Existing organisational structure and management processes may need to be aligned, reinforced and perhaps radically changed to allow the strategy to work. It is important to provide formal, two-way communications channels for management controls and accountability feedback loops.

Strategies may require changes to individual and group behaviour, so managers must address corporate culture issues quickly and effectively.

Controlling

The progress of the plan in practice should be monitored closely to ensure tactics are being followed and milestones are met. Executives may require that the implementation process is evaluated and refined constantly. In practice, this will usually mean that adjustments will be required from time to time in response to changed circumstances or because planned programs and activities are less effective in real life. Managers need to take a flexible approach in this regard.

Conclusion

The main points to note are:

Successful strategic management and planning require top executive backing, staff input and support. Corporate planning is the backbone of strategic management and needs to provide clear and achievable objectives and strategies to guide the work of staff.

Any generic planning process has to be applied with care and be tailored to fit the circumstances of a particular organisation.

Session 1.2.3

Case Studies on Corporate Planning

Department of Infrastructure (DOI)

The following is drawn directly from the Department of Infrastructure, State of Victoria Corporate Plan 2001-2004. It provides a clear example of the key elements of a Corporate Plan for a major public sector agency.

Department of Infrastructure Corporate Plan 2001-2004

The Victorian Government has adopted three frameworks to achieve its economic, social and environmental objectives. DOI has examined its role within the context of the Government's policy platform of the four pillars; responsible financial management, growing the whole State, delivery of improved services, restoring democracy and the three frameworks (economic environmental and social). It has developed a planning approach, as represented in the graphic below, which cascades from this policy platform.

This Corporate Plan builds on the strong foundations of the Department's first *Corporate Plan 1997-2000*. It responds to the emerging issues and changing context of the new government and the four pillars and sets out the linkages to the outcomes, objectives and the strategies.

The Corporate Plan provides the overarching strategic direction for the infrastructure agencies, while the delivery of programs and outputs are documented in DOI's Annual Business Plan.

The core businesses of DOI are:

Planning, heritage and building policy and operations;
Public transport infrastructure and railway services and safety regime;
Road development and road use services and safety;
Port development and marine safety;
Services to support an effective system of local government and best value operations; and
Integrated strategic planning for transport, urban and regional development.

Vision

The Department of Infrastructure will be a leader in policy, planning and development of integrated infrastructure that contributes to enhancing sustainable environmental, economic and social development across the whole of Victoria.

Mission

The purpose of DOI is to lead, in collaboration with stakeholders and the community, strategic planning, development and management of land and marine transport services for people and goods, land use planning and heritage protection, urban design and development and local governance.

It will do this by:

- Linking the transport system of road, rail, air and sea channels to promote economic and social development through increased mobility and access and seamless freight logistics system;
- Promoting efficient and integrated land use and transport systems enabling maximum choice between modes and managing road traffic growth;
- Creating a fair and efficient land-use planning system that respects regional differences and promotes development that is of high quality and sustainable;
- Providing mechanisms that build an effective local government system;
- Working with private sector partners to deliver infrastructure and services; and

- Providing strategic advice, analysis and support to Government, our stakeholders and communities.

The Corporate Plan also states the core values held by the organisation.

Values

Teamwork: We acknowledge our shared goals. We openly cooperate and communicate our knowledge and we share our expertise and information within our work units and across the Department, individually and organisationally.

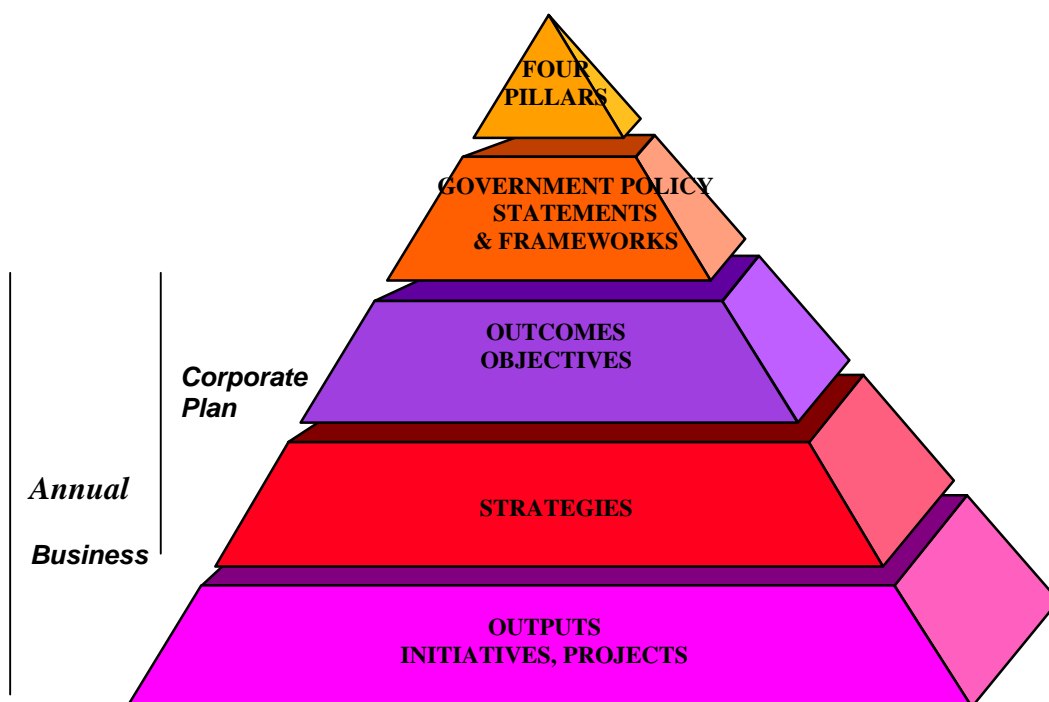
Diversity: We value our people's diversity and respect and recognise each other's diverse knowledge, skills and capabilities.

Integrity: We are ethical, accountable and transparent in our dealings with colleagues, stakeholders and clients.

Commitment: We are committed to the provision of high-quality services and are responsive to the changing demands of the community, government and other stakeholders we serve.

Innovation: We support lifelong learning and flexibility, and encourage innovation to provide solutions and achieve better outcomes.

The 2001-04 Corporate Plan sets out the key directions and planned achievements for DOI over the next three years. It emphasises how DOI intends to achieve its objectives based on seven outcomes agreed by Government. It contains key result areas for cross-program and management strategies that are intended to improve DOI's performance. It also provides a framework for more detailed business planning.



Outcomes approach



Outcomes are the Government's desired or intended impacts/effects on the community. Outcomes are necessarily broad and recognise that the impact on the community as a whole will result from the outputs of many departments and significant externalities.

Objectives will be achieved through the delivery of outputs. The objectives will remain relatively constant over time but may change in response to changes in Government focus, priorities, legislative and administrative arrangements or community trends and expectations.

Example of an Outcome – Regional Development

Outcome: Enhanced potential for regional development and access to services and markets.

Objective	Indicators	Target
Improve inter city, country and global connections and access to transport services	Proportion of major rural arterial roads developed for minimum safe travel time: Melbourne to Geelong, Melbourne to Ballarat, Melbourne to Bendigo, Melbourne to Shepparton Melbourne to Wodonga Melbourne to Traralgon	100% of specified projects completed for minimal travel time (110km/h) by the year 2008
Enhance the capability of local government to manage the quality, efficiency and effectiveness of infrastructure.	Percentage of local governments with asset management plans	Asset management plans developed and submitted to the Local Government Division

Strategies

Develop improved connections between regional centres and metropolitan Melbourne.
Commence the fast rail projects to the four regional centres: Ballarat, Bendigo, Geelong and Traralgon.

2.1 Examine the impact of the interstate very fast train and advocate on Victoria's behalf.
Upgrade strategic road network connections between regional and metropolitan Victoria.

2.2 Plan and improve infrastructure services in rural and regional areas.
Develop regionally focused strategies that meet the diverse planning and infrastructure needs of rural and regional Victoria.
Deliver improved and integrated services across rural Victoria.

2.3 Collaborate with governments, business and local communities to identify and implement community capacity building strategies and initiatives.

2.4 Regularly review regional infrastructure services.
Reintroduce train services in key regional areas.
Review proposals for new stations in regional centres.
Continue cyclical review of regional bus and rail services.

Forward planning to determine longer-term infrastructure needs.

Case Study Strategic Plan of Public Work Department 2005-2009

Public Work Department Main Duty and Function

Based on President Regulation No. 9 year 2005 about Position, Duty, Function, Organisation Chart, and Work Order of State Minister of Republic of Indonesia, it is stated the Duty and Function of Public Work Department as follows:

Duty

Assist President in managing part of government affair in public work field.

Function

Formulate national policy, implementation policy and technical policy in public work field and settlement.

Implement government affair according to each duty.

Managing property of or wealth of the country, which has been its responsibility.

Supervision on duty implementation.

Submitting evaluation report, advice and consideration in duty and function field to President.

Vision

Availability of reliable, benefiting and continuous of PU Infrastructure, to support realisation of a peaceful and safe Indonesia, just and democratic, and prosperous.

Mission

Managing archipelago space comfortably and well

Meeting PU (Public Work) infrastructure needs for provinces such as water resources infrastructure, including support food tenacity through irrigation development, and securing production centre and settlement from water

Hazard capacity.

Meeting PU infrastructure needs in provinces for other fields, supporting province development and evenness of goods and services distribution.

Developing PU infrastructure in settlement to realize houses and settlements to live in and become productive.

Implementing of building maintenance which fulfil safety and security standards for building and encouraging competitive construction industry development.

Increasing provincial government capacity and society in PU infrastructure development.

Applying efficient organisation, effective and integrated work order, with good governance principles and develop professional human resources.

Objectives

To give access to all provinces in Republic of Indonesia and to handle emergency situations to provide at least a minimum of service for society in implementing social economy activities, to make a safe and peaceful Indonesia.

To build infrastructure transparently and openly by involving society, in increasing the Provincial Government role in order to make a just and democratic Indonesia.

To build efficient, effective and productive infrastructure in order to make Indonesia more prosperous.

Strategy

To build safe and peaceful Indonesia, just and democratic, and wealthier, the infrastructure building is implemented through a provincial development approach and continuous development with technological insight, which are delivered into policy, programmes, and activities.

The shape of infrastructure work itself which is physical building for public interest and safety such as road, irrigation, clean water, sanitation and many buildings, as a supplement for others settlement activities, are pre-conditions to all society activities.

Development is continuous changing processes from not so good conditions to better conditions, so that a balance can be promoted in a new environment. Public Work infrastructure development always needs to be related to support capacity of such an environment, so that as human live space, it will not be degraded due to a lack of an environmental support capacity that causes disasters such as flood, landslides, degradation of water and air quality, and lack of water resources.

For that reason, public work infrastructure development has to consider an economic pillar and social culture pillar and the environment as a unity that is ever changing.

Public Work infrastructure development demands fulfilling many compatibility or harmonisation of handling procedures, which in special ways affect: national, urban, and rural infrastructure, in every sector, such as road transportation, water resources, residences and settlements in the public sector to determine policy and programme; in the private sector to participate in industrial development and infrastructure service; and in the society to participate in development process, utilisation and supervision. In this case, a provincial development approach is considered able to meet many compatibility demands.

For Indonesia, the need for prompt provision of infrastructure for each development level and for newly , developing and, established development areas needs to be given greater attention by provincial governments and the proposals for infrastructure development plans need to be more effectively communicated to the community.

Infrastructure in Developed areas. Java and Sumatra Islands have relatively developed economy activities with support from west ALKI (Indonesia Archipelago Sea Path) (Sunda strait – Natuna Sea) these areas can be viewed as forming one unified economic zone. In this instance of infrastructure budgeting, the resources are from government budgets and private investment with many cooperative plans such as BOT.

Infrastructure in Developing Areas covers Kalimantan and Sulawesi Islands supported by central ALKI (Lombok Strait – Makassar Strait). The economic growth is categorised by newly developing activities. As an illustration of such an infrastructure, in those areas, budgeting from the private sector can be started with government cooperation.

Infrastructure in Newly Developing Area covers Maluku Island, Papua and all East Nusa Tenggara, which are supported by east ALKI (Arafuru Sea – Banda Sea – Maluku Sea). As an illustration there is potential for a huge utilisation of natural resources especially of agriculture, water resources and sea resources, which need to be developed through an integrated transportation system (sea, land and air) with infrastructure budgeting depending on Central and Provincial Government provisions.

Policy

Infrastructure development with a basis in space arrangement in border areas, isolated areas, conflict areas, and disaster areas and potential disaster areas is needed in order to make Indonesia peaceful and secure.

Infrastructure management is needed to support provincial autonomy and implementation of Good Governance Principles to nurture an Indonesia which is just and democratic.

Infrastructure development with basis in regional arrangements to support production centrally and steady food supplies, needs balanced development across the provinces, improved residential and settlement environments and encouragement for the construction industry to make Indonesia more prosperous.

Programme

Security and Peace

Border regions, disaster prone regions, small and remote island communication, and conflict areas, which need special remote area arrangements. consider
Social Conflict affects and natural disaster tackling in order to respond to emergency situations/rehabilitation and increase infrastructure service for residences and settlements on small and more remote islands, isolated areas and borders zones. (Cipta Karya).
Road facilities and water resources management to support borders as international front porches and gates. (WR and Bina Marga).
Road facilities and water resource management in isolated areas and remote islands. (WR and Bina Marga).
Road facilities and water resources in isolated areas and remote islands. (WR and Bina Marga).
Infrastructure arrangements and development of Public Works in conflict areas, isolated areas, potential disaster areas and border areas that consider social, economic and environmental aspects. (Balitbang).
Produce WR technology, road and efficient residential and settlement infrastructure to support Public Work infrastructure arrangements, especially on remote islands, isolated areas, border areas and disaster regions. (Balitbang).

Just and Democratic

Geographically arranged facilities to support the growth of provincial autonomy
To form efficient organisation, enhance effective performance, promoting professional Human Resources by implementing good governance principles (Cipta Karya, WR, Bina Marga, Setjen, Itjen, Balitbang).
To increase central and provincial government management capacity, business environments in the provinces and society in managing Public Works infrastructure (Cipta Karya, WR, Bina Marga, BAKON-SDM, Balitbang).
Road and bridge material and facilities to support provincial development. (Bina Marga).
To develop information systems and increase transparency, efficiency and accountability in construction to prevent free supplying through KKN (Corruption, collusion and nepotism). (Human Resources BAKON, Setjen).
To increase coverage and length of service in Human Resources and support society's role in development supervision for Public Works (Itjen).
Provide norms, standards, guidance and manual Structuring (NSPM) and geographically arranged implementation, of water resources, road and bridge and residential and settlement infrastructure. (Balitbang, WR, Bina Marga, Cipta Karya).
Increased Prosperity
Implementation and operation of development from the national level island, province, regency, city and regional levels..
Residential and settlement infrastructure development and implementation, which are to be occupied properly and continually (Cipta Karya).
Settlement environment health improvement, both in urban and rural areas and shanty settlements. Improved environment and housing for fishermen and an improved standard of living (Cipta Karya).
Building management to meet safety and security standards and government house management.
Productivity improvements of urban areas and their functions and historical area revitalisation, tourism, and in other regions, which have experienced low quality environments and green open space management. (Cipta Karya).
Rural infrastructure service increases in agricultural regions, underdeveloped areas and to form cooperation between cities and rural localities. (Cipta Karya).
Water resources utilisation improvement to support food supplies. (WR).
Water resource management improvement (WR).
Water standard gauging and supply for residents, industry and tourism facilities (WR).
Production of central and settlement security facilities against waterpower decreases. (WR).
Main Economic road transport lanes and national road management (Bina Marga).
To Support capacity structure increments and access road capacity to production and marketing central locations. (Bina Marga).

To promote private involvement in toll road development and the provision of safe drinking water. (Bina Marga, CK).
To maintain good road service conditions. (Bina Marga).
Open access to newly developing regions. (Bina Marga).
Competitive capacity management for construction industry the business sector. (Bakon-SDM).
To develop water resource technology, roads and bridges, residences and settlements which are competitive enough to support Public Work Infrastructure Productivity. (Balitbang).
To give advice and provide technical services to handle water resource infrastructure construction problems, road and bridges, residences and settlements. (Balitbang).
To develop Public Works policy and integrated planning system and programming system which are synchronised with each other (Setjen).

Session 1.3.1

Organisational Change and Change Management

Aim

By the end of this module, you should be able to:

Understand key concepts used to describe the content and process of organisational change
Describe and apply planned and emergent approaches to the management of change
Describe the stages, activities and skills involved in change
Understand the nature of leadership in the management of change.

Understanding Change

Change has become a permanent feature of public sector administration. These changes range from individual employment matters to major processes and structural re-engineering. One of the driving forces behind changes to public sector management has been desire to shift to a model resembling the private sector. This requires managers to be able to cope with and manage change.

There is a range of other triggers to change. These include the external influences, such as changes in the ideology of particular governments, Global influences, relative shifts in the influence of particular interest groups, and electoral/community preference. These triggers have made a huge impact on public sector organisations in areas such as human resource management and financial management, and in turn have acted as further internal triggers, such as employment contracts.

Degree, pace and shape of change

One of the main distinctions made in organisational change literature is between Incremental change and radical transformations.

Scope:

Incremental Change proceeds by small steps (but which can result in significant change over longer periods), there are no sudden turns or shocks, and the process is gradual and evolutionary. Incremental change can be LOGICAL, with each change building on the past, or it can be DISJOINTED where the change is characterized by divergent shifts from an existing path.

Radical Change or transformation, in contrast, signals a major change in an organisation over a relatively short period of time. Existing ways of operating are challenged, often as a result of a crisis, with a fundamental reshaping of the organisation.

Examples:

Radical change: Decentralisation

Logical instrumentalism: often in field of education, like introduction of fees

Disjointed instrumentalism: often in field of health, like shift to private services or delivery methods.

Defining the Scale of Change

A framework for defining the scale of change, which differentiates between incremental and radical change may look like this:

Fine Tuning – the on going process of fine-tuning the fit between the organisation strategy, structure, people and process

Incremental Adjustment – process of ongoing incremental adjustment to the changing environment

Modular Transformation – major realignment of one or more departments or division

Corporate Transformation – radical shifts in business strategy and revolutionary change throughout the whole organisation

Radical or corporate transformations tend to receive more attention than other change situations. In the private sector, this radical transformation tends to occur when the organisation is out of alignment with its environment and is often triggered by market downturns. Public sector transformation is typically the result of intervention from the political arm of government and may be driven by strong ideological beliefs.

Change Framework

There are a number of ways of identifying those areas within an organisation, which are subject to change.

Leavitt (1965) argued that organisations are complex systems consisting of four interacting subsystems: People, Technology, Structure, and Tasks. Change can affect or be directed at any of these sub-systems, although change in one area usually results in change in others.

McKinsey, a consulting group, developed the "Seven S" Framework:

Strategy – the route the organisation has chosen to achieve success

Structure - organisation structure

Systems - the procedures that make the organisation work

Style – the way the organisation conducts its business

Staff – the pool of people employed by the organisation

Skills - the collection of skills that the organisation has, and the particular combinations of these that help it excel

Superordinate Goals – the shared values of the organisation

While there is some agreement about the main sub-systems of an organisation, there is less agreement about which of these should be targeted first when introducing change. Public sector organisations have been criticised for focusing on structural reform to the exclusion of everything else.

Planned and Emergent Change

It is also common to distinguish between two main explanations of change: Planned and emergent change.

Planned Change is seen as conscious, rationally considered activity, often led from the top, resulting in a high degree of managerial control over process change and the outcome it achieves.

Emergent Change sees change as continuous, open ended and unpredictable process, where managers have little control over process and outcomes

Planned Change

Most studies of planned change has been derived from the practice of Organisational Development (OD) which is planned development and reinforcement of organisational strategies, structures and processes for improving organisational effectiveness.

OD usually requires the two interrelated tasks of:

Diagnosing organisational problem driving change
Intervention strategies to overcome those problems

Process of intervening is important if change is to be effective, and staff support and involvement is crucial.

Planned Change – Basic process

It is necessary to undertake a number of tasks in order that this staff support is obtained. These diagnostic techniques include:

Brainstorming

Benchmarking against other organisations
 Customer use surveys
 SWOT
 Focus Groups
 Quality Audits

Task associated with the planning and intervention phases include:

Setting objectives for the change
 Gaining support from key people
 Phasing implementation
 Managing resistance
 Managing transition
 Monitoring progress and making adjustments

In many of the models of planned change the diagnosis and intervention phases are conceptually separate, even though they may be intertwined and iterative.

Example: Models of Change

There are many elaborations of the main phases for achieving planned changes. One of the most influential, yet relatively simple models of phasing activity is Lewin's three-step model of unfreezing, moving, and refreezing. Lewin argued that organisations exist in a state of equilibrium. For change to be effective, it is necessary to "unfreeze" the forces that maintain an organisation's behaviour (Eg strategic redeployment of staff). Moving involves the action required to achieve a more desirable state of organisation, and refreezing seeks to stabilise organisation in new state of equilibrium.

UNFREEZE	CHANGE	REFREEZE
Analyse current situation	Introduce new behaviours	Stabilise new practice
Remove resistance	Manage Control; and	Manage power, and
Motivate Change, and	Manage transition	Institutionalise new practices and/or culture
Develop sense of urgency; For example. Demonstrate organisational performance is poor	For example, embark on skills, development program	For example, implement a performance management program

In summary, those who argue that change can be introduced in a planned and controlled manner emphasis the importance of:

Rational and systematic consideration of the need for change
 Careful planning and phasing of change activities
 Leadership from the top and involvement from the bottom throughout the process, and
 Consolidation and integration following a period of change

However there are also criticisms of planned change:

Planned approach assumes an underlying unity of purpose in an organisation, and underestimates the importance of internal divisions and power struggles

If organisations are viewed as coalition of interests, the rational for whom?

Change is treated as a one-off process rather than a continuous process.

Emergent Change

Emergent change stresses the developing and unpredictable nature of change. In general, the main tenets of emergent stage include:

Organisational change is a continuous process of experimentation and adaptation aimed at matching organisational capabilities to needs of a dynamic and uncertain environment

This is best achieved through many small incremental changes over time, but over time these can lead to a major reconfiguration and transformation of an organisation.

Role of managers is not to plan or implement change, but to create or foster an organisational structure and climate which encourages experimentation

Though managers are expected to be facilitators, they also have a responsibility for developing collective vision or common purpose which gives direction to their organisation

Key organisational activities, which allow the above elements to operate successfully, are information gathering, communication, learning, (ability to develop new skills), identify appropriate responses, and to draw from their and other's experiences.

The emergent approach argues that it is necessary to develop a workforce that will take the responsibility for identifying the need for change and implementing it. In other words, it becomes a "learning organisation". The characteristics of a learning organisation are:

Emphasising team learning

Sharing visions for the future

Exploring ingrained habits which may no longer be relevant

Valuing and developing people skills

Adopting open systems thinking.

Leadership & Change

Whether the change is Planned or Emergent, Leadership is important. In planned change, managers need to lead from top; and in emergent change, managers facilitate throughout the organisation.

One argument is that if manager takes control of change process by solving technical problems (for example, by edict), there is a semblance of planned change, but staff may increasingly rely on managers to do the work.

If change is to be effective, it is important that work groups own problems, work with them and provide adaptive solutions. In doing this, the pace of change is important: If it is too fast, there may be resistance, if too slow, there may be loss of momentum

Impact of Change on People

Managing change means getting individuals to change their behaviour. This is not an easy task. Individuals experience change in different ways. Some think about the negative aspects: demoralisation, stress, uncertainty, cynicism, anger, and despondency. Others react to positive impact: excitement, energy, and recognition of new opportunities.

Defence and resistance are common phenomena. The reasons include:

Perceived threat to existing skills and position in the organisation

Inadequate sharing of information about intended changes

Lack of trust (often from previous experiences of change)

Stress from uncertainty of the surrounding changes, and

Contradictory assessments about best way forward for the organisation

Overcoming Resistance

There is debate about the most effective way of getting people to work in different ways. Some argue emphasis should be placed on changing values and attitudes first, which should reshape subsequent behaviour. Others argue change behaviour first then there will be a change in values.

However, in general the strategies that can be taken include:

Education and Communication – educate people beforehand about the change and help them see the need for and logic of change;

Participation and involvement – involve people in the design and implementation of the change;

Facilitation and support – be supportive by providing training in new skills or giving time off or listening;
Negotiation and agreement – offer incentives to active or potential resisters
Manipulation and cooptation – for example, give an individual a desirable role in the design and implementation
Implicit or explicit coercion – threaten employees with loss of jobs, dismissals or transfers.

Participative approach to planning and implementing change is best for minimising resistance

Conclusion

Managing change in any organisation is difficult and there are a number of reasons why it may be more difficult in public sector organisations.

Public sector organisations are characterised by a diffuse pattern of authority which makes it difficult for any one individual to have a significant impact
Involvement of elected officials often means short-term horizons
The political context of public sector organisations means that many changes appear to be forced onto the organisation with little consultation, leading to the feeling of less ownership in the change process
Sheer size of some public sector organisations makes large scale changes difficult to achieve
Added to problem of size is the need for accountability and equitable treatment of staff and service users. This leads to establishment of bureaucratic systems, which are inherently resistant to change.
Forms of accountability mean that employees are rewarded for success, but may often be punished for failure. Given change involves risk and therefore possibility of failure, there is little incentive to enter into change.

Sessions 1.3.2 & 1.3.2

Workshop on Corporate Planning

Organisational Corporate Planning

This session will be a workshop on Corporate Planning. You will be asked to divide yourselves into three to four groups, depending on the mix of your work functions or work groups and formulate a simple Corporate Plan for your organisation or department. A representative from each group will be asked to present the corporate plan to the rest of the group.

What to Do

1. Map the organisation
2. Identify core business
3. Identify corporate goals
4. Identify corporate Values
5. Identify Sector strategies
6. State vision
7. State mission

The Primary aim is to ensure that operations of the organisation are carried out in line with the:

Organisation's mission
Review of existing structures
Review of existing policies
Analyse current practices

Look at
Organisation charts
Job profiles
Competence structures
Training needs

Is the decision structure adequate for coordinating all activities to achieve objectives?

Things to look out for

Is there a clear link and rationale for goals, values and strategies?
What are the external and internal environments and do the goals, values and strategies respond to these?
Can the strategy be evaluated?
What does the future mean – where do you think the organisation should be in five years time?
Should core business expand, contract or remain the same?

Present Results

In simple statement, outline

Core Business
Vision
Mission
Corporate Values
Corporate Goals
Sector Strategies

Session 1.5.3

Divisional Corporate Planning

Break into the workgroups on corporate planning

Taking the work completed from Wednesday's session, you will be asked to refine the plans at a divisional level: that is,

Divisional strategies

Operational areas

Anda harap mengingat perhatian2 yang ditunjukkan pada hari Rabu

Things to look out for

Is there a clear link and rationale between corporate, divisional and operational goals?

What are the needs and do the activities, resources, modalities, and processes reflect these?

Can the strategies and outputs be evaluated?

Do the divisional and operational strategies contribute to corporate goals?

Who should be given responsibility for implementation?

Session 1.4.1

Human Resource Management

Aim

By the end of this module, you should be able to

Understand the concepts involved in HRM
Outline different HRM approaches used in the public sector

Human Resource Management

Human resource management (HRM) is a complex activity for most organisations. Public sector HRM has also had the addition of agendas to change workplace culture and attitudes to align their values and practices more with private sector models

What is Human Resource Management?

Human Resource Management is both a set of activities and an approach. HRM is the management of staffing activities such as recruitment, selection, placement, promotion and termination. HRM covers planning, information systems, career guidance, job design, reward systems, training, diversity and safety. HRM is also concerned with the importance of people, particularly their attitudes and their performance, to an organisation's effectiveness and efficiency.

Human Resource Management is a distinctive approach to employment management, which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an integrated array of cultural, structural and personnel techniques

Storey's definition highlights the fact that all of the technical, physical, cognitive, productive and interpersonal skills and knowledge a worker brings to, or acquires at, the workplace are to be tapped in the interests of organisational effectiveness and efficiency.

Early versions of HRM presented organisational outcomes as being achieved through giving priority to meeting needs of individuals. For example:

- Employees are investments that will, if effectively managed and developed, provide long term rewards to the organisation in the form of greater productivity
- Policies, programs and practices must be created that satisfy both the economic and emotional needs of employees
- A working environment must be created in which employees are encouraged to develop and utilise their skills to the maximum extent
- Human resource programs and practices must be implemented with the goal of balancing needs and meeting goals of both the organisation and employee

But there appears to be inconsistencies between rhetoric and reality of HRM practices. Alternative approaches include the Hard vs. Soft, and Unitary vs. Pluralistic approaches.

Hard versus Soft HRM

The Hard versus Soft approaches captures the dual focus of organisational and individual outcomes.

Organisational outcomes are often defined as "hard" and the people side as "soft"

The "hard" focused on strategy formulation, human resource planning and program evaluation,
"Soft" side concerned with employee communications, motivation, commitment and leadership

The appropriate approach to HRM according to this is aimed at ensuring an effective combination of both hard and soft, and thereby enhancing outcomes for both organisation and individual workers.

Unitary versus pluralist HRM

The difference between the unitary and pluralist perspectives comes from the concept of a diversity of interest within an organisation.

A Unitary approach assumes that employers and employees share common interest and that commitment is achieved by inclusive strategies (effective communications, consultation, rewards) as well as exclusive strategies

The Pluralist perspective recognises the difference of interest between and within groups in an organisation.

The role for HRM in this case is to negotiate differences when they occur. In many ways the unitary approach is reminiscent of earlier approaches to managing people with a high premium attached to authority of management. Over time there has been a shift; the autocratic style is likely to be replaced by a more democratic approach.

Transition from Personnel Management to HRM

Most public service agencies are bureaucratic in structure and processes, often characterised by functional demarcation or responsibilities within highly centralised environment. This meant that personnel management was the responsibility of a personnel manager, with all administrative aspects passed to this office. The role of the personnel manager was administrative, whose major concern was for efficiency, stability of operations, and productivity. In other words, Personnel Managers became custodian of data with compliance rather than strategic focus. A high value was also placed on the importance of the “career service”, which included:

- Recruitment by merit
- Unified service offering mobility across agencies
- Independent, non-political control of recruitment and conditions
- Rights of career public servants protected by regulations that discouraged recruitment at higher levels
- Legislated protection against arbitrary dismissal
- Hierarchical structure of positions
- Regular system of position classification of salaries with incremental salary adjustments
- Promotions based on merit
- Appeals against promotions
- Distinctive retirement and pension system

HRM in New Public Management

The Reforms of 1980s shifted focus from compliance to strategic advantage derived from improved management of staff.

Adopting a Strategic Orientation

FMIP was instrumental in encouraging stronger strategic approach to management of government agencies. This led to refinement of government programs and ways of doing things, replacing the more bureaucratic approach. As programs and outcomes were identified, HRM changes occurred within this program format.

Devolving and Decentralizing HRM

Devolution and decentralisation resulted in some HRM functions being decentralised to other central agencies, with responsibilities for other functions devolved to line agencies. For example, financial control for staffing matters may be given to the department of finance; responsibility for pay and conditions, industrial relations to department of industrial relations. A department of education and training may be given responsibility for training policy. Functions devolved to line agencies could include recruitment, performance, training and development.

These changes impacted heavily on the uniform system that had existed. It also has the potential to break down common terms and conditions of employment across agencies by removing uniformity. However, it also provides greater flexibility for departmental executives in their departments as agencies adopt strategies and practices suitable to their respective mandates

HRM to Employment Relations

In adopting approaches to HRM, which includes greater use of contracts, enterprise and sub-group bargaining, flexible conditions of service, public sector HRM is converging with private sector practices. However, there have been some concerns about this convergence as it has challenged previous HRM achievements in the public sector, such as equity and access. The result is that HRM roles are likely to take on responsibility for:

- establishment, monitoring and control of equal employment and affirmative action
- negotiation of agreements to satisfaction of staff and organisation
- selection, recruitment and induction of staff
- occupational health and safety
- establishment of workplace training programs
- processing of staff records
- preparation for tribunal hearings

As HRM skills, especially relating to the public sector, become more complex, it is doubtful that many professional human resource managers possess all the skills required. As a consequence, some public sector agencies have chosen to outsource their HRM functions. In a number of cases, all aspects of the HR functions were considered for outsourcing, including the development of policy and plans, data maintenance, remuneration, recruitment, occupational health and safety, personnel security, sub-contractor administration, training and development, workplace relations and recruitment advisory services. The successful provider is evaluated on a regular basis against market standards.

HRM Contracts

There has been concern by practitioners that the public service conditions create rigidities and inefficiencies. Managers have wanted more discretion in employment matters. In line with private sector practices, more public sector organisations are looking to contract employment as a means of providing flexibility for management. Thus:

Old Contract/System	New Contract
Tenure provided performance is satisfactory	Smaller number of tenured employees. Workforce is dispensable and dependent on workflows
Protection in event of illness or difficulties	Reducing welfare or pastoral care orientation; responsibility placed on individuals
Life-long career	Mobility between employers
Employer, employee and community contribute to accumulation of skills and knowledge	Training provided in “markets”, limited to what is necessary for immediate task
Give and Take	Careful specification about work
Rights protected by legislation or rules in personnel manual	Interests negotiated within workplace and according to contracts
Labour market forces tempered by need	Labour market responsive to economic power
Horizontal equity (comparative wage justice)	Individual contracts – success dependent on ability and power to negotiate improved outcomes

Conclusion

Over the last 20-30 years HRM in the public sector has undergone significant transformation from being a custodian of personnel information to performing a strategic function.

However this role may be threatened as public sector agencies move to outsourcing and contracting.

Session 1.4.2

Performance Management

Aim

By the end of this module, you should be able to:

- Understand key concepts such as efficiency, effectiveness and productivity
- Understand some characteristics of systems behaviour

Performance management

Performance management is the centrepiece of new public management approaches. Public sector organisations are called to produce mission statements, strategic plans, statement of objectives and performance indicators – the basic components of performance management.

Performance management is also one the most contested areas because it promises to deliver heightened levels of activity, yet may have difficulty in delivering demonstrable results.

Performance Management basically relies on measures, standards, rewards, and sanctions to motivate organisations, and explicitly uses tools such as competitive tendering and contracting. The use of contracts for performance agreements of staff and organisations has become a standard element.

Performance management refers to a “system, integrated with corporate management, of performance information, evaluation, performance monitoring, assessment and performance reporting. Key components of performance are effectiveness, efficiency and service quality. The primary concern is with aligning individual and team performance with corporate plans and outcomes.

Need for Performance Management

In the competitive market, poor performers have to either improve to match the performance of the most efficient producers or else go out of business. Ideally there is no need for external controls: In the end, profitability measures provide a primary assessment of performance in the private sector.

Public Sector, however, often operates without discipline of competition. The fact is that many public sector activities have no immediate competition. Because of this shielding from market forces, the public sector is often reliant on explicit measures both for its own operations and those it contracts to other parties.

If a food shop closes down, consumers suffer only minor inconvenience, and within a few days other shops capture the market loss. But if the water supply authority closes down, the consequences could be catastrophic. This requirement for continuity of service means that the public sector must keep operating. Continuity of service also means that it is usually impossible to achieve improvement through substitution of one supplier for another.

Another problem in the public sector is that traditional financial ratios, such as return on funds, which is a very good measure for a private company, are close to meaningless in the public sector.

Concepts and Definitions

A simple system has Inputs, some transforming process, and output, and outcome, where:

INPUT: resources used to produce outputs (finance, information, infrastructure, people)

OUTPUTS: the goods and services that are directly produced and delivered

OUTCOMES: the impact of the activity on the community

Performance Systems in the Public Sector

In the complex system dealt with in the public sector, there are several confounding factors: These are that

There are multiple inputs – physical capital, natural resources and labour. None of these inputs is necessarily homogenous.

There are multiple outputs – when we think of the numerous activities of police forces or education authorities, it becomes very difficult even to think of well-defined outputs. A similar situation exists for outcomes.

Inputs, Outputs and Outcomes are generally measured in different units; therefore there is little possibility of any absolute measure of efficiency

Relationship between outputs and outcomes is often vague. Many factors contribute to outcomes, and they often take time to be noticed

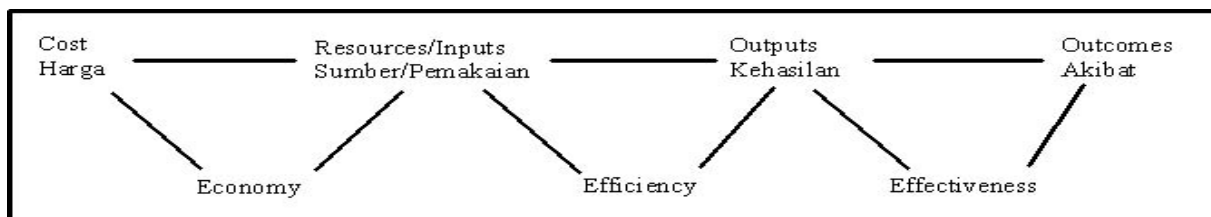
Defining Performance

But government agencies do attempt to define performance. The concepts of economy, efficiency and effectiveness are often used for the public sector in the following way:

ECONOMY: refers to maintaining levels of outputs but at reduced cost of inputs

EFFICIENCY: refers to how well resources are used. “Optimal Performance” – using best combination of inputs in the best way

EFFECTIVENESS: refers to success in achieving objectives



Some governments (eg. Australia) suggest that there are four components to effectiveness

Outcomes – ultimate impact of the service

Access – the extent to which clients are able to use the service

Appropriateness – extent to which the program achieves its objectives

Quality – In this context “quality is not an absolute measure, but the extent to which a service is suited to its purpose.

All of these notions of effectiveness are useful as concepts, but interpreting their meaning is very difficult. Should they be weighted? Can quality be traded off against access? How are cause and effect to be established? And so on.

Efficiency Indicators

Although absolute measures of efficiency are impossible to achieve, we can say that there is an improvement in efficiency (the ratio of out puts to inputs) if:

A given level of inputs can achieve a higher level of output

A given of output can be achieved with less inputs

Efficiency is not an absolute measure, frequently is stated with a number of qualifications and should be used with caution. Essentially, we can measure changes or differences in efficiency, but cannot measure efficiency itself

Sometimes we may be tempted to use financial ratios as absolute efficiency indicators, but the meaning in the public sector is very unclear. For example, the price or cost of a good (for example, petrol) may be mandated by the government and there may be other significant external benefits in the subsidy.

Productivity Indicators

Productivity is difficult to measure in any one workplace, let alone nationally. For example, there is usually a large difference between productivity measured across the *employed* workforce and the productivity of the *entire* workforce (which includes those employed as well as those unemployed and seeking work). Countries with high unemployment tend to have high productivity among the employed workforce, but low productivity among their entire workforce.

Productivity indicators avoid the difficulty in measuring efficiency, but they are partial measures only, measuring one output against one input.

The most common productivity measures relate to “*labour productivity*” – Output divided by some measure of labour input (number of people, hours worked etc). The input measured may be persons employed; hours worked, and so on. But the choice of the denominator is crucial. For example, a workforce with a short working day but intense activity may have a high hourly output, but only average daily activity.

Greatest shortcoming of labour productivity is that it does not account for differences in capital inputs (eg equipment, technology). An enterprise with labour saving devices will generate impressive labour productivity indicators. But in government, it is often difficult to obtain appropriation to upgrade equipment, and few public servants understand the technique of discounted cash flow analysis, which is what is used to justify capital expenditure. This is a means to trade off future labour costs against immediate capital outlays.

Benchmarking

Benchmarking is used to measure operating performance of agencies and identify “best Practice”. The process systematically measures and compares internally and externally the products, services and processes of an agency. The objective is to obtain some standard of best practice and to compare performance against best standard.

Benchmarking may focus on process, efficiency or outcomes. These comparisons can be:

INTRA-AGENCY – within an agency or across offices

INTER-AGENCY – with comparable organisations in public or private sector organisations nationally or internationally

Good benchmarking provides:

- Comparisons about agency performance
- A focus on key performance gaps
- Support for development of performance standards
- New ideas and good practice from external organisations
- Opportunities to apply improvements
- An improvement in quality of performance information available

Inter agency benchmarking can be problematic where agencies operate with different geographies, political regimes, scale of economies and traditions. Another difficulty is increasing retreat to secrecy in commercial confidentiality.

Benchmarking is useful in that it provides a basis of comparison, but again, cannot be definitive.

Displaced Objectives

The starting point for performance management should be an organisation's mission or objectives. Too often the process is reversed – that which is easy to measure becomes the prime indicator and tends to displace the original objective, particularly if the objective is vague or too general.

Performance management information often sends inappropriate signals, or even rewards to individual work units. The efficient operation of one local component may conflict with the efficient operation of the larger system.

Example: A public transport system may be comprised of trunk routes and feeder routes. The trunk route may be profitable or efficient while the feeder routes unprofitable or inefficient. But it is meaningless to talk about the performance of the sub-systems because they are interdependent. If one were to cut out "unprofitable" feeder routes, the trunk route will also lose volume, and the performance of the system, as a whole would deteriorate.

With all the types of possible performance information and the dangers of goal displacement, how can agencies make judgments about overall progress and current performance, which are well balanced and cover all the elements of performance?

Balanced Scorecard

One of these systems is called the Balanced Scorecard as proposed by Kaplan and Norton.

The Balanced Scorecard measures performance from four perspectives:

Financial;

Customer

Internal Business Procedures;

Innovation and Learning

As each has strategic objectives, the Scorecard is a way to translate an organisation's strategic objectives into a useful set of performance measures. The structure of indicators used to identify Key Results Areas.

Key Results Areas (KRA)

A sample of KRAs in the public sector could use:

Client Partnerships: including repeat business and new business

Cost Reduction: including internal improvements and size of efficiency

Customer and Community Satisfaction: including being the customer's first choice and level of government support and confidence

Staff: ability to attract, satisfy and retain high performers

Innovation: identifiable and major development

Performance Improvement Cycle

The Balanced Scorecard provides a snapshot of performance at a single point of time. Thus the scorecard may be utilised on a periodic basis: sometimes annually or six-monthly. The Balanced Scorecard and performance improvement cycle are different but complement each other.

The Performance Improvement Cycle suggests a process of management as a quest for continuous betterment. In this model, a suite of performance information is not so much a status report on agency health, but more as an assessment of future strategy. If management wants to improve its strategic decision-making, it also needs to improve its systems for developing performance information.

Conclusion

Performance management is about judgment. Public servants need to keep their eye on what is value-added public management. Formal performance management techniques are useful only to the extent that they assist in sustaining this focus. They are tools to be used judiciously, not the masters of management.

Session 1.4.3

Financial Management and Budgeting

Aim

By the end of this module, you should be able to:

Understand Financial Management
Understand Budgeting Concepts
Map out the Budget Process
Understand the role of Public Servant in Budget Process

Financial Management: Background

We have seen earlier that there is a growing critique of government with a civil service that is satisfied with generating activity without achievement. There is also growing pressure for governments to provide and justify services in terms of results. This pressure has placed greater demands on government for increased skills in financial management, and as a result, public servants are forced to learn managerial skills rather than relying on serving the government and knowledge of financial management regulations.

In summary the key factors for pressure is that

Governments have expanded their responsibilities for the provision and quality of human services. While these services are consumed by citizens, they become increasingly reluctant to pay higher taxes without credible and tangible justification.

Definition

Financial Management means:

Specifying & obtaining objectives, safeguarding and making optimum use of resources, achieving aims and enabling something to happen according to planned budgets

Financial management Improvement Program (FMIP)

Managers at all levels are expected to have:

- A clearer view of their objectives, and a means to assess them, and wherever possible be able to measure outputs in relation to those objectives
- Well defined responsibilities for making best use of those resources, including scrutiny of output and value for money
- Information (especially costs), the training and access to expert advice needed to exercise their responsibilities effectively

The focus was to “fund performance rather than activity”, that is, allocating resources to predetermined outcomes embodied in program objectives rather than to simply to categories of activity.

The key responsibilities of management under FMIP mean

Responsibility for managerial decisions would be devolved to agencies who would be given greater control of how administrative funds would be spent
Agencies would be required to be accountable for the delivery of program objectives
Cabinet/senior executives focused on big picture, strategic issues

This focus should be “let the managers manage”.

Budgeting Concepts

To control expenditure and revenue, governments have developed a conceptual framework for budgets, which embraces concepts of centralisation, unity, public control, 'annualism', accountability and appropriation.

Centralisation: Discourages the growth in regional variation and arbitrary taxation. Centralisation also implies unity. It allows for the Coordination of policy and for single points of accountability, and a global response rendered through the ballot box.

Public Control was designed to support a concept of common wealth. Public control also embraces public tax collection, which is designed to give the government access to funds not influenced by private holders of capital

Annualism is the idea that decisions should be made and reviewed on an annual basis so as to provide constant attention to needs of population. Annual review also implies that all decisions can be reviewed by strategic decision makers & who can make decisions based on public interest.

Appropriation is the legislative granting of right to utilise public funding.

The Budget

The Budget is a strategic planning document that has

- an economic purpose – perhaps to boost employment, public savings, investment
- a social purpose – perhaps provide welfare specific measures along with allocated funds to be delivered by specific agencies,
- an overall expenditure limit, and
- a fiscal outcome

Budgets will also have an agency component that is a division of proposed funding according to agency function (transport, education, health, etc)

Fiscal Outcome

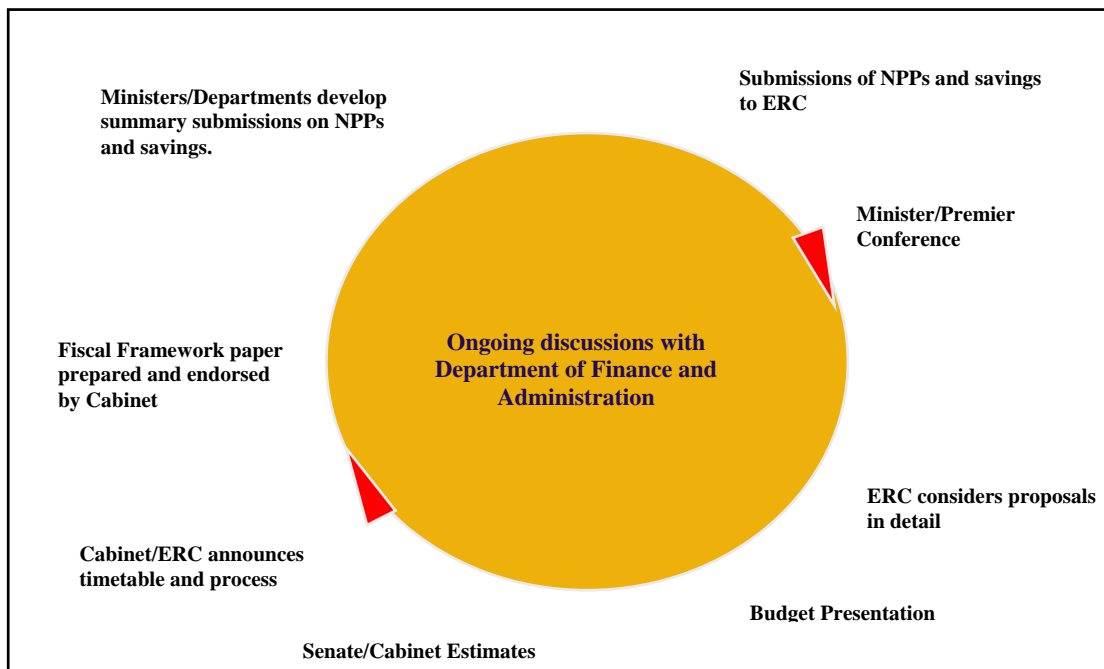
Fiscal Policy describes the government's decision with regard to revenue and expenditure. The most important strategic decision is the difference between revenue and expenditure: This is commonly known as a Deficit or Surplus.

The budget is said to be in deficit when expenditure is greater than revenue, and in surplus when revenue is greater than expenditure.

Revenue

The Budget is largely funded by taxation. This could include income taxes levied on individuals and companies, payroll taxes, property taxes, financial transactions, customs duties and excise, gambling, motor vehicle registrations and usage, and so on. There are also significant variations on where taxes are collected and consolidated, whether at central or state/province/district levels, and often each has a tax collection point.

Budget Process



NPPs: New Policy Proposals or equivalent

ERC: Expenditure Review Committee or equivalent

This is a simplified model. There are a number of variations – with more steps in reality, and dependent upon the structure of the government and information consolidation/distribution points.

Role of Public Servant in the Budget Process

Public servants are engaged in budget process in a number of ways:

- They may be asked to develop policy proposal, or collate/consolidate proposals,
- They may work in area that holds important information to the process,
- They may work in finance division or agency
- They may collect expenditure data

All of these are necessary for the development of the fiscal strategy paper. Whatever their role, it is likely that they will have to assemble the information quickly and with accuracy.

Political Issues

It may not be a public servant's role to arbitrate political issues, but policy and advice work has less value if it does not take political issues into account. Developing a new policy proposal, which cannot be sold politically, is a waste of public resources.

BUT ministers and public servants need to be aware of any sensitivity attached to decisions.

Policy Costing

Ministers are often poorly equipped to develop costs associated with new budget measures, yet they need to be able to defend costing in cabinet or parliament. One of the issues is how much an agency needs to deliver a programme? Different programmes require different resources for their administration.

One way to determine whether a new programme will require low or high costs is to look for a benchmark (other similar programmes). There may be other similar programmes in existence or similar services in the private sector.

Evaluation of Results

Ministers are also usually poorly positioned to be able to observe the results of new policies while public servants are usually well positioned to develop reports to define the kinds of results achieved. Continuous improvement means improving the quality of data that is being collected. Public servants are usually well placed and able to improve the quality of data, its timeliness, and data coordination with the budget process; ensuring results are available as new policy is being developed.

Conclusion

Decision-making about the best use of money is inherently political. Within agencies there is bureaucratic politics in internal argument between managers about the best use of assets, the most appropriate performance indicators, and the relationship between inputs, outputs and outcomes.

Session 1.5.1

Competitive Tendering and Contract Management

Aim

By the end of this module you should be able to:

Understand key terms

Have an overview of key stages and processes in tendering and outsourcing

Competitive Tendering and Contract Management

As role of governments become more narrowly focused, governments are increasingly seeking external providers to deliver services. Because the relationships between external providers and governments are usually established through contracts, the process is known as “Contracting out” or “Outsourcing”. There are three broad rationales involved: procurement, competition and privatisation

Contracting Out or Outsourcing

Outsourcing is part of good management to procure goods and services for the organisation in the following set of circumstances:

To better deal with peaks and troughs in workloads

To obtain expertise which is unavailable within the organisation

As inputs for their productive process

As a complement to their products

With procurement, decisions are not necessarily accompanied by competitive tendering. However, most public sector agencies have developed transparent tendering processes.

Outsourcing and Competition

Outsourcing is also associated with competition when decisions are made to engage external providers after a competitive tendering process. In these cases, competition is used as a tool to re-engineer government service delivery arrangements by testing in-house providers against competition in the market place. Savings are believed to arise from increased efficiency due to economies of scale and discipline of the competitive market.

Competition forces operations to become more efficient in use of resources:

Reduced inputs costs

Improved technical efficiency

Redefinition of actual service requirements

Competition is also said to re-focus organisations to customers and clients, and thereby strengthen accountability. Others see it as a means to reduce bureaucratic oversupply by taking away the monopoly on information from bureaucrats. It can lead to more open government and productivity

Outsourcing and Privatisation

Outsourcing is based on view that private sector is more efficient and effective than the public sector, so governments should shift delivery to private sector providers. Tendering may be competitive, but in-house bids are usually excluded.

But others argue that ownership – public or private - is not relevant to performance.

Nevertheless, there exists some imperatives for some governments to shift delivery from public to private provision, and outsourcing has been a major strategy for this.

Why Outsource?

Taking the three broad motives, there are a number of reasons why governments may decide to adopt competitive tendering and outsourcing.

First, there is potential for agencies to save costs. As long as the process is not mismanaged.

Second. There is the view that:

Government should be buyer of services, not provider
Governments are basically inefficient

Usually though, the reasons are more pragmatic. There may be

Insufficient scale to justify in-house supply. An agency may find it has too little work in a particular area to justify owning specialised equipment or employing specialised staff.

Highly competitive conditions in the private sector. If there is long term excess capacity or vigorous competition, there may be an opportunity to take advantage of low prices.

Need to encourage efficiency in government business units. The possibility that tenders may be called or that something is to be outsourced may be a spur to productivity improvements.

Benefits from the outsourcing process. The task of writing specifications including indicators of outcomes, outputs, efficiency and quality and costing of these activities has benefits in terms of planning and policy development.

Competitive Tendering process

Because it is public money or tax dollars at stake, government procurement needs to follow a process which:

Ensures open and effective competition
Realise "Value-for-Money"
Provides reasons for selection
Needs to be able to be justified
Include specification of performance standards
Include arrangements for monitoring and reviewing contractor performance

Identifying Core Activities and values

This stage requires organisations to consider the strategic implication of contracting. Prior to decisions being made, a number of important questions need to be asked. These might include questions like:

:

What is our core business, and do we need/prefer to be involved in providing these services?
What are the advantages and disadvantages of outsourcing this service?
Do we need to test our in-house workforce against the market?
What might be implications for our organisations or community?
What is the nature of the market for these services

From the answers, agencies can draw up lists of those services they may prefer to outsource.

Identify In-House Efficiency Improvements

If a work group has operated in the past in less efficient circumstances, it is not fair that the worker's livelihoods be exposed when the inefficiencies may have been the result of poor management practices. For these reasons, many agencies adopt policies that seek to make in-house efficiency

improvements. Some have established support to in-house teams to prepare bids, develop business plans and better understand the competitive nature of the market.

Prepare Tender Specifications

This stage is critical for organisations to carefully redefine what types of services they are able to offer their communities and the level at which the community is willing to pay. The relationship is inevitably resolved at the political level. Decisions need to be made on the respective roles of government/agency and service provider/Contractor

The outputs at this stage represent a detailed specification of the services to be offered. Specifications should include processes for monitoring, arbitration, review, standards, evaluation criteria etc

Contract Evaluation and Award

When the bids and proposals are all collated, the agency needs to compare tenders in respect to the evaluation criteria. These may include:

- Technical capability
- Sustainable delivery
- Financial viability
- Local employment opportunities
- Risk of loss of service
- Ease of contract administration
- Quality assurance
- Capacity to meet variation on demand
- Innovation in continual service improvement
- Customer focus
- Appreciation for cultural diversity
- Meeting community employment standards
- Occupational health and safety
- Total cost

Contract management

Once awarded, the agency must ensure that terms and conditions of contract have been met and specifications satisfied. Contract management is often understated because it requires:

- Expertise in the activity involved
- Ability to work with a contractor in the interest of all parties
- Appreciation of the evaluation required to assess whether contract is appropriately formed
- Assessment that contractor is satisfying the terms of the Contract.

At the end of contract, the next phase contract will be put to tender again, although there may be changes in the specification as a result from the lessons learnt.

Conclusion

With outsourcing, governments are often less directly responsible for the provision of services, nevertheless, the agency is still accountable for the outputs of the contracted services.

Session 1.5.2

Public Management in the Information Age

Aim

By the end of this module you should be able to:

Describe the potential impact of ICTs on government services and relationships
Understand the ways in which ICTs offer new opportunities for public services
Understand the need for strategy to shape future applications for ICTs

Nature of Information

Almost all activities of public management concerned with management of data and information: how it is collected, stored, and applied. Recently there has been intensification in uses and flows of information in public organisations fuelled by Information and Communication Technologies – ICTs.

Governments have responsibility to effectively utilise ICT and also to ensure appropriate communication infrastructure is in place.

Developments in ICT

Two core features of the emerging ICTs are their pervasiveness and the fact that they are Convergent technologies it is the combination of computers and telecommunications that make these technologies so powerful.

At present, ICTs use four main systems of communication:

Telephone system (analog)
Fibre-optic terrestrial networks (digital systems)
Fixed and mobile microwave transmissions
High and low-earth orbit satellites

During the next few years, digital signalling will rapidly replace today's analog communication systems, the bandwidth of the digital infrastructure will increase so enabling communications systems to carry more information at higher speeds.

This technological convergence will have significant impact on our present way of communicating, both at work and at home, a distinction that will become less spatially meaningful. Spatial convergence will complement technology convergence: your office can be mobile or static, and all systems become inter-operable.

The Public sector is no exception to this and it needs to address how its administration and services can be rendered in "digital" form.

Most agencies now perform many key computer-based activities – financial, administrative and technical that could not be accomplished as cheaply or affectively using paper systems. Agencies use of technology now includes facsimile, voice mail, automated telephone response, data communications, computer conferencing, video conferencing and email.

Telecommunications is increasingly becoming the prime infrastructure of public governance. This means that governments have responsibility to effectively utilise ICT and also to ensure appropriate communication infrastructure is in place.

Impact of ICT

ICTs have a significant impact on public governance: Tapscott proposed a model of Internet worked Government, with three core relationships within the information policy: These are:

Internal relationships of government
Government relationships with consumers
Electronic relationships between government and citizens

The shifts to inter-networked government can be depicted as:

Industrial Age Government	Internet worked Government
Bureaucratic Controls	Client service and community empowerment
Isolated administrative functions	Integrated resource services
Paperwork and file handling	Electronic service delivery
Time consuming processes	Rapid, streamlined response
Explicit controls and approvals	Implicit controls and approvals
Manual financial transactions	Electronic transfer of funds
Awkward reporting mechanisms	Flexible information inquiry
Disjointed information technologies	Integrated network solutions
Election of representatives every few years	Real-time, participatory democracy

Internal Relationships within Government

The initial impact of information technology was in automating existing practices. More recent ICTs allow for a more radical examination of existing informational relationships within government.

These are complex relationships with informational interdependence, both:

Horizontal: Across units and departments
Vertical: between different levels of government

This has led to calls for a fundamental examination and rethink of administrative processes (Process Re-engineering) to streamline information relationships. However this can run into difficulties because of the way it challenges existing and deeply imbedded institutional arrangements.

Relationships with Consumers

Many governments are interested in using ICTs to reshape the relationship between government and public service consumers. These technologies make it easier and cheaper for individuals and organisations to find out about government services. They also provide a more efficient ways for documents to be filed to and from public agencies.

For example:

ICT Task	Sample application	System that could be used
Narrowcasting	Public meetings, education, up-to-date information	Cable and satellite networks, internet, multimedia kiosks, CD-Roms, bulletin boards, videotext
Transactions	Welfare benefit advice, electronic benefits transfers, payment for services, licences, referenda, public opinion polling, electronic tax returns, road charging systems	Multimedia kiosks, expert systems, smartcards, automatic tellers, electronic funds transfer
Information Retrieval	Access to government information, answering routine public queries, supporting public officials	Voice response, email, executive information services, expert systems
Remote communications	Forums of public issues, help for groups, complaints, request, consultations	Internet, computer conferencing, bulletin boards

Relationships with Citizens

ICTs now offer greater potential for citizens to participate in governmental process, including agency and parliamentary hearings and related deliberations. In a number of instances they are used for voting.

There are claims that the Internet is encouraging more active citizenship by enabling a culture of “fetch”. This means that the responsibility of gaining information is left to those who want it or want to act upon something, rather than the older style of provision of information whether one wants it or not.

ICTs have also increased the extent to which public service providers can capture consumer preferences. Data aggregation & disaggregation allows analysis of consumer preferences and activity.

Concerns about the impact of ICTs on Public Governance

Social Exclusion

There are concerns that ICT developments in public governance will further widen the gap between the Information technology “haves” and “have-nots”. Electronic delivery could result in less equitable access to public services.

While pilot studies show that citizens can adapt to electronic delivery, such participation may be hampered by major barriers such as the lack of financial resources, training, equipment, facilitators and institutional support.

“Big-Brother”

ICTs have enabled governments to amass unprecedented amounts of information about its citizens, which they are able to share with a wide variety of agencies. There always is potential for this information to be misused. As a general rule, legislated protection strategies and regulations tend to lag behind technology. As a result, there is increasing need to update legislation on privacy, security, and records management and archiving, open government and freedom of information.

Consumerism vs. democracy

One of the key questions is while public managers become more knowledgeable about consumer preferences via systems that can capture the market; the traditional role of the elected politician begins to lessen. Many critics have argued that management values override democratic principles. However, ICTs deliver neither more nor less democracy. It is up to governments to consider the ways this technology can be applied. This requires governments to give more consideration to ICT strategies.

Need for Strategy

An effective ICT strategy needs to link specific goals with technical options and opportunities for service delivery. It needs to identify key factors that need attention like user friendliness, standards, Costs and Inter-agency cooperation.

For effective governance, knowledge of the telecommunications infrastructure in place becomes important. In addition, there are issues related with retraining of both the work force and users, and in keeping-up with ever changing technology.

It is also important to distinguish between data and information. Data is generally unanalysed facts and figures. Management information is data that has been analysed and made meaningful for managers. All this relies on the right system.

Managers often comment that the information they receive are not always as useful as they would like mainly because reporting systems have been designed for one purpose and often do not fit other purposes. For example, Finance accounting reports may not be able to be used for financial management planning or future estimates. ICTs can assist or constrain.

ICT based Information provided could be more

- Timely – available in time or when required
- Appropriate to manager's needs
- Accurate and adequately detailed
- Understandable to the user
- Secure
- Informative systems
 - Adept at Identifying the problem
 - Adept at Identifying where action is required
- Appropriate in detailing for various level of management

A good information system should identify point where action is required. What information is communicated to whom is likely to vary according to their level in the management hierarchy.

Conclusion

Developments in ICTs present many opportunities to “reinvent government”, but public sector organisations are often fixed in a pattern of institutional relationships and business processes which are highly resistant to change.

There is also the danger that in thinking about ICTs we focus too much on the technical aspects and insufficient attention in the way it interfaces with people and organisations.

An equally worrying possibility is that ICTs might encourage us to amass ever-increasing amounts of data just because the technology allows it. But this could be a distraction to operations of good governance when what is required is the right information.

Week 2

Strategic and Metropolitan Planning

Session 1.6.1

Research and Analysis tools for Strategic Planning

Planning Needs and Analysis

Planning is concerned with identifying and solving existing or future needs and problems of communities. There are always many things that need to be improved. It can be difficult to pick out which ones to concentrate on to solve. There are many different 'tools' (techniques, approaches) we can use to pick out the most important problems to deal with. It is tempting to try to find out everything we can about everything. However, this takes a lot of effort and time and ends up in long reports that no one really understands.

On many occasions, the important information we really need to have is not available. Often we run out of time and money to explore what we need to collect, to know and understand the problems we face. Therefore, we require ways to identify and focus quickly on what we must to concentrate on, understand better, or research in more detail. We need ways to determine promptly and cheaply what is most important now (at present) and in the future.

The way we think about conducting research or gathering information on something we want to know more about has a very significant impact on the outcomes and actions we end up taking. A poorly conceived approach to research or data collection can result in the information we gather being misleading, misinterpreted or can lead to people drawing the wrong conclusions. The consequences of this can be very significant and long term.

Five Planning Questions involving needs Assessment

There are five broad questions we need to be concerned with in planning:

What Resources and Assets do we have? What are the demands on resources? Are there enough resources to support development and basic needs in the future?

What Development Problems are we facing eg what is the nature of the problem? What are the risks created by the problems and events can these be quantified?

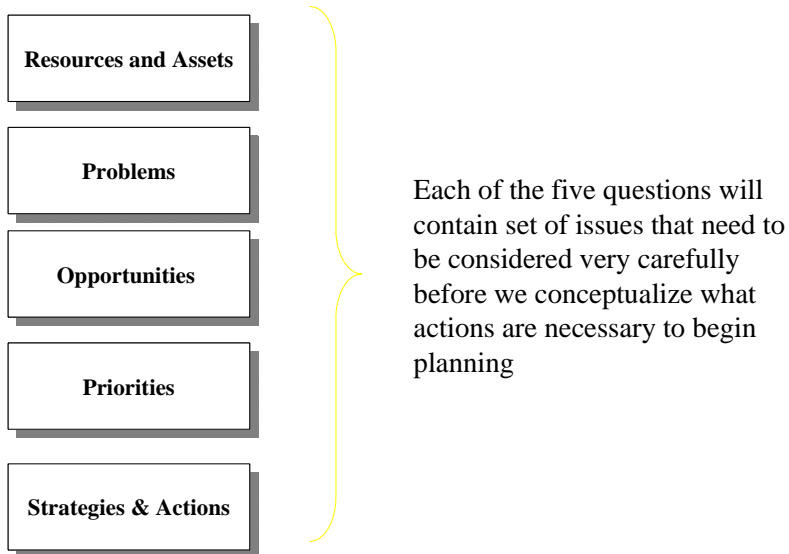
What are the Opportunities for the future? Can problems and risks be made into opportunities? What innovative ideas can we come up with?

What are our Priorities in terms of needs, the things we want to do, timing and expected results?

What Strategies and Actions can we put in place to achieve goals or solve problems? And how do we measure success of strategies?

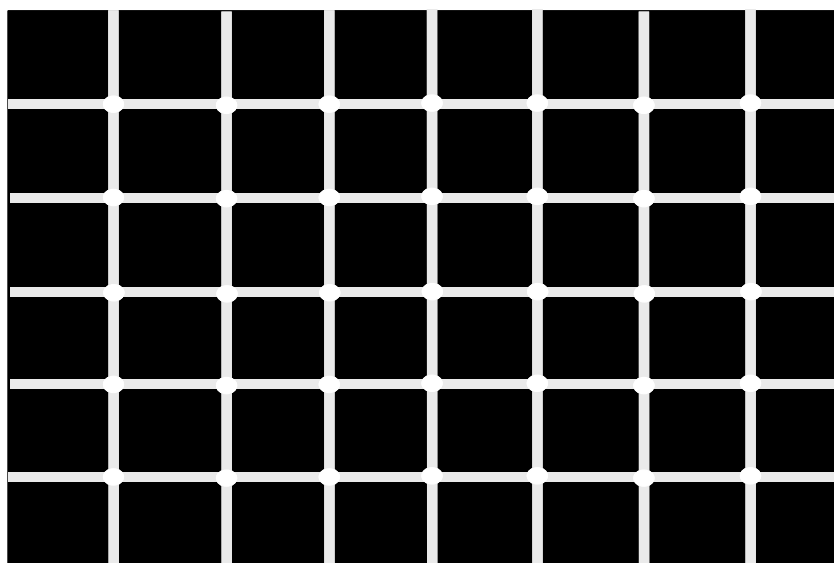
For each of these questions there will be a number of issues that need addressing.

Issues: are matters that provide some dimension or an explanation of needs, problems, and the realisation of opportunities and strategies. Issues are matters that may require choices or decisions by governments or communities to take some form of action. The figure below shows how the five topics above held shape issues, which affect the planning process.



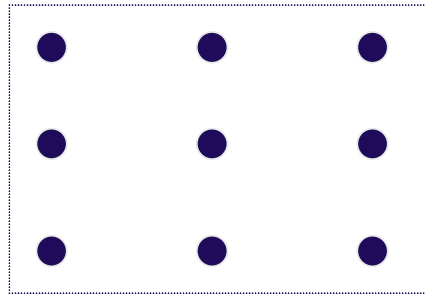
Understanding What We See

Things are not always what they appear to be. We must always be very careful about how we look at problems and issues. Take the following puzzle: are the dots white black or dark grey?



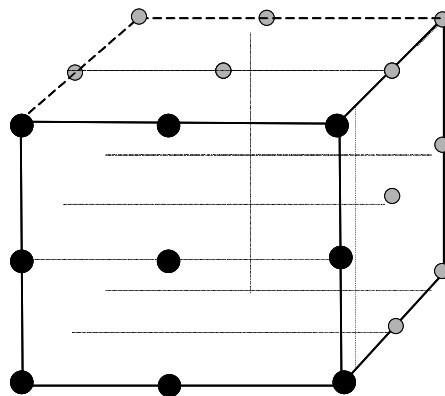
In this puzzle our eyes are playing tricks on us. Sometimes we see white, sometimes dark grey, sometimes black. Many of the problems and issues we face in planning cities and regions are much the same. We think we know the answer, but we are deceived.

In thinking about problems, risks, issues, challenges and position, the way we conceptualise them and create solutions to solve them can create enormous difficulties. Take for example the following exercise often given to management students. Students are asked to join all the dots on the pages using no more than four lines. It is not permissible to remove the marker from the page, but a line can be crossed. Most people attempting this exercise for the first time will try and solve it by thinking that the solution lies inside the dimensions of the page.



To solve this problem we must think outside the dimensions of the page. The solution usually arrived at is shown on the next page.

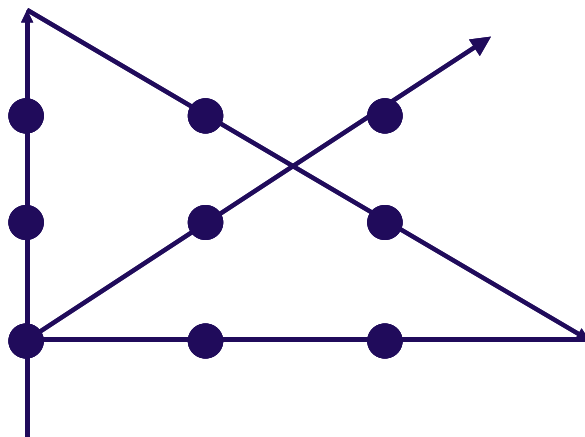
However, this is not the only answer. The solution is constrained by the way the question is asked and the parameters we construct to arrive at a solution. To find other answers requires us to think differently about how we conceptualise the problem and the solutions available. It is always important to look at the framework of a problem and not to assume that what we perceive is the true image of reality.



The problem with much of our thinking for strategic planning, therefore, is that we tend to look at many problems and issues as one-dimensional. Some dimensions often overlooked involving strategic thinking for strategic planning are: scale, magnitude, time, and depth of problems and issues. These dimensions can change the shape and perception of the problem to be addressed in a strategic planning process.

What the puzzles above show is that the conceptualisation of problems, issues and challenges etc. will significantly affect the way we go about analysing and solving them.

Solution to the 9-dot point puzzle above



Analysing the Present

There are many different techniques that we can use to gather information or data to assess current needs to address problems, issues, challenges and risks. The most 'cost-effective' way of gathering information is to measure things or to go out and ask people what they think or know. This type of information or data is referred to as 'primary' or original data. Census data, experiments and interviews are ways which we gather primary data. The other way is to go back over data we already have and use it to generate new information. This is called 'secondary' data. The techniques that can be used to obtain data from primary and secondary sources are described below.

Primary Sources of Information

The collection of primary data uses **qualitative** (information supplied by surveying or asking people questions) and **quantitative** research, which involves scientific measurement.

There are at least seven well-known **qualitative data** collection techniques, which involve sourcing information from people. These include:

Observation methods (looking and noting)
Key informant interviews
Focus groups (sometimes called 'probe discussion groups')
SWOT analysis
Consultation and participation (often via 'public meetings')
Sample surveys/questionnaires (asking a 'random sample' of people)
A survey of everyone (also called a 'census').

The cost, and time involved, increases as we move down this list. Key informant interviews are often the quickest, easiest and cheapest. A census takes far longer, is more difficult and far more expensive, but provides the most accurate information. The fewer people you ask the less accurate may be the answer. (Some people do not know, others have wrong information, others may have their own reasons for not telling you, misleading you, or only telling you what they want you to know, or what they think you want to hear.) You will gain a clearer picture by talking to different people. (Try to talk to people who do not know each other and do not belong to the same group.)

Quantitative data involves the collection of empirical information. There are four principal techniques used for quantitative data collection:

Experimental research (conducting specific experiments)
Observation and measurement (measuring specific physical/economic attributes)
Data logging and capture (capturing information as it is produced)
Complete surveys of populations.

Secondary Sources of Information

It is also worth the time to search for information that others have already collected: Examples of these are:

Literature reviews
Papers by academics and researchers
Census and survey information.

It is important to consider how accurate ('authoritative', the likely degree of error, how likely to be misleading) are these 'secondary sources'.

Planning and managing urban futures will become increasingly difficult in a world of dynamic and constant change. In the past, urban planners, developers and managers could anticipate

market trends and stage the development of infrastructure and services to new residential and employment areas with reasonable confidence. This is no longer the case. Anticipating future demand for land, investment, housing preference, recreation, education and employment will become more difficult. Many assumptions previously used to plan and develop new residential and employment areas are no longer valid. The development of future regional economies and urban areas will be influenced more by external environmental factors, with change becoming more rapid, forecasting demands less predictable and needs more specifically defined.

The management of urban settlement in the future presents significant challenges to urban management and development professions. The future can no longer be anticipated or planned by extrapolating historic market or demographic trends. Trends in housing choice, lifestyle and employment will change significantly over the next 20 years, and this will have a major impact on the long-term planning of urban development. If new master-planned communities and urban renewal areas, for example, are to respond to the needs of people who will live in them, developer's architects and planners of these areas must anticipate how emerging technology, social, economic, built environment and market changes will shape opportunities for change and innovation in these environments in future.

Session 1.6. 2

Strategic Planning



What is Strategic Planning?

Strategic planning is a continuous and systematic process during which people and organisations make decisions about intended future outcomes, how they are to be accomplished, and how success is to be measured and evaluated.

Strategic planning is multi-sectoral in nature and integrates the physical, financial, economic, social and institutional dimensions of development. Specifically, it entails recognition of the right of all citizens to minimum levels of social and physical infrastructure, economic opportunities, environmental quality and participation in political processes.

Strategic plans are developed through an iterative process (where the basic steps are repeated in the same order until further possible improvement in the plan is not significant), involving full consultation with all stakeholders and interest groups. Strategic plans are indicative (i.e. they indicate basic desired outcomes, general action directions and responsibilities), flexible and given the iterative loops of monitoring and feedback, are able to accommodate change and volatility – unlike tools such as master planning that adhere more rigidly to statutory guidelines.

Strategic planning sets priorities and allocates resources in accordance with these priorities. Importantly, strategic planning has a close tie-in with budgeting. This means that strategic planning should guide the formulation and execution of the budget.

Successful implementation requires a supportive framework of governance institutions. This includes co-operation between all levels of government, the private sector and community. Also, relevant agencies need to have the appropriate organisational structures and power to

deliver integrated planning and development outcomes that are in accordance with strategic goals and objectives.

Strategic Principles of Strategic Planning

- **Focus on outcomes:** needed to create a desired future rather than the bureaucratically defined outputs normally delivered by an organisation.
- **Tailor the process to the problem:** taking into account its nature and complexity, political and community imperatives and the availability of resources and time.
- **Generate possible futures:** with a view to identifying the kind of future you would like to move towards. This requires the development of a long-term holistic vision, which can encompass anywhere from 5 to 20 or more years into the future.
- **Means and outcomes:** consider the full range of means available to achieve intended outcomes.
- **Consider all stakeholders:** including organisations whose activities impinge on achieving the outcomes and all who have an interest in the fulfilment of outcomes. Any plan must be responsive to community views and values if it is to have any chance of success. Community should be involved in all stages of the planning process.
- **Trade-offs:** reveal the anticipated gains and losses for each group of stakeholders over the choices to be made to bring about a desired future.
- **Use 'iterations':** review and if necessary modify the results of earlier stages of the planning process in the light of feedback of results from subsequent stages.
- **Timing:** decide when to commit to important strategic choices and avoid prematurely closing off options.
- **Support transparency and accountability:** so that it is clear how, why and by whom decisions are made and how and by whom responsibilities and accountabilities for implementation are allocated.
- **Monitor:** the strategies and actions by measuring their effectiveness in achieving the desired outcomes. Benchmarks and performance indicators provide the basis for gathering information that enables changes in the built and natural environment to be monitored and evaluated. Benchmarks must be able to measure or evaluate qualitative outcomes as well as quantitative outcomes and measure progress on all aspects of well being, including social, environmental and economic dimensions.
- **Integrate:** economic, environmental, social, cultural and equity factors, since these are inextricably linked. Although strategic plans do not always have to be spatially focused (they can instead have a focus on a particular problem) the links to the achievement of strategic planning goals and objectives at a spatial level still need to be articulated clearly.
- **Environment:** respect the capacity of the environment for present and future generations. Irreversible damage to the environment should be avoided. Emphasis should be placed on proactive, rather than reactive approaches to environmental problems.
- **'Subsidiarity':** apply the principle of 'subsidiarity'. Higher levels of government should not undertake what a lower level of government can do for itself. However, local governments must give due weight, in all their plans, policies and activities, to regional and national objectives and strategies.
- **Contestability:** apply the principle of contestability – ensure the public of optimum performance through the introduction of competition and private sector business practices in service delivery and management.
- **Strategy shapes organisation:** Good strategic plans should tailor organisational structures to meet planning and development management needs – rather than the reverse, which is commonly the case (where organisation form drives the strategy).

Strategic Planning Terminology

Strategic planning is a process used widely by organisations to prepare many different types of plans. There is often a confusion of terms and clarification of different types of strategic plans prepared by public and private sector organisations is useful.

Strategic plan refers to a document to guide the implementation of a corporate plan, a plan for the development of a region or a sector agency responsible for the delivery of public services. A strategic plan focuses strongly on servicing the needs of an organisation's customers and clients – including targeted community groups.

Strategic planning is the process used to prepare and implement a strategic plan. It is procedural.

A strategy is a statement, map or description in a strategic or corporate plan that sets out the overall future direction(s) for the development of an organisation's business area of interest to achieve a set of desired development or management outcomes.

Sector strategic plans refer to plans prepared for the development of industry sectors such as tourism, manufacturing or agriculture. Sector strategic plans are often set up as sub-elements of regional or national development plans. Usually they are prepared for different parts of a ministry where there are several portfolios, for example, forestry, natural resources and mining.

Integrated strategic plans refer to plans that incorporate a wide range of strategies and actions from several sector plans. The primary role of the plan is to achieve a better and more co-ordinated approach to planning. The plan will create opportunities for cross-industry collaboration and resource sharing, and set priorities where there are potential conflicts between sector strategies – such as conservation and development.

Some Benefits of Strategic Planning

Strategic planning can help an organisation to:

- Clarify its future direction and provide a vision for its future
- Establish priorities for action and resource development
- Make today's decisions in light of future consequences
- Develop a coherent and sensible basis for decision making
- Exercise maximum discretion in the areas of organisational control
- Solve major organisational problems
- Improve organisational performance
- Deal effectively with rapidly changing circumstances
- Build teamwork and expertise
- Provide the opportunity for public consultation.

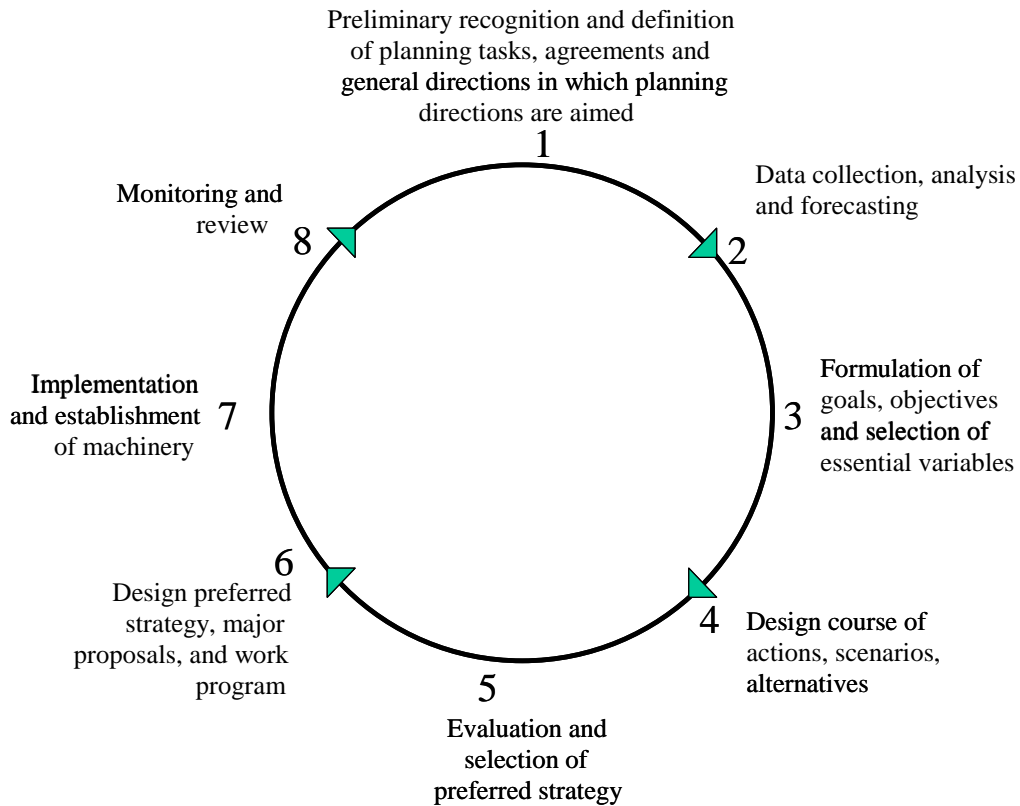
A General Framework for Preparing a Strategic Plan

A good basic strategic planning model should be relatively simple. The process follows the cycle shown in the figure below.

- Stakeholder engagement and agreed planning process
- Data collection and analysis
- Goals and objectives
- Development of scenarios
- Formulation of strategy
- Development of strategy
- Implementation machinery
- Monitoring and review

Strategic Planning Framework

Basic Strategic Planning Model



Source: Sposito, 1993.

1 Stakeholders Engagement and Agreed Planning Process

Before focusing upon substantive aspects of planning, it is crucial to have a clear process in place that specifies the nature of the decision-making process. Specifically, it is necessary to identify who will be involved in the planning process, what the roles and responsibilities of the various stakeholders will be, and how decisions will be made throughout the planning process.

Key tasks:

Design a process that aims to involve the key stakeholders as much as possible throughout the process

Decide on the most appropriate methods for consultation and participation

Identify who should be involved and how

Obtain the necessary political support

Refine the consultation/participation process

Define what actions/activities are to be influenced by participation

Identify suitable timeframes for each part of the process

Identify and secure resource requirements (i.e. funding, personnel)

Identify at what point the participation process is to start, and the period over which the process is to take place.

2 Strategic Analysis

Drawing from information about influences internal and external to the organisation, it is necessary to provide a clear overview and identification of key issues. These are often expressed in the form of a SWOT analysis (strengths, weaknesses, opportunities and threats) and must cover all social, economic, political, spatial, physical and institutional facts relevant to the strategy formulation process.

Key tasks:

Document and analyse the host community – social, economic, environmental and cultural features and trends that are likely to require action

Review the key external and internal influences on the effectiveness of the planning process

Document and map existing infrastructure services and programs

Document existing policies and strategies that are likely to influence the planning process significantly

Identify problems and key issues in achieving intended outcomes.

3 Formulating Vision, Aims and Objectives

Vision statements, aims and objectives provide the framework or define the parameters of the strategic planning process. The purpose of a vision is to set down a clear path for the hopes and aspirations for a city, or the development of a sector. A vision has to be imagined but it must also be framed in a way that will be beneficial to generations that succeed us. Aims and objectives should provide direction and a destination for the efforts and resources that are to be put into implementation of part of the strategy.

Key tasks:

Establish a team to develop and market the vision for a strategy

Analyse futures to anticipate what the future might be like

Engage stakeholders to present ideas and viewpoints

Develop several vision statements

Arrive at a consensus vision amongst stakeholders

Analyse data to develop aims and objectives to address key issues, problems, opportunities and risks

Test and evaluate variables related to aims and objectives

Formulate aims and objectives

Formulate targets and performance indicators for objectives.

Example of a Vision Statement

Vision statements are included in both corporate and strategic plans. A vision statement for a *corporate plan* describes the state that an organisation would like to achieve at some time in the future. A vision statement for a *strategic plan* describes a future desired state for a sector (i.e. transport) or a community. A vision statement should be simple, meaningful, and identifiable to reflect the values of the community/organisation with which it is associated. Vision statements should be time specific, indicate scale, be capable of measurement (benchmarked) and provide a basis for developing associated policies, objectives and strategies.

The Wallingford City (US) vision statement below provides many of these attributes.

We envision Wallingford as a community where:

Neighbours are encouraged to know one another, to celebrate together and to join in making decisions about the future of the community together.

People value the safety and education of children, and welcome residents of all ages, incomes and cultures.

People can work and shop at a variety of local businesses and where those businesses can thrive;

People feel safe and comfortable walking, riding a bicycle, using public transportation or driving, and where streets are pleasant public places.

Citizens practice responsible stewardship of the architectural, cultural, and natural environment so that everyone may enjoy the green spaces, intimate scale and historic character of the neighbourhood.

Goals and Objectives

There is often confusion between goals and objectives.

Goals

Goals are statements of intention that provide direction or intent of actions. Goals, too, may encompass an entire program, subject area or multiple grade levels. Goals are usually written terms using words such as: learn, know, understand and appreciate. They are not directly measurable and usually rather abstract. More specific aims are often developed, based on an internal and external analysis of organisational and business environments.

Aims have several functions. They are to:

Ensure the purpose of projects and programs is clarified

Establish criteria for evaluation

Facilitate the formulation of policy and actions to implement strategy

Identify what the community or organisation wants to attain

Provide an end or an achievement to work towards.

Objectives

Objectives are usually specific statements of educational intention, which delineate either general or specific outcomes. There are advantages and disadvantages to different types of objectives. For the direction-setting purpose of objectives to be fulfilled, objectives need to meet the following six specifications.

An objective should qualify an aim.

An objective should relate to a single, specific public. (It should not be stated in the form of a vague abstraction – eg ‘we want to be a leader in our industry’.

An objective should relate to a result, not to the deed to be performed. (The objective is the result of the activity, not the performing of the activity.)

An objective should be measurable (stated in quantitative terms whenever feasible).

An objective should contain a time deadline for its achievement.

An objective should be challenging but achievable.

4 Formulation of Alternative Development Scenarios or Strategies

The broad direction is expressed in a vision statement that provides a simple, but compelling image of the desired future. A vision statement needs to look from the outside inward (i.e. responsive to how customers or community members see things) rather than being driven by the organisation itself. The vision provides the parameters for more precisely worded statements of long-term goals and medium-term objectives, as well as a range of alternative strategies whereby these can possibly be achieved.

Key tasks:

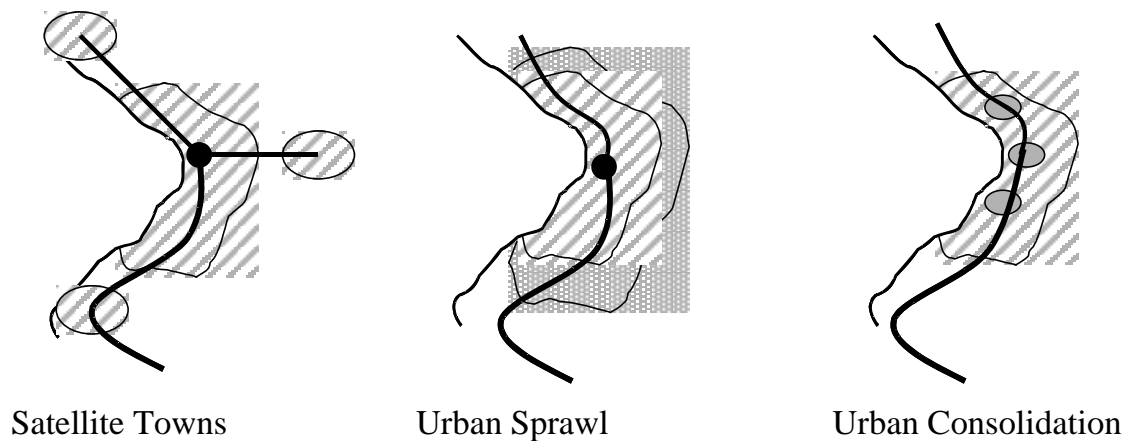
Place emphasis on an inclusive process involving all stakeholders so that values and visions are able to be expressed and explored freely

Identify the values that are important and which are the priorities

Generate alternative strategies and actions.

Selection of Scenario Options

An example of three scenarios for urban development is shown in the figure below.



There are several options that can be used to formulate scenarios to test and evaluate planning strategies. The following are scenario options used for planning processes.

A baseline scenario features in most planning exercises as it provides a basis for comparisons against alternative scenarios that will involve intervention by government or market forces. The baseline scenario adopts a practice as usual or status quo approach to the future outcome. The assumptions that underlie a baseline scenario are that current trends will prevail and governments or business will not play an interventionist role in the development process.

An optimisation scenario seeks to optimise a development outcome taking into consideration its different factors, some of which are conflicting.

Alternative development scenarios are designed to test and evaluate different design and development options. In the case of spatial planning, these might be options to test strategies related to urban consolidation versus Greenfield development.

Alternative movements/logistics scenarios are used to test and evaluate transportation/logistics options involving the movement of people and goods and the delivery of services.

Tests Applied to Scenario Development

Scenario development is a creative activity. It is more an art than a science. However, there are important tests that must be applied when developing scenarios. These are:

Are the assumptions used to formulate the scenario robust? (Are they realistic? Can they be refuted?)

How well does the scenario relate to the vision, goals and objectives?

Can the tangible and intangible elements of the scenario be adequately described?

Can benchmarks and performance indicators be developed?

Can resource implications of each scenario be measured?

Can risk management assessment be conducted for each scenario?

What methods will be used to test the scenario?

Is the scenario credible/marketable?
Can it be implemented easily?
What are the resources/technologies needed to test and evaluate the scenario?

It is advisable all scenarios be tested against these criteria.

Tools to Develop Scenarios

There are many different tools that can be used to develop scenarios. Among these are:

Brainstorming – used widely to come up with ideas to test solutions or invent new processes and products to resolve problems and issues or address needs and demands.

Delphi techniques – more sophisticated than brainstorming and involve specialised or multi-discipline teams of experts developing and refining strategy alternatives.

Community consultation – used extensively to develop future ideas for development. Ideal for smaller communities, but in larger communities scenarios can be influenced by pressure groups. Resource and implementation implications are often overlooked.

Extrapolation – involves the projection of trends or patterns. It can be a ‘business as usual’ approach and is often used for developing a baseline option.

Hypothesis – methods are used to test premises or propositions about future outcomes. Hypothesis methods are used as a ‘what if’ tool. They are important for developing innovative approaches to strategy.

Creative thinking – involves facilitated workshops to come up with ‘outside the box’ solutions to problems. Creative thinking is linked to hypothesis testing, as there are situations where completely new approaches to strategy are needed.

Charettes – were developed as a scenario and planning tool in the UK as a means of addressing complex development problems. They involve an action learning approach to developing alternative solutions for a range of planning problems and issues. A charette will involve all stakeholders working together for two or three days to arrive at a solution to a design problem.

5 Evaluation and Selection of Preferred Strategy

Alternative strategies and scenarios offer opportunities to trial different approaches to test and evaluate solutions to planning problems, issues, opportunities and risks identified during the analysis process. There are many different techniques that can be applied to evaluate strategies and scenarios ranging from economic and multi-criteria analysis, Delphi techniques and public consultation. Some of these will be discussed in the next session.

Key tasks:

Identify appropriate tools to analyse and evaluate scenarios and alternative strategies
Formulate and decide on the criteria for assessment
Evaluate options/alternatives.

Tools for Evaluating Strategies and Scenarios

There is a wide range of tools used to test and evaluate planning scenarios. Some tools are more advanced than others. Some of the more common tools used to test scenarios are as follows.

Multi-criteria Analysis

Multi-criteria analysis (MCA) is a decision support tool used to evaluate the optimal outcomes of different strategies, taking into consideration a range of predetermined criteria or variables. MCA has been used widely to evaluate planning scenarios and major infrastructure projects. It is used extensively in environmental decision-making where a range of often-conflicting criteria is required to be taken into consideration as part of an overall decision-making

process. In its more advanced form, multi-criteria analysis involves complex linear programming.

The figure below shows the basic matrix used for MCA. The option criteria score x_{ij} is a measurement of the strength of a relationship between each option (Scenario) S_n and each criterion J_m , which is evaluated for all cells (ij) in the matrix. The criteria are scored using a scaling factor of 1-5. The row scores for each of the criteria are summed. The row with the greatest score is considered the preferred option.

Basic Matrix Used for Multi-criteria Analysis

Criteria

Options

S_1

 S_n

J_1	J_2	J_m	Σ
X_{ij}			

Goals Achievement Matrix

The goals achievement matrix (GAM) is a method of analysis used for evaluating how well a series of alternative projects; programs or actions achieve or satisfy sets of objectives or criteria. Criteria included in a GAM relate to desired social, environmental, economic and political outcomes for a project. The method also indicates the degree to which one alternative is better or more attractive relative to all other alternatives being evaluated. GAM can accommodate almost any unit format that measures the performance of an alternative against a specific objective. Goals achievement matrix techniques have been used to determine priority public sector investment projects for development plans. An example of the application for MCA will be handed out during the course.

Economic and Financial Analysis

When a firm or government development agency lays out its investment plans (called capital budgets), it tries to select investments and projects that will yield the highest profits for a given amount of finance. There are three basic financial analysis techniques used to evaluate projects and scenarios.

Cost Benefit Analysis

The first step in an investment decision is to forecast the **net cash flow** of the investment. The second step is to estimate all the costs of the project. If the revenue or benefits of a proposed project (B_t) less the costs (C_t) is greater than zero ($B_t - C_t > 0$), the project is viable.

An **economic analysis** provides a systematic method for selecting among alternatives, usually strategies or major public sector programs. Alternative ways to satisfy a requirement are analysed by evaluating the quantifiable costs and benefits of each alternative course of action. These costs are assessed objectively using economic techniques so that alternatives can be compared through a numerical ranking. Economic analysis has been used extensively to test planning scenarios for land-use plans such as medium density versus high density and consolidation versus satellite development. It is used, for example, to analyse transportation and water management strategies.

A **financial analysis** is used to evaluate the economic viability of a project. It does not take into consideration the wider economic benefits to the community or society.

Input/Output Analysis

Input/output analysis (I/O) is widely used as a technique for modelling and analysing the structure, operation and performance of national, regional and local economies. Input/output tables represent an important set of 'social accounts' in terms of the value of goods, services, imports and other inputs used in production in an economy. These inputs are then consumed, exported or retained for utility purposes at some future date. Input/output analysis enables the economic benefits of different project scenarios to be evaluated in terms of value adding to the economy, employment, change in imports and exports and public revenues. More advanced forms of I/O enable environmental and social impacts and benefits of scenarios to be tested and evaluated.

Community Consultation

One of the most common means of testing scenarios is through community consultation. Because many development scenarios have a human dimension related to preference, values and belief, testing scenarios through the community consultation process enables society to express these in an open and consultative way. It is generally a requirement of most planning laws that plans are put on exhibition so that the public can discuss and select strategies, which reflect community desires and interest.

While community consultation has significant benefits, the community does not always understand the implications of many planning scenarios or strategies. Communities are often reluctant to change and prefer to remain with the status quo. The status quo is not always sustainable or economically viable. For this reason it is important that planning strategies and scenarios are tested using a range of techniques.

Delphi Techniques

The application of Delphi techniques to test and evaluate scenarios can significantly improve the confidence of projected outcomes for planning processes. While Delphi is used extensively for futures analysis, it has much greater application for testing scenarios. The Delphi process may be open or blind. If a blind process is used, experts may not know each other. In an open process, on the other hand, experts may be known to one another. In an open process a round table forum might be used in the second round to accelerate the consensus building process. While Delphi would appear to lack scientific rigour, it has proved remarkably successful in a wide range of applications.

Risk Management Assessment

An important element of strategic planning is risk management. Unfortunately, few strategic planning processes ever conduct a risk management analysis. Risk management is the term applied to a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with an activity, function or processes in a way that will enable organisations and communities to minimise losses and maximise opportunities.

Australian standard 4360:2004 on risk management provides a very clear framework for risk management. There are two elements of risk that must be assessed.

Likelihood, which is the measure of the probability of an event occurring: this is measured on a scale ranging from almost certain to rare

Consequence, which is the measure of the intensity: this is measured on a scale ranging from insignificant to catastrophic.

A typical qualitative risk analysis is shown in the following matrix.

Likelihood	Consequence				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A (most certain)	H	H	E	E	E
B (likely)	M	H	H	E	E
C (moderate)	L	M	H	E	E
D (unlikely)	L	L	M	H	E
E (rare)	L	L	M	H	H

Legend

E extreme risk, immediate action required
H high risk, government/senior management attention needed
M moderate risk, management responsibility identified
L low risk, managed by routine procedures.

Risk analyses should be conducted for all scenarios and strategies as a matter of practice. More advanced risk management assessment is required once preferred strategies have been finalised as part of the risk management strategy, which forms part of plan implementation, monitoring and evaluation.

6 Formulation of Preferred Strategies

The range of possible alternatives (formulated in the previous step) is narrowed down into a set of preferred, practicable strategy options. It is then necessary to assess the positives and negatives of each strategy option. This task can be undertaken using tools such as multi-criteria analysis, cost benefit analysis, social impact assessment and environmental impact assessment and will provide the basis for making a decision as to which strategy or combination of strategies will best address the vision, goal and objectives.

Key tasks:

Utilise a robust method to combine individual strengths/weaknesses or benefits/costs into manageable strategy options

Consider repetition in assessment to sieve out elements and options so that the more critical elements and options are separated from the less critical ones

Establish a common understanding of how alternative options relate to goals and objectives

Establish measures for testing the likely consequences of proposals and alternatives against goals/objectives for achieving the preferred future

Consider combining actions and consequences of those actions for evaluation to help to decide between alternatives

Give weight to the options, taking account of preferences expressed during participation, to make informed choices on selected strategies

Determine actions, objectives and goal of a long-term vision resulting from the preferred strategy/strategies

Identify the necessary resources associated with selected actions.

7 Implementation

It is now necessary to formulate a plan that outlines an institutional framework for implementation. This will specify the roles and responsibilities of respective stakeholders in the implementation of the strategy, as well as a plan for financing and phasing of the implementation. In addition, the strategic plan will need to be translated into development plans and operational plans.

Key tasks:

Produce a specification or brief for the implementation of actions

Identify the responsible agencies

Establish institutional structures (for example, committees) for co-ordination and the processes by which decisions will be made

Translate into corporate plans and statutory planning instruments.

8 Monitoring and Evaluation

Importantly, strategic plans can be developed incrementally, involving numerous iterative loops of monitoring and feedback. It is not a linear process. Monitoring and evaluation is necessary throughout the planning process, often requiring a return to, and revision of, decisions made at an earlier step.

Key tasks:

Measure the outcomes achieved against the objectives

Reassess needs accurately

Analyse why strategies may not have worked and examine if there is any need to change direction

Consider recommencing the process or re-entering the process at some point past the start.

Reading:

Thompson, A.A. and Strickland A.K., 1987, *Strategic Management: Concepts and Cases*.

Session 1.6. 3

Integration of Sector strategic Plans

Reasons for the Failure of Integrated Planning

All governments recognise the importance of improving the integration of planning processes. However, integrated planning remains a problem and few governments do it well. Many of the problems associated with integrated strategy relate to the process we use to go about it. In most cases, sector strategies are prepared independently by public agencies with an attempt to integrate these into an overall planning framework once the sector planning strategy processes have been completed. There are few examples where an integrated framework mechanism for multi-sector strategic planning has been developed before work commences on the preparation of separate sector strategies.

Some causes for the failure of integrated strategic planning are due to:

- the lack of a clear planning framework to prepare and manage the integration of sector strategies
- limiting the scope of sector strategies so that they do not deal adequately with broader environmental issues
- the lack of a multi-discipline approach and teams engaged in sector planning processes
- poor mechanisms for addressing conflict resolution
- political interference
- a weak and inconsistent overall public policy
- underestimation of resources needed to prepare and integrate sector plans
- duplication of data collection and analysis
- inability of planners to think in a multi-sector manner
- poor communication between teams preparing sector plans
- failure to engage important stakeholders, especially external investors
- poor understanding of relationship between budget process and sector strategy resource requirements.

Whole-of-Government Approaches to Integrating Systems

To improve the integration and delivery of public services, many governments around the world have adopted whole-of-government initiatives to encourage closer working relationships between departments and agencies, and between the levels of government. The means of doing this however has proved difficult. The only area where government has effectively achieved full integration is in the areas of finance and budget management, which is a highly controlled process. There is still a strong silo mentality (institutions not talking to one another) in all levels of government; however, the redefining of many public sector functions following national competition policy reforms has forced governments into whole-of-government approaches towards public sector management and planning. Whole-of-government initiatives are being applied to the following areas.

Policy

Governments at all levels are seeking better ways to integrate policy. Traditionally policy has involved a top-down approach, but in recent years governments have introduced consultative approaches to policy integration. Inter-government approaches to policy formation have improved but intra-government policy integration remains a problem. At federal and state level, governments have attempted to address the issue of improved integration of policy through a central co-ordination office.

Legislation and Standards

Governments are moving to introduce greater consistency in legislation, regulations and standards for procedures of government. In Australia the Development Assessment Forum (DAF) has been created to identify leading edge approaches to development assessment throughout the country. It has been working on developing common definitions and a more uniform development assessment process recognising the fact that the development industry is seeking greater consistency in the planning system nationally.

Contract Management

There is increasing standardisation of contracts and the increasing use of sub contracting has escalated the need for better co-ordination of project and program delivery. The introduction of Australian standards into many aspects of contract management is also ensuring that local governments are involved in integrated design, assessment and implementation of public sector projects and programs, many of which are outsourced to the private sector.

Monitoring and Evaluation Reporting

The adoption of triple bottom line accounting (TBA) and reporting has resulted in public agencies across government adopting similar TBA procedures to enable governments to compile a whole-of-government report that includes a set of sustainability indicators. To enable more comprehensive reporting and sharing of information between governments at the regional level, local governments have begun to adopt standard monitoring evaluation systems.

Government Online

The impact of the Internet has resulted in more advanced management information systems (MIS) being taken up by local government. These have been adopted not only to improve the dissemination of information within public agencies, but also to improve public access to services provided by a range of public sector agencies.

Issues to be considered in Integrated Planning

Thinking in a multi-sector way is difficult and uncomfortable for most people. However, the need to make cities and regions more sustainable has introduced a new dimension into the strategic planning process. Sustainability requires that we adopt multiple disciplinary thinking for problem solving and strategy formulation skills. In most planning processes an analysis will be made of the economic, physical, social and administrative issues to develop strategies and action plans to address specific problems or the facilitation of new initiatives. Each of these fields represents a facet of planning. Different theories and approaches have been used in planning each field, which correspond to recognised professional disciplines. All of these fields are inter-related and influence each other.

Setting Priorities in Response to Conflicting Demands for Resources

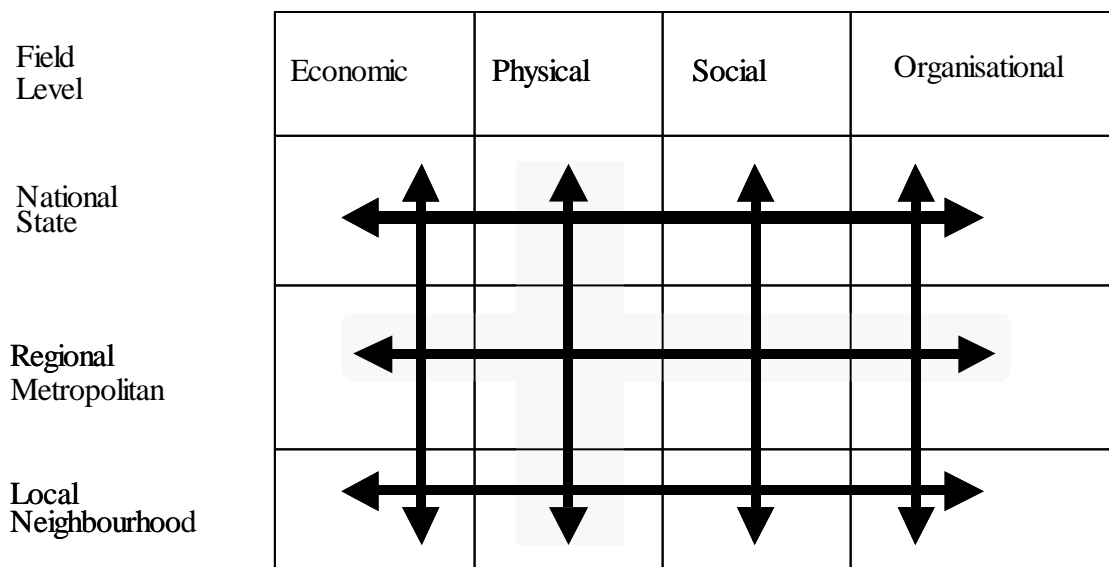
One of the most difficult issues for governments is sorting out demand for resources. How much money should be spent on health, education, infrastructure, police and the environment etc? There are no rules to guide governments. For multi-sector plans to be implemented, it is essential for government to determine its priorities. In 'weak' governments this is largely determined by politics. In strong governments priorities are determined by research and engagement with the community to identify what the community sees as important for development and the appropriate level of service it expects from government.

There are many different tools, which can be used to determine priorities. Ultimately, however, government determines the decision on how public resources are allocated. Unless governments work out mechanisms to develop integrated approaches to resource allocation through policies, programs and actions, then the risk of duplication and the poor application of resources becomes excessive.

Managing Sustainability at Multiple Levels of Government and Community

A further element is the level at which planning takes place. Planning does not occur at just one level and an integration of the levels of planning needs to be introduced if there is to be an effective and efficient planning system. There are three major levels of engagement that need to be considered in all the planning processes. These relate to national/state, regional/metropolitan and local/district. This adds a new dimension to the problem of coordinating planning, which needs to occur in different fields and at various government levels. The following figure illustrates this problem in a conceptual matrix.

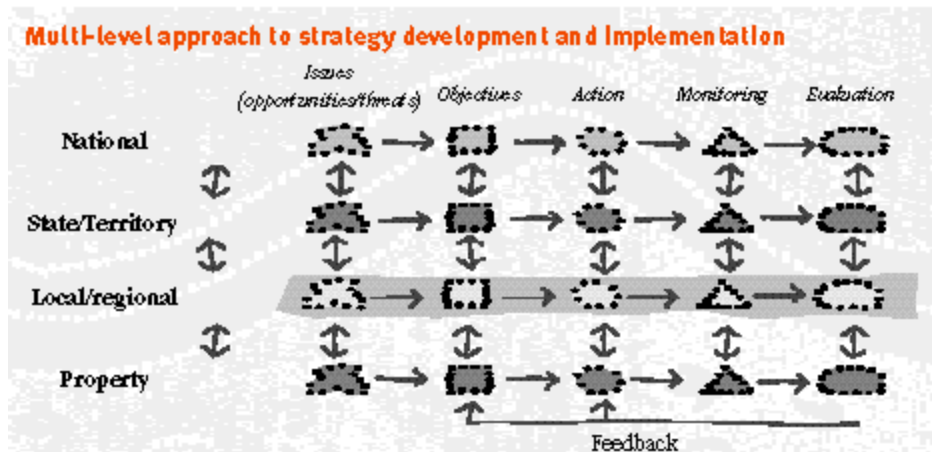
Integrated Planning Process



Integrating Across the Full Spectra of the Strategy Process

The different cells in the figure represent the facet of fields of planning to be performed by different levels of government. The arrows in each row indicate the need for co-ordination at each planning level of the different fields. They also represent the need for co-ordination of each planning field between the different levels of government. In a properly functioning and integrated planning system, both the inter-relationship between the different fields and between the various levels should receive attention.

Multi-levelled Integration of Elements of Planning



Another model shows that within these respected fields there are other issues that need to be considered. The figure above shows that there needs to be an integrated approach to the analysis of issues, the formulation of objectives, actions, monitoring and evaluation of plans between various levels of government. This requires a systematic approach to plan formulation and consultation in all approaches to planning at all levels of government. This is not always easy, and requires an open and transparent process to plan formulation to be adopted by government.

Source: Thorman, R. & Heath, I. 1997, *Regional Environmental Strategies: How to Prepare and Implement Them*. A guide for local government, regional organisations, catchment and landcare groups. Australian Local Government Association, Canberra.

Using Deduction rather than Induction Approaches to Integrated Strategy

Earlier we discussed the two philosophical approaches used to resolve problems, develop and test hypotheses. We can apply a similar philosophical approach to the formulation-integrated strategy. The deduction approach employs an holistic analysis of urban systems, and in particular is concerned with the inter-relationship, dependencies and the dynamics within and between urban subsystems. The key to this is the establishment of a vision, which is used to integrate and define the scope and scale of the sector and other types of strategy.

The induction approach is more piecemeal. Various strategies are developed to test and validate the feasibility of sector strategies. These strategies are compiled into a comprehensive unit strategy. The assumption of using an inductive approach is that these will fit together under a unifying framework of composite strategies. However, it can result in the sum of the parts not adding up to the whole.

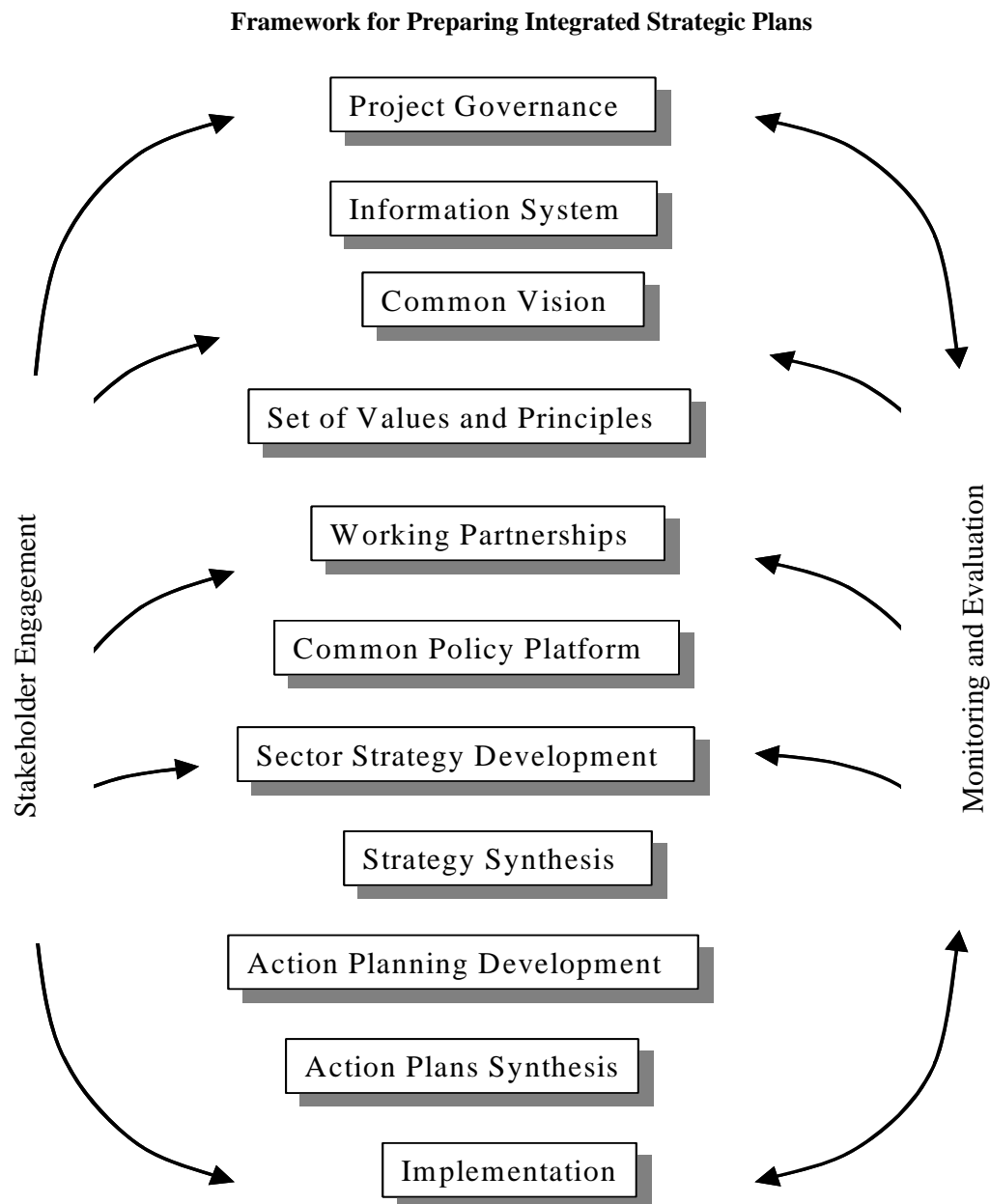
Deductive approaches to integrated strategy require substantial resources and co-ordination. Inductive approaches enable the preparation of independent sector strategies in relatively short timeframes. The strategies work well for the sectors but integration of sector strategies can become very difficult – especially if sector strategies have been formulated on different premises.

Framework for Integrated Strategic Planning

There is no best practice approach to the formulation of integrated strategy. Because of the dynamics involved in a multiple strategies preparation process there is a need for constant review and adjustment to planning activities. There is also a need for well-defined timelines for production and completion of activities to ensure strategies are prepared in the most efficient manner. Timeline planning and sequencing is one of the greatest problems affecting the management of integrated planning processes. Integrated planning is expensive and

resource intensive. It is however, more efficient in the long term than piecemeal assembly of sector strategies which have experienced significant implementation problems.

The following framework provides a useful template, which can be used to prepare integrated sector strategic plans. It draws upon a range of integrated strategic planning approaches tried from different parts of the world. It involves a ten-stage process with continuous stakeholder interaction and monitoring and evaluation of activities. The general elements involved in each stage are described below.



1. Project Governance

The decision to embark upon the preparation of an integrated strategic planning process for state, regional and local development should not be taken lightly and without a commitment for public agencies and other partners that might be expected to secure economic gain by being involved. Strategic integrated planning should be considered as a project, with a strong governance structure overseeing all aspects of the work involved. The key task of the project governance will be to:

- Identify stakeholders
- Establish a project task force and chairperson
- Establish working and reference groups
- Commence project planning to define the scope of the planning process
- Prepare and approve a project work plan
- Prepare TOR and budgets for task force, work and reference groups
- Establish a monitoring and evaluation system
- Establish a community relations system.

2. Information System

All strategic planning processes are data hungry. A key objective of integrated strategic planning is to reduce duplication of data collection, processing and analysis. This requires the establishment of a well-developed information management system. The key tasks in developing an information management system are to:

- Identify and define protocols for common data sets
- Identify and define protocols for specialised agency data sets
- Identify and define protocols for data capture and processing
- Identify and define protocols for data management and release
- Specify protocols for information outputs
- Identify special requirements
- Identify the range of analytical tools and systems to be used for data analysis
- Specify education and training requirements of planning teams
- Develop reporting systems
- Develop a communications strategy.

3. Establishing a Common Vision

A vision is an image that holds a planning process together. It is a lighthouse that defines a pathway through a very stormy planning process and unpredictable future. Without a common vision, integrated planning processes will soon lose their way. To arrive at a vision, project governance in consultation with stakeholders and the community must come up with a vision with which all sector strategic planning processes can identify. Many of these will develop a sector vision, and there will often be a nesting of vision statements if there is significant depth in the planning processes.

To arrive at a vision requires a rigorous analysis of:

- needs
- problems
- issues
- risks
- preferences
- perceptions.

This process should arrive at a simple vision statement for an organisation or a region. The regional vision for Far North Queensland regional development strategy is simple:

“A stunning location for serious business”

This statement has elements of sustainability, excitement, good governance, strong values and simplicity.

4. Values and Principles

Values and principles play an important role in strategic planning processes by defining the rule of the game, what is important, and how government and the community are expected to act. A key activity for project governance once a common vision has been established is to carefully develop a statement that reflects:

- community values
- organisational values
- business values
- Planning principles.

These values and principles form the pillars of the planning process.

Examples of principles include:

- transparency
- accountability
- equity
- good governance
- efficiency and effectiveness
- engagement with communities.

5. Working Partnerships

There is a wide range of people involved in integrated planning processes drawn from many backgrounds. Partnerships are becoming the primary tools used for plan formulation. Partnerships are teams of people from government, business, professions, special interest groups and academia that more often than not contribute to plan formulation. Partnerships are supported by a secretariat of professionals, technicians and administrators. An important function of project governance is to:

- define TOR for partnerships
- appoint specialised working groups
- establish support mechanisms for partnerships and working groups
- establish proper briefing arrangements and protocols for meetings.

6. Common Policy Platform of Themes

The greater the number of sector strategies involved in an integrated planning process, the greater the complexity and the potential for policy conflict. Ironing out policy conflict is difficult but essential. An important role of project governance and the professional/technical support teams is to:

- identify areas of policy conflict
- identify areas of mutual support
- develop a key policy statement
- define a mechanism for resolving policy conflict.

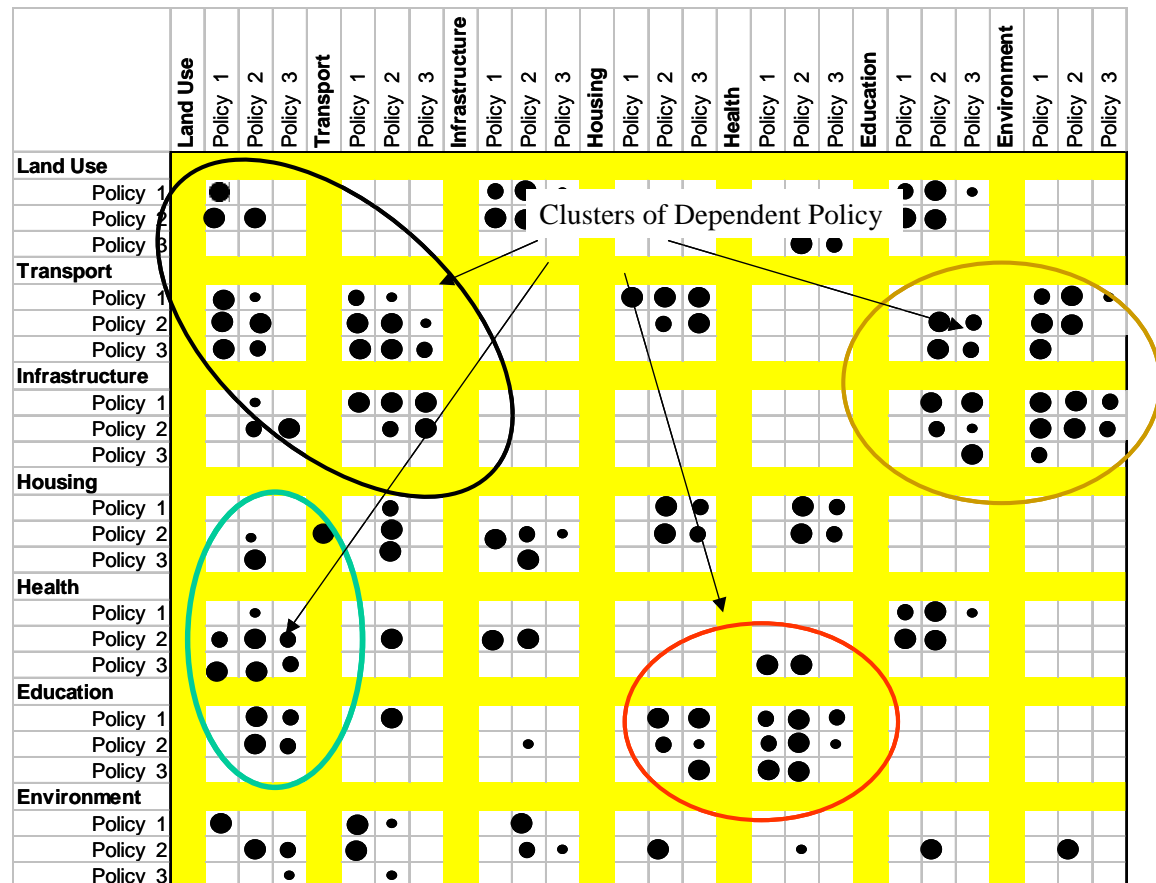
Using Matrix Analysis to Identify Conflicts

One of the most useful tools for understanding dependencies and conflict is the application of simple tools to identify the way different policies, objectives, strategies, and actions relate to each other (see the following figure). By presenting the strength, dependency, conflict between relationships and between factors of strategy it is often possible to identify strong and weak areas of conflict or complementarity. These sometimes demonstrate cluster features. This analysis can be very useful as it enables different strategic planning teams to focus on key issues of conflict that need to be resolved and to reinforce areas of complementarity to take advantage of leveraging. It also enables strong dependencies

between policy and strategy areas to be identified which may provide opportunities for resource leveraging.

The basic technique also has application for testing the convergence and conflict between goals, objectives and strategy setting. It has been used, for example, in France to resolve policy issues with employment and unemployment.

Matrix Analyses of Dependencies and Conflicts



Developing Common Themes for Integrating Different Plans

The most important step in developing an integrated theme for all district and regional planning is to ensure the corporate plan for the city has a common set of policies of themes that all other plans work to. The Corporate Plan vision for Brisbane (Australia) as the most liveable city has eight liveability themes.

[A clean and green city](#) protects its natural environment. Creative use of new technologies will help us use resources more efficiently, create less waste, improve air and water quality and reduce carbon emissions. Urban design will have a low impact on the environment. High standards for environmental protection will be applied consistently across the region.

[An accessible city](#) is affordable, safe and open to all. An integrated public transport system with a single ticket will let us travel easily, quickly and cheaply. People will make the most of Brisbane's open-air lifestyle, outdoor activities and well-used public spaces. Government services and information will be available online.

[A city designed for subtropical living](#) retains its character and charm while evolving a unique architectural style. Homes will be energy efficient and comfortable to live in. There will be housing choices to suit all lifestyles.

[A smart and prosperous city](#) where lifelong learning is encouraged and both new and traditional industries provide employment opportunities for our people.

[A creative city](#) can move confidently into the future. In Brisbane, creativity will be about more than art and culture. It also will be part of business, commerce, government and social institutions. The city will be a leader in new creative media and industries. Brisbane's imaginative venues and creative use of new technologies will attract world-class events.

[A city of inclusive communities](#) is made up of well-planned urban villages, each with its own character and identity. We will live in a fair and tolerant city with extra help available for our most vulnerable people. Community and Council will work together on solutions to local issues.

[An active and healthy city](#) where people have plenty of opportunity to pursue healthy leisure time activities that suit their age, interests and physical abilities.

[A regional and world city](#) provides not only for its residents but also meets regional responsibilities. Brisbane will be a leading location in Southeast Asia for advanced educational and health services and environmental management. Council will work closely with other local authorities and governments to provide integrated solutions for southeast Queensland, Australia.

Relationship of Themes to Different Strategies

Themes								
Strategies	A clean and green city	An accessible city	A city designed for tropical living	A smart and prosperous city	A creative city	A city of Inclusive communities	An active and healthy city	A world and regional city
Transport Strategy	*	*					*	*
Economic Strategy				*	*			*
Environmental Strategy	*		*				*	
Social Strategy				*		*	*	
Housing Strategy	*		*			*		
Infrastructure	*	*	*					*

7. Sector Strategy Formulation

The formulation of strategy follows the process outlined in the notes on strategy in the Manual. The process for integrated planning involves:

- Defining sector visions (if needed)
- Defining sector aims and objectives
- Integrating sector visions, aims and objectives
- Formulating sector strategy
- Testing and developing scenarios
- Arriving at preferred sector strategies.

This is simpler than occurs in reality, where there are numerous multi-sector negotiations taking place to iron out problems of inconsistency between strategies.

8. *Synthesis of Sector Strategy*

The synthesis of strategy is very difficult. It involves negotiations between many parties over values, resources, priorities, risks and operations management. There is an inevitability of compromise about the process. This does not always result in good strategy. The key to good strategy synthesis is the values, principles and common policy statements. If these are prepared well, the conflict that inevitably arises during synthesis can be reduced. The following activities might be conducted as part of the synthesis process.

- Compilation of sector strategies
- Matrix analysis of dependencies and conflicts
- Application of Delphi techniques to refine strategy
- Testing of strategy
- Development of a strategy weighting system.

9. *Formulating Sector Action Plans*

The path to the formulation of action planning is similar to that associated with strategy. The activities involved might include:

- Development of draft sector action plan
- Identification of recurrent and non-recurrent projects and programs
- Development of assessment criteria
- Use of multi-criteria analysis to prioritise new projects and non-recurrent projects and programs
- Development of common and sector performance indicators.

10. *Synthesis of Action Plans*

The following tasks may be undertaken as part of the synthesis of action plans.

- Identify projects with high multipliers (i.e. activities which add value or have high resource leveraging)
- Use GAM for initial prioritization and ranking of projects
- Conduct multi-sector risk analysis
- Conduct Cost Benefit Analysis and economic analysis of projects and programs
- Group sector and multi-sector projects in terms of priorities

11. *Implementation*

The implementation process follows similar approaches to the notes in the section on Plan Implementation. The activities involved include:

- Developing a draft 5-year roll-over and annual action plan
- Submitting projects to multiple budget processes
- Refining projects after budget announced
- Including selected projects and programs in an annual work plan
- Performance evaluation and review.

Session 1.7.

Field Visit to Jakarta Metropolitan Region

Aim

The field trip will specifically look at issues related to:

- Urban Development
- Infrastructure
- Environmental management
- Economic Development

The trip will commence in Bekasi at 8 am and arrive in Jakarta, Diklat at 5 PM. Site visits and presentations will be made to two projects.

Session 1.8.

Workshop: Metropolitan Sector Strategic Planning

Workshop will be run in Bekasi

Aim

The purpose is for Bekasi and Jakarta sector departments to develop sector planning frameworks for the development of the SE corridor Metropolitan Jakarta Development Plan

Presentation on Urban Systems (Professor Spiller on Planning and Infrastructure)

This session will then become a workshop to discuss the sections that the groups will gather information on during the field visit. The groups will be given a brief of problems and issues related to the field visit. Specific skills or tasks to be learnt/completed during the workshop include:

- being able to identify environmental, social and economic issues related to land-use of the sites visited
- Understanding the inter relationship between different sectors and be able to develop strategies to integrate planning across sectors
- Being able to analyse the role of the community, government and private enterprise in dealing with the issues
- Being able to analyse environmental processes and the implications of these on social, economic and environmental sustainability

Outputs

Develop Work Plan to Prepare an Integrated Plan

Each group will develop a Work Plan to prepare an integrated development plan project for the area visited during the field trip. Each group should develop the contents of an issues paper for the project selected.

Presentations of Work Plan for Integrated Development Plan

Each group will present a draft outline of the Work Plan to prepare an integrated development plan.

Session 1.9.1

Preparing Sector Strategic Plans (Case Studies)

Regional level: SEQ 2021 (South East Queensland 2021)



Objectives

The objective of SEQ2001 was to develop a policy framework to manage the effects of rapid population growth in SEQ, which has been the fastest growing metropolitan region in Australia over the past ten years. With the commencement of SEQ2021 in December 2000, the objective has changed to achieving sustainable development in the South East Queensland region – which is centred on Brisbane, and comprises 18 local governments.

Core characteristics

Based on a voluntary partnership approach to regional planning, involving three levels of government (Local, State and National) and community sector groups. Partnership approach reflected in Regional Coordination Committee and in processes by which Regional Strategy document has been prepared.

Key approaches

Based on a non-statutory planning approach to regional planning, the Scope covers land use, infrastructure, environmental, natural resource management, economic development and social and cultural planning, with an emphasis on achieving policy integration across all these issues at regional level.

A high level political committee including state government ministers, national politicians and the Mayor of Brisbane, the purpose of which is to guide the program and ensure coordination between different levels of government.

Main output is a comprehensive regional strategy document – the Regional Framework for Growth Management (RFGM) – covering 16 policy areas and is an integrated set of principles, priority actions and maps.

Implementation

- Implementation is the responsibility of a wide range of state and national level agencies, local governments and community groups
- Preparation of regional sector strategies linked to the RFGM includes a transport plan, an air quality strategy and an economic development strategy.
- Amendment and preparation of new local government planning schemes

Strengths

- Pioneered the development of voluntary partnership approach to regional planning in Queensland
- Local governments have moved beyond initial deep suspicion to strong support for regional planning

Challenges

- Priority Actions need to be updated continually if they are to remain forceful and relevant
- Social, cultural and indigenous issues are important aspects of a regional strategy, but difficult to incorporate.
- Broad public participation is also difficult to ensure on an ongoing basis.



Sources: <http://www.seq2021.qld.gov.au/home.asp>

Sessions 2.4.2 & 4.2.3

Workshop: Planning Frameworks for sector strategies

The Sector Strategic Planning workshop has been organised as part of the course to:

- Provide a framework for the preparation of a sector strategic plan
- Identify key issues that need to be considered in a strategic plan for the sector
- Identify key policies and Strategies that will provide a framework for the sector
- Identify key actions which may be necessary to support the implementation of the plan
- Identify responsibilities for plan preparation and implementation
- Prepare a timetable to develop and implement the strategic plan

Session 1.10.1

Action Plans

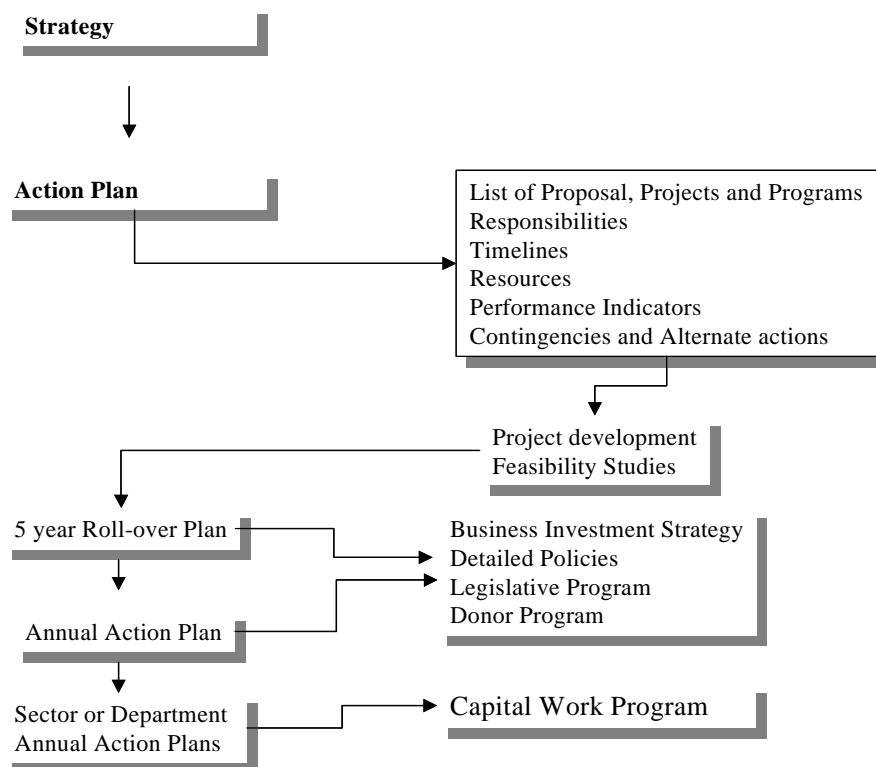
Introduction

Plan implementation is the most difficult part of the planning process because it requires commitment. There is an unfortunate tendency in most planning processes for agencies and departments to make commitments to programs and projects during the plan formulation process. When it comes to executing the actions, there is a tendency for agencies to make excuses about not having the resources. Subsequently, very few plans are fully implemented and delays in project implementation are a constant problem.

Action plans provide a basis for the preparation of many other types of detailed plan. An action is an activity designed to support the achievement of the goals, objectives and strategies outlined in a strategic or corporate plan. Actions may take the form of proposals, projects or programs. Proposals range from ideas to physical projects or program design to deliver community or business services. A project is generally something that involves the construction or the making of something. A program is the provision of a service. In practice the terms are often used interchangeably.

The figure on the next page shows the relationship between the strategy and the action plan implementation process. The action plan is the blueprint or master plan from which other more detailed plans will be formulated. There are many other types of plans prepared from an action plan. Only a few are shown in the diagram. Some of these plans will be discussed in more detail in later sessions.

The next section of the course is concerned with plan implementation. The material covered includes action planning, project development, design and feasibility analysis and benchmarking and monitoring plan performance.



The Action Planning Process

Arrangement for Implementation of Development Plans

Institutional support for managing the implementation of a local economic development plan can take many forms:

- Public Agency
- Public /Private Partnership or Local Development Association
- Local Development Agency as a unit of local government
- Independent Private Development Agency
- Economic Development Corporation representing government and business interests
- Non-government (NGO) or Community Based (CBO) Organisation

There is no single model of institutional support that is best to manage the implementation of a local economic development plan. The appropriate model depends on political, economic, social and cultural factors. In most market economies, governments are becoming more involved in the development of partnerships or moving to privatise and 'corporatise' state own companies to improve efficiencies in the delivery of public services such as water, solid waste management, public housing, transportation and telecommunications.

Organisational Management

There are seven overall management functions that need to be considered carefully with institutional support mechanisms for the implementation of an Action Plan:

- Marketing and output achievements
- Operations (production and others)
- Research and development
- Financial management
- General management and administration
- Human resource management
- Legal and tax expertise
- Strengthening the capacity of organisations to improve these functions is essential for improving business and urban management.

New Realities of Strategy and Action Plan Implementation

Action Plan Process

Strategies describe or plot the course or direction a community will follow to develop employment and economic opportunities for the future. Actions provide the tools for executing strategies. An **Action Plan** comprises a list (including a brief description) of various proposals, projects and programs to be implemented as part of a development strategy, within a specified time frame and assuming there is commitment to resources by all stakeholders involved. An action plan has several important functions. These are to:

- Describe project outcomes
- Develop project output actions
- Establish financial alternatives for projects
- Identify project mechanisms to implement and structure projects

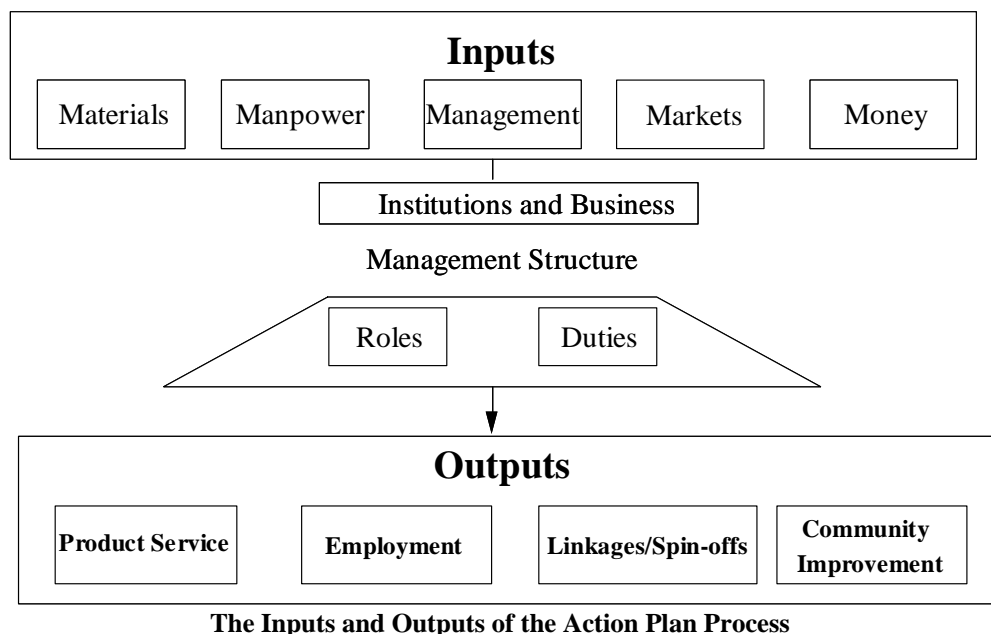
Components of Action Plans

The following figure shows the different components of an action plan for a regional or local development strategy. These are explained below.

Project Inputs

Materials – Inputs

Materials may be thought of as all existing physical resources, including both natural and human-made assets. The material components of an Action Plan may include: Water, Natural Resources, Buildings, Land and Infrastructure.



Resources may be limited or need to be imported. This may affect the timing and costs associated with implementing projects actions. Stretching resources by improving efficiency or leveraging resources by pooling are important factors to be considered in formulating action plans.

Manpower – Inputs

Human capital requirements should be identified for all actions. However, human resource requirements are both qualitative and quantitative. The availability of skills can have a major impact upon costs, scheduling, and timing of actions. The decision to adopt a labour or technology-intensive approach to implementing actions also has cost implications. There will be the need to import expert skills from other regions or internationally for some projects. The cost of which must be considered carefully.

Management – Inputs

Management is a special type of human capital. A manager is the person who is able to combine materials, money, manpower, and technology to produce and successfully market products. Management capabilities will have a very significant influence upon performance or the achievement of actions. Management will also involve skills in mobilising community and business resources to deliver on specific programs to build infrastructure, or to deliver education and training services.

Markets – Inputs

Markets are places where there is a demand for certain products or services. The market area or prices are not fixed under free market conditions. Markets are important instruments for making things happen. Some actions will involve stimulating markets by providing incentives such as tax relief or seeding funds to help create local capital markets for industry

and housing. Markets are very flexible so that stockpiling resources, such as land or construction materials, can have significant beneficial savings for reducing the cost of implementing a project or program.

Money – Inputs

Money or capital is the funds directly involved in supporting a project or program. Capital is used to buy resources, products, labour, technology, and time. Money is a major constraint upon all planning processes as there is never enough. An important financial element in actions involving government funds will be the ability to leverage capital with businesses and community organisations. Project finance is often the last resource considered in the action planning process. It should however be the first and is the reason why most plans are never implemented.

Performance of Outputs

Outputs may be measured as:

Products involve outputs that produce goods, equipment or a technology application such as a regional information database that can be used to support business and community development. A product is something that is usually physical.

Programs generally involve the provision of services such as industry support for export development of tourism using training incentives.

Infrastructure might include an expansion of a local airport, cargo handling facilities, and university research centres.

Impact assessment is the measurement of community benefit from investment or development proposals.

If actions cannot be measure then they should not be included in an Action Plan.

The process of monitoring of long-term performance of outputs is referred to as **benchmarking**.

Outputs – Product/Services

The first task of action planning should be to specify products and/or services that will become outputs of actions. All other factors in the action plan will relate to these outputs. Product services may be either quantitative or qualitative, or a combination of both. As noted above outputs should be capable of measurement or assessment, otherwise they become meaningless. Product services' outputs should, if applicable, describe employment, linkages, spin-offs and community benefits.

Outputs – Employment

Any statement on employment should include answers to the following questions:

- What is the number of jobs to be created?
- What are the job categories and wage levels?
- What are the economic benefits of employment?
- What is the locality of jobs?
- What are the job losses?

Employment is one of the most important spin-offs of economic development strategies. Actions stimulating economic development should be closely linked to the benefits actions will have on employment as well as human capital development.

Outputs – Community/Environmental Improvements

Development planning is not solely a business development or attraction activity. Culture, recreation, and community appearance are related factors integral to the success of action planning. Action planning has historically focused on development and economic benefits. However, not all development is sustainable or desirable. Increasingly, the outputs of projects should demonstrate environmental and community benefits. Projects that build community self esteem and encourage initiatives and pride lead to improvements in the quality of life and overall well being of communities.

Outputs – Spin-Off/Linkages

The extent to which new projects or programs fit into existing business and industrial planning is an important consideration of action planning. New businesses can have significant spin-offs and linkages to established economic activities. Some socio-economic benefits of linkages are:

- Use of local materials
- Use of locally produced goods and services
- Local employment
- Increased sales
- Import substitution
- Investment attraction
- Specifying Project Details

Basic Framework of an Action Plan

There are no rules or standard formats used to prepare an Action Plan. An Action Plan will normally have the following elements:

- Reference Number
- Group/sector category, i.e. Infrastructure, education, environment
- Description of the proposal, project or program
- Description of the task(s) to be undertaken
- Agency (ies)/departments responsible for executing the task(s)
- Relationship to strategy or objective in the Strategic Plan
- Estimated budget, other costs and resources required
- Timing of the project
- Performance standard or targeted outcomes
- Information Notes
- A risk assessment of the proposal, project or program

It is usual practice for all projects and programs to be registered on a computer database for ease of access and manipulation.

Conducting a detailed feasibility study:

Before a project is included in an action plan, some form of pre-feasibility analysis should be undertaken. If the project has difficulties or requires further investigations at this stage, it should be broken into different planning stages. Project planning and development is covered in a separate session. A detailed feasibility study should be conducted for all major infrastructure projects. The study should include:

- A market analysis
- Financial analysis
- Cost benefit analysis
- Institutional feasibility analysis, and an analysis of
- Community and environmental impacts

Once projects have been through an initial feasibility study, the next stage is to develop a program of proposals for consideration in the first draft of a 5-year roll over plan.

Developing Action Plans

The purpose of this work is to set out the means of constructing Action Plans that determine the requirements, schedules, accountabilities and monitoring necessary to ensure that the work is implemented in accordance with the intentions. Action Plans relate to all scales of projects but the key distinction for an organisation is to separate those actions that are cyclical, i.e. they occur at the same time each year, from those actions that are unique or 'one-off'.

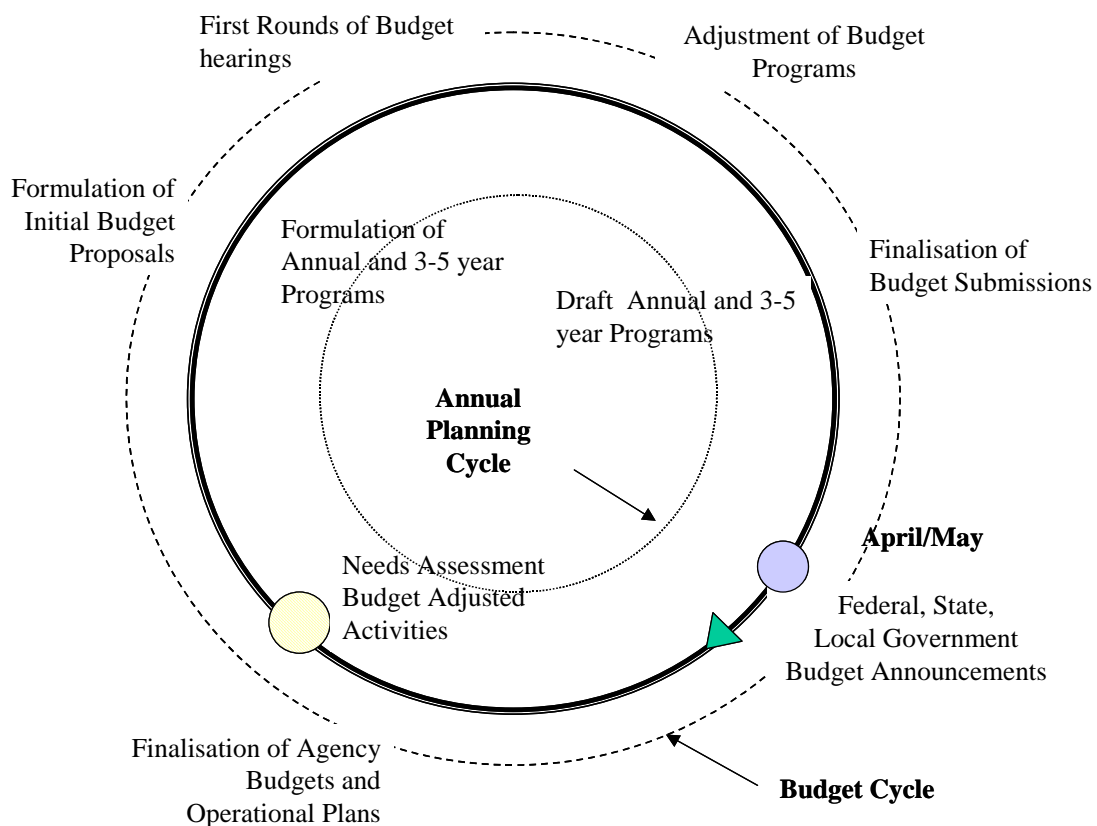
In the consideration of a public organisation's responsibilities the budget process is one of the keys to management. The Government, whether national, regional or local, must meet the requirements of the budget and this requires a coordinated sequence of actions to related actions included in an annual action plan to the organisation's budget.

In the case of a major city, much of this action is driven by population change and by the assessments of needs for accommodation, for employment, for modes of transport, for retail facilities, for community facilities, etc. The preparation of the budget relies on careful assessment of these needs and how they can be met in part or in whole. This requires assessments of lead-times that are sufficient and are sometimes interdependent.

The figure on the next page shows the relationship between the annual planning cycle and the budget process in Australia. This is similar to the process used in most other countries. The annual planning process starts with the needs assessment. Ongoing projects are assessed against sets of planning goals and objectives included in a corporate and sector strategic plans. New projects are included in the annual plan, some of which will have been included in previous three or five-year roll over plans. The annual planning cycle and budget progress are conducted concurrently. The budget is normally announced first and most of the project included in the annual plan will be included in budget papers. However, there are often refinements required to the annual plan as funds to some programs included in the annual plan are cut during the budget formulation process.

The Annual Planning Cycle

The annual planning cycle process involves the preparation of an annual development plan for an organisation. The annual development plan outlines all proposed and ongoing development projects and programs to implement strategic plan sector projects and some activities included in the corporate plan. **Diagram 1** indicates the sequence of actions required to develop an Annual Action plan. The actions are part of an annual cycle of decision-making and are linked to the budget process as described above. The separate actions are dependent on each other and have different lead times required for completion of the task. Therefore a complete program requires interdependent completion dates and an assessment by the responsible persons of the lead times required to meet those dates.



The Budget and the Annual Planning Cycle, Australia

To ensure a coordinated approach to action plan implementation means actions need to be organised into an annual cyclical program. This may start as a fairly simple cycle incorporating population projections, needs assessments, annual and three-year programs and budget submissions.

This can then be expanded to include the necessary reviews of existing objectives, policies and standards, the preparation of necessary spatial plans, resource availability, assessment of the economic, environmental and social 'climates' and the regular monitoring of performance over the fifty two (52) weeks of the year. This results in the Annual Operational Cycle.

The responsible individuals (or officers) to manage the Annual Operational Cycle actions are identified and the monitoring of performance is identified as the responsibility of a corporate decision making committee of the organisation.

Corporate Decision-Making Committee(s)

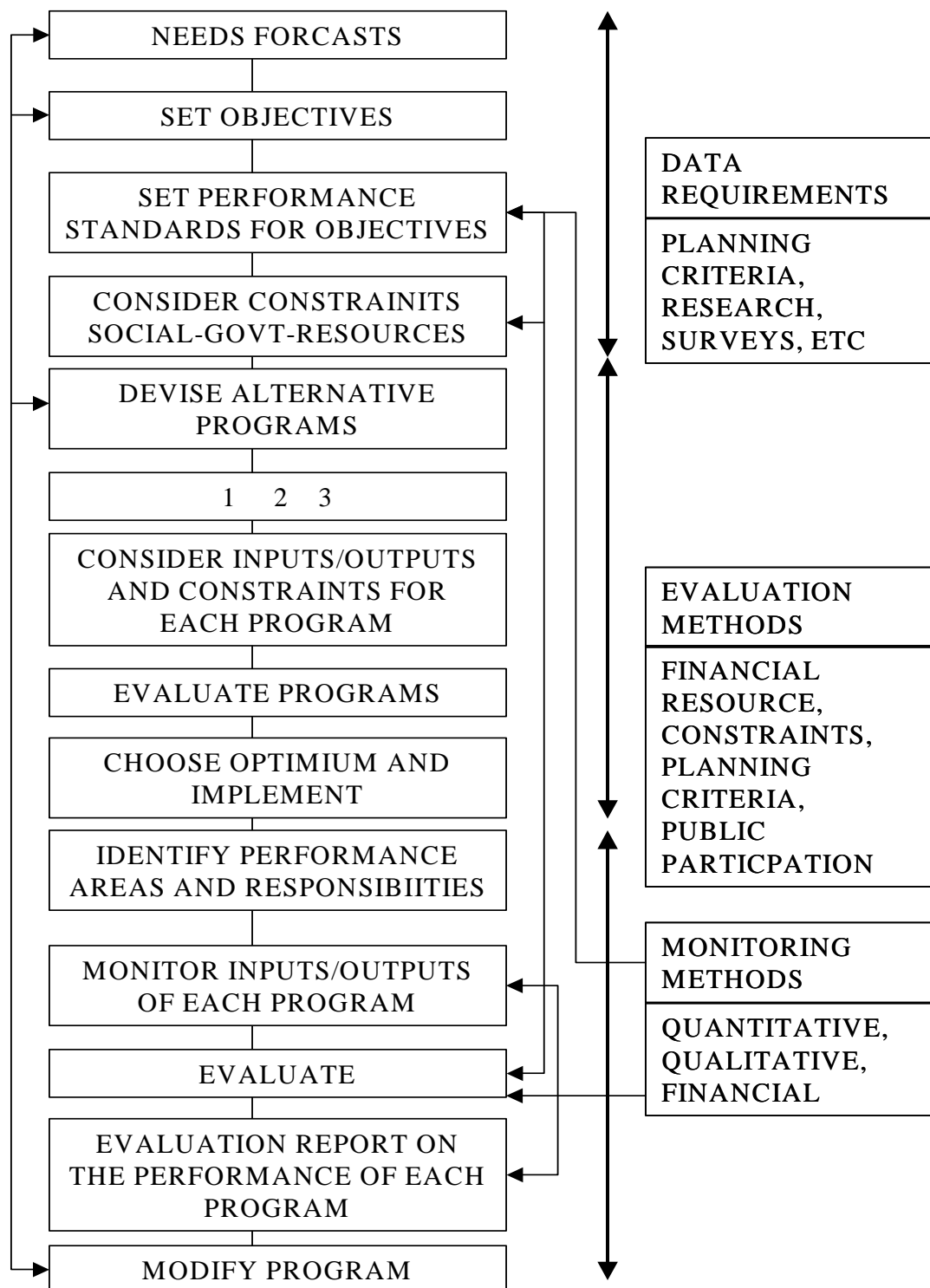
The strength of a Department or corporation lies in the certainty and the resolution for action offered by a responsible committee system. To ensure that decisions are acted on within the organisation, formal decision-making is required and must incorporate the heads (or their nominees) of the organisations Department/Divisions. Decisions must be minuted and circulated.

In practice the organisation's full responsibilities would be incorporated in the cycle. This would be reflected in a program structure, covering all outputs for which the organisation is

responsible. This program structure may include in part or in whole programs that are not development/construction orientated although in this case housing development is used as an example.

This leads to a considerable number of submissions and one method of organising them is an Annual Operational Cycle Diary, which lists week by week the submissions, together with responsible persons/offices, to be made to the committee. Again the importance of the Corporate Decision-Making Committee is emphasised. Action Plans require an action orientated decision-making committee and require appropriate delegations.

Diagram 1 Sequence Required to Develop and Action plan



Session 1.10.2 & 1.10.3

Workshop: Action Plans plan for key sector projects

Purpose of this workshop is for the DKI and Bekasi sector groups to develop an Action Plan to prepare for the development of a prefeasibility for a sector projects during phase three for the course.

The format for the workshop is:

Problem Diagnosis

Session 1.10.2

The basic purpose of the first session is to address and define:

What problem needs to be solved?

What kinds of solutions are available?

Which solution is best, and why?

In answering these questions the sector group:

What is/are the symptoms of the problem and how does it manifest itself?

What will happen if the problem/ issue is not addressed?

What technologies/management systems have been tried and are currently available to solve the problem?

Which technology/ management approach solves the problem best, and why is it the best choice?

How the organisation is uniquely qualified to address the problem?

Should the problem be addressed in an alternative way?

At the end of the session the group should develop a mind map or fish diagram, which shows simply the nature of the problem that the project will address.

Session 1.10.3

Action Plan Strategy

In this session the sector groups should define an Action Plan to describe how they will go about developing a project to address all or some of the problems identified. The Action Plan should include lists of activities that will need to be done and information to be collected to undertake the analysis and design to develop the prefeasibility study for the project during the third phase of the training program. Specific questions or information that might be collected in Australia should be identified. Specific responsibilities and timelines for tasks should be defined.

Presentation of Action Plan

Each group will present their Action plan to the class for critique and comment

Teaching Overheads