Organizational Restructuring for Administrative Reform: The Nepalese Experience

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Introduction

THE OPTIMUM SIZE of the civil service very much depends on such factors as type of functions, volume of work, and kinds of goods and services to be provided by the government. The prolonged debate about the nature and scope of government functions is sustained by proponents of a school of thought advocating for limited functions, and another school of thought calling for the involvement of government in the delivery of basic goods and services to its people and the performance of traditional functions such as maintenance of law and order and revenue collection.

Government agencies, especially in the Third World, play important roles in delivering goods and services to meet the rising aspirations of its populace. But due to various limitations, the government alone cannot be very effective without involving non-governmental agencies. The non-government organizations (NGOs) have to gradually share governmental responsibilities relating to national development.

Like any other government of the Third World, His Majesty’s Government of Nepal (HMG), in addition to performing traditional functions is heavily involved in the socio-economic sector and there is hardly any sphere of Nepalese life untouched by the government.

Structurally, the HMG/N is organized into 28 ministries including the Cabinet Secretariat, Office of the Prime Minister and the Secretariat of the National Planning Commission, 48 executive departments, 108 regional directorates/offices, and 9,203 district and field level offices, beside other statutory bodies. In addition to the central government, there are local government bodies comprising 75 District Development Committees (DDC), 36 Municipalities and 3,395 Village Development Committees. These bodies have their own staff along with the officials deputied by the government.

There are about a hundred thousand permanent employees in the government service, who are divided into ten service groups excluding the teachers, police, army and those in parastatal organizations. In addition to these permanent civil servants, a substantial number of non-permanent officials, whose exact count is still a matter of debate among the concerned agencies, are working in development sectoral projects in different areas such as agriculture, health, irrigation, drinking water, etc.

Presently, unlike in the mid-50s when the foundation of modern Nepalese public administration was laid, local government units, NGOs and private enterprises are also competing with the government in such areas as trade and commerce, industry and delivery of goods and services. Local governmental and non-governmental organizations are especially proving effective in the delivery of health services, education and community development. This changed situation in every way, calls for review in the scope of government. As such the 1991 Administrative Reforms Commission (ARC) suggested a new role for the
government and the establishment of a functional bureaucracy. Among other things the Commission suggested that the government:

- Focus itself toward creating a conducive environment to enable the private sector and non-government agencies to take more and more functions of the government and limit itself to the basic infrastructural development for which any government becomes solely responsible.

- Gradually curtail its involvement in those field of activities in which the private and non-governmental sectors have acquired specialization; and

- Take appropriate measures to enable the non-governmental sectors to play a bigger role in economic activities and in the operation of services of various kinds.

The emphasis of the ARC is thus on sharing of functions by the government with non-government agencies, which will change the former’s role. In such context the government may have to perform the catalytic role and create an environment so that other actors/agencies could share some of its functions. Hence in addition to the maintenance of law and order and management of other regulatory functions, the government has to limit its function to sectors and areas where other service providers may/would not be interested.

The review of the role and scope of government functions has automatically had implications for structure and size of the civil service. In order not to adversely effect the size of those directly involved in service delivery, the ARC further recommended that the permanent positions in central level agencies (Ministers, Departments, Regional Districts/Offices) should be downsized by 33 per cent, (i.e. to 12,900 from the existing positions of 19,345). The strategies for achieving this target were:

1. Review of government functions: functions to be performed by the government alone; functions to be off loaded to the other agencies through devolution, contractual arrangement or decontrol/deregulation of government controls;

2. Amalgamation of offices performing functions of similar nature;

3. Restructuring the size of government organization through:

   - Process simplification;
   - Identification and abolition of redundant positions and units within offices; and
   - Strengthening of field level offices: decentralization of decision-making authority from the central secretariat to the field offices.

With regard to the basis for restructuring of field level offices, strategies suggested were: (i) identification of activities that could be devolved to local elected bodies, community and non-governmental organizations; (ii) identification of activities that could be transferred to other agencies through contractual agreement or matters that could be deregulated; (iii) identification of functions of similar nature to be managed under one umbrella; (iv)
identification of the districts where a district office can provide service to the adjoining
district; and (v) initiation of a system of providing a multi-purpose assistant at the support
staff level.

It was also indicated by the ARC that in delineating the service delivery area, factors
such as population to be served, the geographical situation and transport and communication
network and not the political boundary should be considered.

**Restructuring the Nepalese Civil Service**

The recommendations of the ARC covered all aspects of the public service, and it was not
possible for the Administrative Reforms Monitoring Committee (ARMC) follow-up body
created for dealing with the recommendations of the ARC to take up everything for
implementation. In view of the priorities fixed by the HMG to streamline the civil service,
the ARMC had to concentrate its activities mainly on the restructuring exercise. In order to
accomplish this objective the government decided on a temporary recruitment freeze to the
permanent positions.

**ARMC Technical Teams for Restructuring**

Considering the fact that knowledge of job and procedures is necessary to complete the
assignment, the ARMC requested the ministries to constitute departmental committees
consisting of senior ministry officers as its members. The teams were entrusted to review
departmental functions and suggest functions that can be divested, deregulated or
decontrolled. The ministries were provided with two sets of restructuring guidelines prepared
by the ARMC.

The ARMC on its part had constituted six Technical Teams for central level organizations
and four teams for the field level offices to provide the technical support and backstopping
to the ministries in their restructuring exercise.

Organizational restructuring was undertaken as a joint exercise between the ARMC
and the concerned ministry and completed in two phases. In the first phase, the central
level organization; Ministries, Departments, Central Offices and Regional Directorates/
Offices were covered. Offices other than these, i.e. field offices were included in the second
phase. It took nine months (December 1991 to September 1992) to complete the work.

Once the new organizational structure and the corresponding manpower were approved
by the ARMC, the concerned agencies submitted them to the HMG for final approval.

The Cabinet created a Standing Committee consisting of the Secretary of the Ministry
of General Administration as Convenor, and Secretaries of concerned ministries as members.
The Administrative Reforms Monitoring Committee (ARMC) was also created by the cabinet
to facilitate the concerned ministry to make the adjustment if necessary on the proposed
manpower and new organizational structure.

**Civil Service Positions After Restructuring**

The restructuring exercise resulted in the reduction of permanent positions by 10.04 per
cent of which 4.12 per cent was at the district and field level whereas the rest were
downsized at the central level. Thus the total number of positions approved after the restructuring was 90,229. When considered from the point of view of specific agency, the then Ministry of Education, Culture and Social Welfare surrendered the largest number of positions, i.e. 2,052 posts, of which 2,021 were at the lower levels. Whereas the Ministry of Forest and Soil Conservation surrendered the lowest number, i.e. 0.28 per cent of the positions, the Ministry of Agriculture gained by 5.30 per cent.

Although the restructuring exercise abolished a number of units in some ministries, none of the existing agencies was abolished or amalgamated. A number of new organizations such as Jails Department, Electricity Development Center, Health Service Department, Educational Manpower Development Center etc. are the creations of the restructuring work.

Altogether 5,045 positions turned out to be redundant at the end of the restructuring exercise. Of these, 75 positions were at the gazetted level (i.e. 33 Officers of Class II level and 42 Officer in Class III level). They mainly belonged to the administrative service. Among the non-gazetted staff, MUKHIYAS (Non-gazetted Class III) and Bahidars (Non-gazetted Class IV) to be totally abolished in phases as per the ARC recommendations were the largely affected. At the levels of non-gazetted classes I and II 1,679 positions turned out to be redundant, whereas 1,125 positions at the level of the peons and chaukidars were affected.

A study of four agencies, namely the Cabinet Secretariat (CS), Ministry of Finance (MOF), Ministry of General Administration (MOGA) and Ministry of Defense (MOD) was commissioned by the ARMC in 1993 in order to find out the effectiveness of restructuring. In accordance with its findings there were 6,513 positions in the said agencies at the time of restructuring but had only 5,520 positions after the exercise indicating that altogether, 993 positions were affected. The detailed breakdown of post reduction in these agencies is presented in Table 1.

Table 1. Change in Number of Positions in Selected Agencies After Restructuring

<table>
<thead>
<tr>
<th>Agency</th>
<th>Total No. of Positions Before Restructuring</th>
<th>Total No. of Positions After Restructuring</th>
<th>Difference in Total No. of Positions</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabinet Secretariat (CS)</td>
<td>89</td>
<td>59</td>
<td>30</td>
<td>37.7</td>
</tr>
<tr>
<td>Ministry of Defense (MOD)</td>
<td>137</td>
<td>108</td>
<td>29</td>
<td>21.2</td>
</tr>
<tr>
<td>Ministry of Finance (MO)</td>
<td>6005</td>
<td>5157</td>
<td>848</td>
<td>14.4</td>
</tr>
<tr>
<td>Ministry of Gen. Ad. (MOGA)</td>
<td>282</td>
<td>196</td>
<td>86</td>
<td>30.5</td>
</tr>
<tr>
<td>Total</td>
<td>6513</td>
<td>5520</td>
<td>993</td>
<td>15.3</td>
</tr>
</tbody>
</table>

*Adapted from a table in the Financial Analysis of Restructuring in the Government Organization of Nepal, ARMC, Office of the Prime Minister, Kathmandu. n.d.*
Lessons Learned from Restructuring the Bureaucracy

The total number of public positions including those of the civil service, army and police, teachers and employees of the Civil Service; army and police, teachers and employees of the corporate sector and temporary positions were about 450,000 which is about 2.2 to 2.8 per cent of the total population. So taking this fact into consideration, the organizational restructuring and downsizing exercise coupled with the review of the government functions, were suggested as a strategy to address overstaffing of the total governmental organization excluding those in other services such as teachers. As already indicated, the organizational restructuring exercise has been completed by the Nepalese government. Having been directly involved in the exercise, this author feels that one could learn the following lessons from the Nepalese experience:

Factors Off-Loading Government Functions

1. Unprepared Civil Service

With the emergence of other agencies in the field of service delivery, the central government no longer remains as the only one involved in nation-building activities. However, there is a general feeling among the government agencies that other agencies are not capable of planning and managing services efficiently. Government agencies have yet to fully subscribe to the idea that its counterpart could be equally efficient in managing services. Consequent to such a feeling, the primary tendency of the government agency at the time of restructuring was to safeguard its empire and not to loosen its grip on what it already had.

2. Less Cooperative Civil Service

If the organizational restructuring exercise and the review of the departmental functions had gone hand in hand as anticipated, it would have been easier for the ARMC to identify functions that got to remain with the government and accordingly determine the positions required to perform such functions. The task of redefining the role of the government is not an easy job as compared to designing a new structure. Also the ARMC was under time constraint (as already indicated elsewhere) to complete the work within a period of nine months. So as time passed, the review of the departmental functions and the identification of the functions to be performed by the government got sidelined and the whole attention of the ARMC got focused on the restructuring work.

3. Lack of sound scientific basis for measuring jobs

The field visit and survey of the volume of work of the concerned agency on a sample or random basis would have improved the bargaining power of the ARMC with regard to the type of functions to be performed by the agency concerned and manpower required. It was anticipated that the new organizational structure and the manpower requirement was widely discussed within the agency before their presentation to the ARMC. With this in mind the new structures were discussed and they were recommended to the government for approval.
However, after the completion of the work, it was found that in some organizations more positions than required were recommended, while some agencies were granted less than its required positions.

4. Limited Technical Knowledge of the Teams

As the restructuring work was initiated by a government agency through the technical teams constituted mainly from the civil servants, the government agency would naturally feel reluctant and apprehensive of the technical capacity of such teams to determine its manpower requirement and organizational structure. Probably, such a feeling might have encouraged the government agency not to loosen its grip on the type of organizational structure and the number of positions it required. Hence, based on this experience, one would think of having independent task forces with professionals as its members and outside of the government agency for future restructuring exercise.

RIGHTSIZING EXERCISE VIS-À-VIS CREATION OF NEW POSITIONS

Prior to restructuring, it was not very easy to secure the approval of the government for a new position as the concerned agency had to receive the prior approval of the Ministry of Finance and Ministry of General Administration respectively. Because of the financial implication, it was but natural for these ministries not to be too liberal towards the creation of a new structure. In retrospect, it seems that the agencies were successful in capitalizing on the limited knowledge of technical teams and lack of pre-developed parameters for creation of positions. Consequently there was a general feeling that the bargaining strategy of the agency rather than the actual need became the deciding factor in determining the new size of the organization and the creation of corresponding required positions.

APPROPRIATE STRATEGIES FOR RIGHTSIZING EXERCISE

Definitely there was a directive for rightsizing the civil servants, (i.e. downsizing by 25 per cent) within a period of three years. And the process towards the achievement of this target was clearly indicated by the ARC. From the number of the positions affected, the exercise could be considered encouraging. But the downsizing exercise in the long run without proper home work and functions, process/procedures to be simplified etc. in a complementary manner backed up by the positive political support would not serve the purpose of rightsizing. Mere increase and decrease of positions in any agency would not serve the purpose. This was clearly observed during the restructuring exercise. Therefore the exercise undertaken could be better called the review of the manpower requirement of the government agencies rather than a real organizational restructuring exercise.

UNFORESEEN CONTINUATION OF REDUNDANT PERSONNEL

As already stated elsewhere, the restructuring work resulted in the redundancy of about 5,000 positions mainly at the lower level. In place of the completely abolished positions, new positions at the comparatively higher level, i.e. Non-gazetted Class II and I were
created. As such a problem as to what to do with these officials came up before the government. Had a redundancy package in the form of severance payment—payment other than the gratuity of pension, been developed and the redundant staff were laid off, the problem would have been solved. Instead, the redundants were allowed to continue till their positions were left vacant caused by retirement or promotion or relocation. Also, no recruitment freeze was made in the newly created positions. Naturally, the government was obliged to continue payment of salaries and allowances to the redundant staff. Development of a sense of apathy towards work among the redundant, who also suffered from an inferiority complex in relation to the other staff, was the other problem. Although, the ARMC wanted to address this issue by requesting the agencies not to hire for the newly created positions so long as the redundant were not yet relocated or continued to be in the service, it could not meet complete success. Ultimately the government had to decide to absorb all the redundant employees in the agencies where they were working.

STATUS OF THE ARMC

As a result of the ARC’s recommendation, ARMC was first created by the HMG/N in the office of the Prime Minister for a period of three years to assist the cabinet in the implementation and monitoring of the ARC’s recommendation. It had a full time Chairman and Member (both were retired senior civil servants) and the Chief Secretary. It had the mandate to hire professionals from within and outside the government. From its attachment to the office of the head of the government and the experience of its office holders, there is hardly a place to doubt the capacity of the ARMC in managing the reform measures. However, the experience has been different than what had been anticipated mainly due to the fact that despite being part of the office of the Prime Minister, the ARMC has not been able to assert itself as the integral part of said office. Furthermore, as per the Business Allocation Rules of the government, the responsibility to look after the administrative reform measures is with the Ministry of General Administration (MOGA). Therefore, despite the serious efforts made by the MOGA to work in close collaboration with the ARMC, it was found to be difficult for the government agencies to accept the ARMC as a part of the office of the Prime Minister and take this agency seriously for reform-related matters.

Conclusion and Recommendations

Conclusion

During the different periods of the modern Nepalese administration (i.e. since 1951) various efforts have been made in the field of organizational restructuring. From this perspective, the effort made by the ARMC can be considered to be the latest one, which has been undertaken in a concerned and comprehensive manner. But the experience has indicated that the efforts have not yielded the desirable results. However, as discussed above a number of lessons could be learned from the Nepalese experience. The organizational restructuring exercise needs to be considered not as a one-time effort, rather it has to be carried on at a regular interval.
However, the very purpose of the restructuring exercise should be the identification of the functions to be performed by the government in the light of the functions performed or can be performed by other agencies. The size of the civil service should be determined accordingly. Rightsizing rather than downsizing should be the main consideration for identifying the number of positions required to perform the identified functions.

With regard to rightsizing, the following section discusses specific recommendations based on the problems encountered during Nepal’s restructuring of its civil service early in this decade.

**Recommendations: What Should Have Been Done?**

Based upon the Nepalese experience, the following facts may be taken into consideration as a total package while undertaking the rightsizing exercise:

1. Identification of the functions to be performed by the government alone and determination of the actual number of positions required across the board in general and for the agency in particular;

2. Preparation of the performance indicators for the positions required to perform the identified functions by the government agencies;

3. Building up of a reliable data base with a clear picture of the different categories (i.e. permanent, temporary etc.) of civil servants including the number of positions at the specific agency in its central as well as field offices;

4. Preparation of a redundancy package for getting rid of the fat and to provide attraction to the civil servants to leave the service; and

5. Establishment of an agency that has the clout of the highest level political decision-maker and commands the respect of all public agencies in general and civil servants in particular in relation to administrative reform matters.