TOWARDS EFFECTIVE PUBLIC ADMINISTRATION

Methodology for Functional Analysis
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Author
Olga Lukashenko

Associate authors
Vladimir Vlajković
Jasna Stojanović

Design by
Nenad Bjegović

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TOWARDS EFFECTIVE PUBLIC ADMINISTRATION

Methodology for Functional Analysis
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I. Towards Effective Public Administration

Introduction

This publication presents the functional analysis methodology designed as a self-assessment tool for use by Serbian’s civil service and other practitioners within Serbian public organizations in Serbian.

During the past decade functional analysis has been widely utilized by public administrations. Functional analysis when adequately performed, has served as a tool enabling governments in various countries to develop public administration system which are both more efficient and more effective.

A number of different approaches have been adopted around the world for conducting functional analysis. The various approaches that have been taken can be categorized into two different types based on the potential reform objects: organizational review and policy review. The approach described in this publication is of the organizational review variety. It is based on functional analysis experiences observed in a number of transitional countries, as well as previous experience of Serbian public administration in undertaking functional analysis. The approach described in this publication was developed in connection with two pilot studies in the Serbian public administration bodies at central level.

The functional analysis is not an end in itself. It is a tool that can be used to achieve effective administration that governed by principles of good administration – lawfulness, equality, impartiality, participation, transparency, etc. Therefore, this publication also provides an overview of principles of good administration that have been adopted by the Council of Europe.

This publication also includes a short overview of the history of Serbian’s public administration and resents an attempt to conduct functional analysis in some of its parts.

Principles of Good Administration

Today government affects the lives of people in much wide manner than hundred years ago. Government moved from providing a classical public good such as law and order, basic infrastructure and tax collection to a mainly all aspects of people’s life. In return ordinary citizen is much more concern about decisions and effectiveness of government as a whole and individual administrative authority in the country. It is not different in Serbia.

To address citizen’s concern public administration in developed countries introduces a set of rules and values in their everyday practice to ensure lawfulness, impartiality, transparency and accountability of its work. In Europe these rules and values were summaries and agreed at inter-governmental level such as the Council of Europe and European Union. They were labeled ‘good administration’ and are considering an aspect of good governance.

The Code of Good Administration was adopted by the Committee of Ministers of the Council of Europe in 2007. This code lays down key principles and rules which should be applied by public authorities in their relations with public in order to achieve good administration. The nine principles stipulated in the document are:

- **Principle of lawfulness** where public authorities shall act in accordance with the law and shall not take arbitrary measures, even when exercising their discretion.
- **Principle of equality** where public authorities shall not discriminate between private persons and treat private persons
who are in the same situation in the same way.

- **Principle of impartiality** where public authorities shall act objectively, having regard to relevant matters only.

- **Principle of proportionality** where public authorities shall impose measures affecting the rights or interests of private persons only where necessary and to the extent required to achieve the aim pursued.

- **Principle of legal certainty** where public authorities shall not interfere with vested rights and final legal situations except where it is imperatively necessary in the public interest, shall not take any retroactive measures except in legally justified circumstances.

- **Principle of taking action within a reasonable time limit** where public authorities shall act and perform their duties within a reasonable time.

- **Principle of participation** where public authorities shall provide private persons with the opportunity through appropriate means to participate in the preparation and implementation of administrative decisions which affect their rights and interests.

- **Principle of respect to privacy** where public authorities shall take all necessary measures to respect and guarantee privacy when processing personal data.

- **Principle of transparency** where public authorities shall ensure that private persons are informed of their actions and decisions.

The Code stipulates eleven rules to govern administrative decisions of public authorities:

- Right of private person to be heard with regard to individual decisions;
- Right of private persons to be involved in certain non-regulatory decisions;
- Fair and reasonable costs, if payable by private persons to public administration in respect of administrative decisions;
- Formulating administrative decisions in a simple, clear and understandable manner;
- Publication of administrative decisions;
- Prohibition of administrative decision to take effect retroactively with regards to a date prior to their adoption or publication;
- Public authority shall allow private person a reasonable time to comply with the decisions of the public authorities;
- Enforced execution by public authority shall be expressly prescribed by law;
- Public authorities can amend or withdraw individual administrative decisions in the public interest, but in doing so they have to regard the rights and interests of private persons;
- Private persons shall be entitle to seek a judicial review of an administrative decision and shall not suffer any prejudice from public authorities for appealing against an administrative decision;
- Public authorities shall provide a remedy to private persons who suffer damages through unlawful administrative decisions or negligence.

Since the adoption of the Public Administration Reform Strategy of the Republic of Serbia in 2004, Serbian government is taking steps to institutionalize the principles of good administration in Serbian public administration.

**Benefits of Functional Analysis**

Initiating FA in Public Administration, and conducting it in an appropriate manner, will bring benefits for both, the single organization where the review takes place, and the entire Public Administration of the country. Experience shows that the important benefits are:
Creating preconditions for adopting a new philosophy in the organization which is communicated through methodology, workshops and the interview process. The process of conducting FA provides the possibility to present new managerial concepts and best practices for consideration by management of the public body/ministry.

Improve effectiveness in the organization’s performance through strengthening the focus of individual civil servants on the achievement of key government goals and objectives; and strengthening the responsibility and accountability framework in which civil servants operate.

Improving efficiency of organizational and governmental processes through reviewing existing procedures, introduction of more effective communication tools, as well as relevant best practices that exist in governance and management. It assists the organization to improve the provision of services without having to grow larger.

Reducing the size and scope of government through rationalizing ministerial structures, and through identifying functions and services which can be commercialized or decentralized to lower tiers of government, or simply eliminated, rather than though budget cutting procedures.

Freeing financial and human resources through elimination of redundant functions and duplications in Public Administration. Such functions often exist in the administrations that are emerging in transitional societies. In many cases these administrations have been developing for some time as an eclectic mix of institutions involving those inherited from past political regimes as well as new institutions set up during the independence period.

Bringing a structure into conformity with performed functions to ensure efficiency of the organization and to gain (where appropriate) benefits from the economy of scale in performing the functions of the organization.

Identification of new functions and competencies of civil servants necessary to achieve the new goals and objectives that have emerged more recently. There are always going to be changes of factors affecting the organization (individuals working for the organization, environment, clients) and, as a result, the goals and objectives can require change. This, in its turn, can require some degree of change in structure, functions, tasks and personnel.

Consultation within the organization to better understand the organization, to build a consensus on possible changes and to enable top management to develop a more appropriate approach for implementing changes within the organization.

Implementation of functional review is intended to lead to: increased focus on the achievement of government goals and objectives; while enabling the making of expenditure reductions in many areas (note, though that the outcome of such reviews in certain areas could be the identification of the need for expenditure increases); but without sacrificing efficiency and effectiveness in service delivery.

**Historical Legacy**

A 2002 study conducted by the Serbian Agency for Public Administration Development observed that the Serbian public administration has the following characteristics:

- a strong centralization of decision-making authority;
- a rule-oriented, risk-averse administrative culture;
- weak mechanisms for cross-ministerial coordination;
- lacks capacity for strategy and policy development;
- wide-spread problems of motivation;
- far-reaching politicization.

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1 The Serbian Central Government Administration: Organizational Challenges, Belgrade, 2002
Serbian scholars generally echo this description by indicating that Serbian public administration, which is quite dominated by officials with legal training (lawyers), is “a rule-based administration, with a strong legalistic approach to public management and a strong adherence to internal rules and procedures”\(^2\). However, it is also more recently claimed that real results are becoming more important that follow the formal rules in Serbian public administration. In 2004, the World Bank in a Policy Note on Serbia and Montenegro Public Administration Development, indicated that Serbian administration has traditions of “rule-based public administration with a strong sense of political impartiality”\(^3\).

Much of this may be explained by the fact that the post Second World War communist government retained many of the former royal civil servants in their public administration posts and the Serbian public administration retained a number of traditions from the past. From the one side, this helped ensure that, unlike some other post-communist countries, the Serbian civil service was based on professional values. From the other side, these civil servants brought with them a behavioural philosophy where the primary function of the public administration is “to implement laws”, e.g. to prepare the necessary decrees and sub laws, to make decisions in administrative cases, etc. Having been separated from other parts of Europe for a considerable period (under the communist regime), the Serbian civil service preserved its role and never moved to other roles, for example, policy development or coordination functions which, during those years became necessary for the public administration to work properly.

Undoubtedly, the values of leaders also shape the organizational culture and, consequently, affect the ordinary members of the organization through shared practices. Also, when an organization hires new people – other values enter the organization. In both cases, these values, to some extent, are determined by nationality, age, education, sex of the individual, but also reflect values of national culture\(^4\).

Institutional change theory identifies leadership and structure as two internal factors which can explain the success or failure of the reforms in an organization. Quality of leadership and top management commitment to change are important variables. For the purpose of institutional change theory, the concept 'structure' includes much more than an organigram and usually refers to people who work for the organization, plans, strategies and processes employed by the organization to carry on its business, and the partnership and resources available for the organization. These sub-factors are influenced by organizational culture or, in other words, by perceptions of daily practices shared by the personnel. It is also argued that there is consistency between one's abstract values and their operational application.

In the mid 1970’s, Geert Hofstede, the Dutch academic, defined organizational culture is a system of ideas that is largely shared between organizational members. Hofstede based his five-dimension model of culture on an extensive survey in which he investigated the influence of national culture on organizational structure and functioning. His methodology was both unique in size as well in structure.

### Hofstede 5D model: Serbia

1. **Large versus Small Power Distance (PDI) = 76**
   People in Large Power Distance societies accept a hierarchical order in which everybody has a place which needs no further justification. The fundamental issue addressed by this dimension is how a society handles inequalities among people when they occur. This has obvious consequences for the way people build their institutions and organizations.

2. **Individualism versus Collectivism (IDV) = 27**
   Collectivism-low IDV, stands for a preference for a tightly knit social framework in which individuals can expect their relatives, clan or other in-group to look after them in exchange for unquestioning loyalty (it will be clear that the word “collectivism” is not used here to describe any particular political system). The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among individuals. It relates to people's self-concept “I” or “we”.

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2 Rabrenovic A, Senior Officials in Serbia – Leaders or Followers?, 2007
3 One should notice, that it is not uncommon that bureaucracies tend to be more process oriented cultures concerning with means (rules and regulations) opposed to result oriented culture which concerns with goals. Handy in his book “Understanding Organisations” named it a ‘role culture’ and argued that work and interaction in such organisation are controlled by procedures and rules
3. Masculinity versus Femininity (MAS) = 21
People in masculine societies place more value on achievement and success. In feminine societies on the other hand, caring for other and the quality of life are considered to be more important. Sweden is the most feminine country in this research, implying that most Swedes prefer to look for consensus and work to live, rather than to live to work.

4. Strong versus Weak Uncertainty Avoidance (UAI) = 88
Strong Uncertainty Avoidance countries maintain rigid codes of belief and behavior and are intolerant toward deviant persons and ideas. The fundamental issue addressed by this dimension is how a society reacts on the fact that time only runs one way and that the future is unknown: whether it tries to control the future or to let it happen. Like Power Distance, Uncertainty Avoidance has consequences for the way people build their institutions and organizations.

5. Long term orientation versus Short term orientation (LTO) = 25
This dimension explains us the extent to which a society exhibits a pragmatic future oriented perspective rather than a conventional historic or short term point of view. Cultures scoring low on this dimension believe in absolute truth, are conventional and traditional, have a short term orientation and a concern for stability. Most Western countries score fairly low on this dimension.

Serbian culture, as it was assessed by Hofstede in 1980ss -1990ss, is a society where people accept a hierarchical order and do not require any further justification of such order. Such society may be labeled as having a large power distance. Individuals in such societies tend to follow formal codes of conduct and are reluctant to disagree with superiors. Serbia is a collectivist country where people tend to view themselves as members of an extended family or organization. They place group interests ahead of individual needs. Also, Serbian society is a society with a high level of uncertainty avoidance. In general, Serbian society feels a greater need for consensus and written rules, and is intolerant of deviations from the norm. The value placed on caring for others and quality of life are considered to be highly important. As a result, Serbian society, what is called, feminine.

A turbulent transition period of the last decade added a number of uncertainties in public administration. Today’s bureaucracy was also shaped under the external factors. The unstable “constitution” of the State during these transition years and the frequent changes of Government are among the factors that determined the external environment in which today’s bureaucracy is operating. The constantly changing political environment thwarted progress of what is called ‘enabling environment for changes’. As a result, it did not provide the necessary incentives for change in public administration. The fact that the Serbian general public has been more ‘pro-state’ oriented also resulted in a lack of high level of pressure for change inside the public administration.

Rebuilding Public Administration in Serbian

In 2004 with the adoption of the Public Administration Reform Strategy of the Republic of Serbia, the Government of Serbia set a goal to build a public administration which will facilitate the economic stability and the quality of life in the country.

An Action Plan for implementing the PAR Strategy was simultaneously developed in 2004. The Action Plan called for not only adopting relevant legislation, but also called for conducting a government-wide functional review and an evaluation of the existing capacity of the public administration bodies in Serbia. These measures are part of Institutional Restructuring and Development activities and aim to create conditions for proper implementation of the new legal framework developed as part of reform.

It was not a first attempt to introduce functional review as a tool for rebuilding public administration in Serbia. The first attempted was made in 2002 when, for the first time, it was conducted in the Ministry of Health, and by Civil Service Council and Capacity Building Fund of UNDP. The analysis was performed by small team composed of experts from the Civil Service Council, CBF/UNDP, Ministry itself and associates from other Serbian institutions, together with international experts. The methodology

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and questionnaires were developed by international experts. As a result of the analysis number of recommendations related to internal reorganization of the ministry, transfer of functions, decentralization and introducing new fine system of inspectorate bodies were produced. The findings and recommendations of this analysis have been published in the booklet called “Functional review of the Serbian Ministry of Health”.

This functional analysis, although the first one ever performed in Serbian PA, had strong support from the Minister and Ministerial Reform Team. As a result, the adoption of recommendations followed shortly after the analysis was performed, the adoption of its recommendations followed. The Ministry of Health implemented the recommendation for creating new Internal Audit Unit.

In 2003 a functional analysis was conducted in secretariats and cabinets of four ministries including: Ministry for Science, Technology and Development, Ministry for Mining and Energy, Ministry for Urban Planning and Construction, Ministry for Agriculture and Water Management. It was supported by the Government of the Kingdom of Netherlands under the umbrella of project “Strengthening central support functions in Serbian ministries”.

There were four different teams – one per each ministry. Each team involved independent advisors and civil servants from the relevant ministry. Recommendations were given for each ministry and were divided into five improvement areas for the ministries, such as: organizational management, ICT management, HR management, PR and regulatory recommendations. Also a set of General Recommendations, relating to the whole PA system in Serbia, was drawn up as a result of analysis performed. The results are presented in bilingual book called “Milestone to Europe”.

Unfortunately this initiative did not get clear support from the Government and, as a result, the outcome was mixed.

In 2005 the Ministry of Public Administration and Local Self-Government undertook the analysis of existing capacities in the ministry. The analysis was initiated under umbrella of the project funded by the Government of the Kingdom of Norway. The project did not get support adequate support from the used-to-be leadership of the ministry and therefore this Analysis was never finalized.

During the same year the Ministry of Justice with the financial assistance from the Swedish International Development Agency-SIDA undertook the functional analyses of the Ministry of Justice's Division for Judiciary and Magistrate's, and its relations with ten other Judiciary institutions in Serbia, such as Magistrate, District Courts, and Prosecutor’s Office. A massive report on statistical, comparative, comparative-legal analysis with recommendations (214 of them) was produced. Five people team developed methodology and undertook a nine month review. Unfortunately, as a result the Report covers an analysis of the whole justice sector and the judiciary, but did not include functional or procedural recommendations for organizations under analysis.

However, the real impact of these analyses is difficult to evaluate. Despite the fact that in most cases recommendations produces during the above described initiatives were not implemented immediately after, the process of functional analysis created a necessary precondition for change in many cases. Thus, some of the recommendations were implemented as a result of later changes ad at a later stage, and seemed not to be directly connected to functional analyses previously performed. Some recommendations are still waiting to be implemented or became out-of-date due to other factors.

Lessons Learned from Serbian Experience

Functional analyses conducted so far in Serbian public administration were all donor-driven one time initiatives. Since the FA was proven to be a good instrument for Public Administration reform in other transitional countries, donors, being aware of it, tried to introduce it in Serbia. However, majority of these analyses were conducted in isolation or were just one of many activities or under the umbrella of large projects. The initiative to perform the analyses was usually accepted in a package with all other donor actions, but without full understanding of the benefits of integrating FA into the System. The results and recommendations of these analyses were usually not taken as a help tool when dealing with actual reform issues.
Methodology for Functional Analysis

Being a one time activity, this instrument can not be used with its full potential. Integrating it into the PA system, and giving it political support, would ensure sustainability of this process.

The problem of the ownership over the process of FA is one of the main obstacles in conducting such reviews. Without clear ownership over the process of change, the change is not taking the right direction. The establishment of a government unit or a body strictly responsible for public administration reform or perhaps even strictly for the functional review process would easily solve this problem. This would ensure that the momentum of reform is maintained and may also serve as a dispute resolution mechanism throughout the process. The establishment of such a body allows for the possibility of a more flexible strategy that can be modified based on feedback and observed needs as they arise. The establishment of this body would easily solve the problem of incorporating this process into the budget programming and planning. Such independent body, or unit, would have to have a mechanism to initiate the process of adopting and implementing the recommendations of FA.

Another issue is that three out of four reviews were conducted prior to adoption of the PAR Strategy in Serbia. Government did not have consensus on directing changes of PA system as a whole. This indicates that political will to introduce the systematic and the efficient way of administration was quite weak. Experiences of other countries show that this is one of the key factors of successful integration of Functional Analysis into the system.

As it was mentioned previously, the Serbian PA system through all these transitional years remained highly politicized, which influences all the processes in the system and makes introduction of new processes extremely difficult. Introducing new processes using “bottom-up” approach in many PA systems is rarely giving positive outcomes, and in Serbia mainly because the decisions are made at “political” levels. Even though, some initiatives are “supported” by the Minister, when it comes to its formalization and institutionalization many of them remain beyond recall.

Finally, Communication of Goals was apparently lacking in the process of conducting FA in Serbia. Having in mind that the FA, as any other change, is perceived as a threat among civil servants, this process should be clearly communicated to them. Functional Analysis is a reform tool used to help the Government in improving the efficiency and effectiveness of Public Administration System. Clear and upright communication of goals to civil servants and to the broader public would not only promote the idea of FA itself, but also build the supportive environment for the process. The case of Slovakia (which will be mentioned later in this document) that indicates that one of three main factors for success of the FA was broad public media interest, judges in favour of communicating clear goals to both, Civil Servants and public.

Implementing Changes in Public Administration

The functional review process is usually occurs as part of a much wider reform agenda within public administration and sets a framework for organizational changes in public administration bodies. Thus the success of implementation of the results of functional analysis depends on a number of factors. Both external and internal organizational factors are important variables in the reform process. Commitments of leaders, structure, the involvement of all stakeholders; pre-implementation training; communication and financial support are among those influencing factors in the process of implementing new initiatives and reforms. There is no particular mixture of these factors which can be recommended. However, one could argue that neglecting one of those factors is likely to have a negative impact on the process.

It is important to remember that in any public administration reforms are mainly initiated by the political leadership, but are organized and implemented by professional civil servants. Serbian administration has certain legacies from the past, historical traditions and established patterns of behaviour that in many cases manifest themselves as a burden preventing the civil service from absorbing new ideas and initiatives. Therefore, when leadership is weak the process moves very slowly or may even be abolished with time.
Methodology for functional analysis proposed in this publication tries to address all these factors. Methodology recommends creating a working group for conducting functional analysis which will involve leadership of the organization, key civil servants as well as key stakeholders.

It is also describes not only process of preparation to analysis and conducting the analysis in organization, but steps to be taken by organization after recommendations are produces and report is finalized.
CONDUCTING FUNCTIONAL REVIEW IN SERBIAN PUBLIC ADMINISTRATION

METHODOLOGY
(Draft methodology for conducting FR in pilots)

Belgrade
June 2009
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Introduction

Functional Review (FR) is a change management tool that emerged as a result of structural reform of state administrations in Post-Communist states of Central and Eastern Europe. FR is inspired by modern public administration and utilizes elements of the concepts of Total Quality Management. It creates the means by which the organization itself is capable of carrying out the self-assessment of its performance.

In Public Administration terms, Functional Review, when adequately performed, serves as a tool for the Government in developing a more efficient and more effective public administration system in the country. Developing of such public administration system is the overall goal of Strategy of Public Administration Reform in the Republic of Serbia adopted in 2004. The Strategy is calling for “creation of a public administration directed towards the citizens, capable of offering high quality services to the citizens and private sector, against payment of reasonable costs”6.

The FR methodology proposed in this paper is based on the collective experience of some ten states in the region and previous FR experience of the Serbian public administration in 2002. It is also draws from FR pilot reviews conducted in 2009 in two central ministries of Serbia.

FR has three main purposes:

1. **To create preconditions for adopting a new philosophy in the organization.**
   This is communicated through methodology, workshops and interviews. These communication techniques provide the means to present new managerial concepts and best practices for consideration by management of the public organization.

2. **To facilitate the self-assessment of a public organization.**
   It is important in order to obtain a diagnosis and develop a “road” for improvement.

3. **To assist top management.**
   By participating in review top management also has a chance to better understand the environment in the organization, to learn more about other participants in the sector, to build a consensus on possible change(s) and to develop a more appropriate approach for implementing change(s) in the public organization.

The FR process provides an organization with a powerful tool to initiate a process of improvement. It provides:

- evidence that can be assessed against a set of criteria and/or good practices which have become widely accepted across the public sectors of many other countries;
- an opportunity to promote and share good practices within different areas of an organization;
- the means to integrate various initiatives into normal business operations of the organization.

This methodology provides description of key elements of FR including initiation of functional review in the organization, type of information that should be collected and analyzed during the FR and methods of collecting the required information. The methodology also suggests some analytical techniques which can be useful to team involved in FR during the stage of analysis.

This methodology has been designed for use in Serbian public organization(s) at the national level. It may be used under a wide variety of circumstances, for example, as part of policy reform. It could be customized for use at the regional or local level, but the key elements and concepts should be retained.

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6  Strategy of Public Administration Reform in the Republic of Serbia, p.24, Belgrade 2005
FR methodology utilizes a terminology that is generally difficult to access and adopt quickly, especially when FR is used for the first time. Naturally, a background in public management may assist to overcome and smooth the FR process; however, it is anticipated that some Serbian officials participating in FR may not have this background. The glossary introduced in the end of this brochure is provided to assist such participants.

It should be remembered that FR is by no means a science and there remains a clear role for judgments to be exercised throughout the entire process.

**Overview of Functional Review**

The key elements of FR are illustrated in Box1. Each element is described further in the text of the brochure.

*Box 1. The Key Elements of FR*
Initiation of Functional Review

In order to undertake FR, it is necessary for a small team (Team) to be formed within the public organization. The Team must be given the necessary status. Ideally, the request for the Team to be formed should issue from the Minister or head of public organization. The members of the Team must have good knowledge about the organization, sector and environment in which the organization is operating, vision of the future of the organization and power (formal and informal) in the organization.

After a careful review of FR methodology, the Team should facilitate discussion of FR within the public organization under Review so as to minimize internal opposition to the FR process and to ease and facilitate eventual implementation of the recommendations of the Review.

Essence of Functional Review

The ‘nuts and bolts’ of the FR process is the gathering and analyzing of information so as to make relevant and effective recommendations for organizational change. Gathering information and analyzing information in predetermined order creates the process of FR and establishes the general steps (key elements) of Review.

Two types of information are typically collected and analyzed during FR:

- preparatory information and
- basic data regarding individual functions.

This information is collected and used during different stages of the process. Thus, preparatory information is collected at the beginning of process and is used for: (1) laying down the foundation for the scope of the review and (2) contributing to the designing or redesigning goals and objectives of the organization.

Collecting basic data regarding individual functions helps to understand what functions actually are being performed and enables public officials to express freely opinion(s) about functions they perform. The collection of this second type of information usually starts only after goals and objectives of the organization have been determined.

Preparatory information

**Key steps:**

- Collect information
- Define scope of the Review
- Understand priorities of Government in the sector
- Identify benchmarks

Preparatory information is used as background for the Review and provides the basis for benchmarking and prioritization. Preparatory information includes information about the sector and/or ministry that is externally available from outside sources, other players and stakeholders, as well as information from those working in the sector on what they are doing and/or are required to do, etc. This type of information is used to define goals and objective of the organization, as well as during the stage of analysis of functions.
Preparatory information can be obtained for the following sources:

- Macro studies that have been undertaken about the sector for other purposes;
- Overview of the organizations of similar sectors in other countries;
- Reports on earlier attempts at organizational reforms and their results;
- Government policies and strategies that are relevant to the sector;
- Any legislation that defines the tasks of the organization, existing organizational chart, financial and human resource allocations;
- Annual performance reports of the organization;
- Budget of the organization.

Please remember that this is not a final list of sources and Team could use any other secondary sources which are appropriate or/and available.

This preparatory information will assist to:

1. Define the scope of the review by way of identifying the organizations and/or structural entities in the organization to be covered by FR;
2. Identify all key players (other than the actual organization under Review) and stakeholders outside the public administration who could provide some critical view(s) on performance of the organization;
3. Understand Government priorities and disaggregate these priorities at the level of the organization through goals and objectives;
4. Provide a basis for benchmarking by establishing some clear vision of how others have tackled the same sector. These benchmarks will be used for developing recommendations.

Once all preparatory information is collected and reviewed, the Team moves to the next stage — establishing the goals and objectives of the organization.

**Goals and Objectives**

**Key steps:**

- Discuss Government priorities and other collected information
- Identify goals and objectives of the organization and record them
- Receive approval from the head of organization to proceed

During the “goals and objectives” stage it is important to confirm that all parties understand governmental priorities as expressed in the Government’s programs and how these priorities are reflected in disaggregated form at the level of the public organization itself.

Defining the goals and objectives of the organization should be undertaken before detailed analysis of the functions performed by this organization as it will significantly assist the subsequent steps of the Review. Mixing these two elements together, or performing detailed analysis before goals and objectives have been identified, generally leads to a situation when perceptions of where the analysis of functions might lead will condition the definition of goals and objectives. In other words, it gets “the cart before the horse”.
For the FR process to work successfully, it is necessary to really challenge the status quo of the organization during this goals and objectives stage. It is here that the information gathered from secondary sources, as well as overview of similar sectors in other countries, will be helpful.

The definition of goals and objectives is a suitable topic for a workshop and brainstorming. The advantage of this technique is that it allows interaction between participants and establishes a widespread ‘buy-in’ to this definition (goals and objectives) which is important given the role that this definition will play in the balance of the FR process. It is recommended to invite a wide group of participants including different stakeholders. However, one should remember that to make this stage of the process productive, the group of people should be manageable.

When defining goals and objectives of the organization remember that:

- Goals are broad; objectives are narrow.
- Goals are general intentions; objectives are precise.
- Goals are intangible; objectives are tangible.
- Goals are abstract; objectives are concrete.
- Goals can't be validated as is; objectives can be validated

In other words, the goal is where we want to be, while the objectives are the steps needed to get there.

Taking this into account, “SMART”, widely utilized criteria, are suggested for use in testing the proposed definition of objectives to ensure the objectives selected are going to be useful (Box 2).

**Box 2. SMART: meanings of abbreviation**

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<td>Objectives must be clear and specific</td>
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<td>You should be able to measure whether you are meeting the objectives or not.</td>
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<td>Are the objectives you set, achievable and attainable</td>
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<td>Can you realistically achieve the objectives with the resources you have?</td>
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<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within what time frame(s) do you want to achieve the set objectives?</td>
</tr>
</tbody>
</table>

It is important to ensure balance between suggested objectives. The overall development of improved services for the public usually requires several aspects of performance to work together in a supportive way and each objective needs to reflect an appropriate balance with others. For example, there is often a tension between objectives that relate to the quality of a service and those that relate to efficiency of expenditure - the former often may pull in one way and the latter in another. This tension needs to be resolved.

When developing the goals and objectives it is important to remember that they will be used to justify functions performed by the staff, not to measure their performance. Therefore, for the needs of FR those objectives should be disaggregated to the level of targets.
Box 3. Example: Goals and Objectives

**Goal**
*To create modern, professional, depoliticize, efficient and rational PA in line with European standards.*

**Objectives**
- To implement PAR Strategy in line with action plan adopted by the Government.
- Establishing measures and mechanisms for efficient implementation of legal framework in PA.

When goals and objectives are put on paper, it is important to seek comments (feedback) from the head of the public organization and get his/her approval.

Once the goals and objectives of the organization have been recorded and agreed, the Team can move to the next stage — Basic Data Survey.

**Basic Data Survey**

**Key steps:**
- Determine the list of structural entities participating in the survey
- Identify the list of functions performed by the organization
- Collect basic data on each function by means of questionnaires and interviews
- Understand internal perceptions about functions performed by staff

FR does not go to a detailed analysis of every staff member’s involvement in the organizational performance. Thus, the Team should identify people or structural entities of the organization(s) whose participation in the survey is required.

While when reviewing preparatory information Team will have some ideas as to the participants, understanding the requirements for information which should be collected during the Basic Data Survey will help to sharpen their decision.

In Serbia, as in many other transitional countries, functions of the public organization are defined in legislation. Thus, it seems logical to turn to the statutory list of functions. However, such definition is not enough for purpose of the FR.

In reality there is a difference between:
1. functions which are necessary for the organization to achieve its objectives;
2. functions which are determined by legislation;
3. functions which are performed by the staff on a daily basis.

It is also common that the list of functions described in legislation is, in practice, a mix of genuine functions and minor tasks.

In many cases the first reaction when trying to determine the functions performed by the organization is to define functions at such a global level that it is not possible to see what is really being undertaken. In practice, the high level definition may be masking what is really a number of related functions being undertaken by an organization. At the same time, it is important to avoid getting down to a level of detail at which individual activities only contribute to an output of function. In this case, the detail may only confuse the analysis.
Therefore, before conducting Basic Data Survey, the Team should understand the definition of ‘function’ as it used for the purpose of this analysis. For the purpose of the FR the following definition is used:

*Function is an activity (or activities) where the output is clearly determined and linked to the objectives of the organization.*

Activity or process which does not lead to any output related to the tasks of the organization is not a function (for the purpose of the FR).

Basic Data on individual functions performed by the organization encompasses data about both the inputs into a function and the outputs achieved. Experience suggests that this data is rarely available in a convenient, reliable and consistent form from centrally held sources. It is, therefore, necessary to collect it from source and from those who perform the functions.

Basic Data Survey is carried out by issuing a questionnaire to appropriate staff or conducting structural interview(s). The Team should define an appropriate approach, but ensuring that all types of basic data is collected for further analysis.

Basic Data which is necessary to collect during the survey includes:

- Record of function
- Legislative, legal or regulatory framework which require the performance of function
- Description of output achieved through performing function
- How many people perform function
- Budget necessary to perform function
- Who are the customers and what are their needs
- List of other PA bodies involved in performing this function (if any) and their role

It is also important to understand what managers and staff working in public organization are thinking about functions they perform. Here questions could vary depending on purpose of the analysis. For example, the Team could include the following questions:

- How critical is the function to the achievement of the overall objectives of the public organization or sector?
- What would happen if the function was simply not done at all or done to a reduced level of activity?
- Could function be transferred to other public organization to improve quality?

At this stage, because it reflects the view of staff themselves, the quality and consistency of the information supplied will vary, but will nevertheless be valuable for further analysis. Seeking the opinion of those who perform function is also valuable to create enthusiasm among staff by involving them in the process.

In practice a combination of different approaches to Basic Data Survey is likely to be used. The exact combination will be a trade off between the time and resources required to undertake the review.

Any of the approaches will require Form “General Description of the Structural Unit” and Questionnaire “Function - quantitative and qualitative characteristics” to be used by the Team and/or distributed in the public organization to be filled in.

Once the Team has gathered information on functions and entities of organization and recorded this information in a tabular format it is ready for analysis. The number of Questionnaires available for analysis should correspond to the number of functions determined by each entity participating in the Survey and indicated in Form.
FORM 1: General Description of the Structural Unit

Ministry:

Structural Unit:

Number of people as stated in Systematization Act

Number of people currently employed

Brief evaluation of the working conditions in the unit (available equipment, quality of work premises, etc.)

<table>
<thead>
<tr>
<th>List of functions performed by the unit (function definition)</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
</tr>
<tr>
<td>etc...</td>
<td></td>
</tr>
</tbody>
</table>
### QUESTIONNAIRE: Function - quantitative and qualitative characteristics

**Record the Function**

- **Function Output/Result (services or goods)**
- **Staff** (please, indicate number of people involved in performing of function)
- **Customers and their needs**
  - Are there other PA bodies involved in performing this function?
  - If “Yes”, please list them and briefly describe their role

**Performance of this function is required:**
- by current legislation (Please name the act)
- by EU Integration process (National Integration Program)
- by other document

**Name the objective of the Ministry which this function is contributing to**

**Can the performance of the function be reduced in terms of quality or volume with acceptable risk?**

**Can the function be hand over to another PA body/unit in your ministry?**

**Does public pay for this ‘out of pocket’?**

**Can payment be introduced? In part or full?**
Undertaking Analysis

Preparatory Information and Basic Data on Functions create a framework for the analysis to be undertaken by the Team. Undertaking the analysis involves a number of techniques and could take some considerable time.

When Basic Data Survey is conducted by means of issuing Questionnaires to structural entities of the organization, it is important to examine record of function as it was suggested by the entity and provided in Form “General Description of the Structural Unit”. For this purpose, a record is tested as follows:

- Main outputs from the activity are described in Questionnaire.
- Each output is then set against a number of categories to see into which category it falls. Five categories commonly used for this purpose are set out in Box 4.
- If the function produces outputs which fall into more than one category the function is split into a corresponding number of separate functions.
- If the function, as it was defined by the structural entity of the organization, does not produce any real output, it should be reconsidered. Experience suggests that there is a natural tendency for minor tasks to appear as a function.

Box 4. Categories of Functions

- **Policy functions**: strategic planning, legal drafting, development of performance contracts, minimum standards, norms, policy analysis and evaluation, forecasting.
- **Service delivery functions**: the provision of products or services to internal (other public authorities) or external (people, civil society organization, children) customers.
- **Regulatory functions**: licensing, certification, permissions, accreditation, inspection, compliance, and financial audit.
- **Co-ordination, supervision and performance monitoring functions**: coordinating relationships between different bodies, monitoring the performance of subsidiary bodies, facilitating and enabling subsidiary bodies to reach their performance targets;
- **Support functions**: financial management, human resources management, information systems, infrastructure, staff training, efficiency review and management audit, secretarial services;

*Source: UNDP (2001)*

This step is not necessary if the Basic Data Survey was conducted through personal interviews, because such examination usually occurs during the interview process.

After records of functions are examined, Team should make its own judgment on the future of the function using the information provided in Questionnaire, benchmarks (if any) set up during the collection of Preparatory Information, other evidences available to the Team at this point. The following actions towards each function should be considered:

- **Keep** the function without change;
- **Abolish** the function;
- **Transfer** the function to another central public organization, or to agency, or to private enterprise, or to non-government organization;
- **Rationalize** the function;
- **Reduce** certain aspects of the function performance;
- **Decentralize** the function.
To arrive to the conclusion Team should run each function through the check-list using the following framework:

| 1. Which functions should still be provided? | • Those required for protecting public safety;  
• Where there is a strong demand for the function continues;  
• Where the function supports governmental priorities;  
• Where national or international law or the constitution require the function |
|---------------------------------------------|----------------------------------------------------------------------------------|
| What type of organization can provide the remaining functions in a best manner? | The need is to determine the operating environment that is most appropriate for the necessary functions  
• By central public administration  
• Decentralized  
• De-concentrated  
• Contracted to the private or non-for profit sectors  
• By private of non-for profit sectors |
| How can the remaining governmental functions most appropriately be allocated to different types of public administration bodies? | The need is to structure governmental operational environment in details by recommending that function is allocated to:  
• Ministry  
• Integrated authority within ministry  
• Agency  
• Special organization/service of Government  
• Territorial units of public administration (if any) |
| How can the remaining governmental functions by provided in a most efficient manner? | The need is to determine the scope of function:  
• Reduced without the risk  
• Reduced with acceptable risk  
• Merged with other function  
• Introduce cost-recovery payment (If YES: function is transferred to agency) |

Team could add any other question they find necessary for the purpose of analysis and which could help them to make well-judged decision.
Team recommendations should be consolidated in one document for further use and presentation to leadership of the public authority. The suggested technique for this purpose is to create the following table:

**Table: Reorganization Recommendations**

<table>
<thead>
<tr>
<th>No</th>
<th>Function</th>
<th>Decision</th>
<th>Type of institution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Keep unchanged</td>
<td>Abolish</td>
<td>Transfer</td>
</tr>
</tbody>
</table>

It is also important to focus on missing functions, not only on current functions and activities. In a rapidly developing organization, there is likely to be a number of functions that are not currently being undertaken at all which really are essential to achieving the objectives of the sector to the full extent that is required. The essential question is whether, if the organization successfully carries out all the functions identified, the desired objective will result. In case the answer is “no” - there is a missing function or the achievement is still dependant on somebody else fulfilling some other function. Whatever the answer, it will point to the way forward.

At this stage it is also useful to perform comprehensive analysis of the organization using the Quality Management tools. The Team can make its own choice and utilize any of the known tools (SWOT, CAF, EFQM, ISO 9000, etc). However, the preference should be give to the tool which takes into consideration European practices and principle of good administrations. One of such tools is Common Assessment Framework (CAF) which is recommended and supported by European Institute of Public Administration. The CAF provides a self-assessment framework that is conceptually similar to the major Quality Management models, but is specially conceived for the public sector organizations, taking into account their differences.

The structure of CAF is illustrated on Picture 1. The structure identifies the 9 main aspects/criteria requiring consideration in any organizational analysis. Criteria 1-5 (leadership, people, strategy & planning, partnership & resources, processes) deal with the “enabler” features of an organization. These determine what the organization does and how it approaches its tasks to achieve the desired results. In the criteria 6-9, results achieved in the fields of citizens/customers, people, society and key performance are measured by perception measurements and internal indicators are evaluated. It is suggested to break down each criterion further down into a list of sub criteria.
Before employing CAF team should get acquainted with publications related to CAF which are widely through European Institute of Public Administration and are available on Internet.

### Producing Recommendations and Report Writing

Once the analysis of functions is finished and Team has a clear picture of all functions which organization should perform to achieve its goals, the next stage is to group the functions together in organizational blocks to design the future internal structure of public organization. At this point it is important that such grouping is undertaken without being allied to the existing organizational structure. While pragmatic referral to existing structure is not ruled out, that should be on a later stage.

There are several criteria which are necessary to take into account when designing a new organizational structure:

- **Reflecting goals**: To the extend it is possible the upper part of the organizational structure (organizational blocks) should reflect the structure of agreed goals of this organization.
- **Collective efforts**: Functions which are grouped together to be performed by one organizational block should supplement each other.
- **Defining customer**: There should have a clear customer of the functions which are performed by organizational block. This customer can be internal (for example, civil servant from another ministry or department of the same public organization) or external (for example, citizen or society).
- **Reducing the necessity of multiple transactions**: Whenever possible functions should be grouped in a manner which does not require worker to seek information or assistance from other organizational block or staff member too many times. However, the duplication of the functions should be avoided.
- **Elimination of conflict of interest**: To avoid potential conflicts of interest functions should be separated. For example, it is worth-while to separate service delivery functions from those of regulatory nature in two independent blocks or even different organizations.
Taking into account the complexity of the reform process, in addition to the future structure of the organization Team might suggest the transitional structure as an intermediate stage between the present and the future structure of the public organization.

Recommendation on future of the functions performed by organization, main finding of FR, future organizational structure and, if suggested, transitional structure, should be discussed with the leadership of the public organization. Such discussion might take place during the personal meeting with the leader of organization or through receiving his/her comments of a draft report prepared by Team.

Once the feedback from leadership of organization is received Team should prepare final report with identification of priorities for implementation.

**After Report is Finalized**

Functional review is no more than a tool that helps to determine ways for improvement. Finalizing the recommendations and writing the report is the starting point for reorganization and change management. Report writing does not lead to change. It is necessary to develop and implement follow up action plan. Steps which are necessary to undertake after FR is finalizes are shown on the picture below (Picture 2) and include improvement and/or development of new internal procedures, implementing new organizational structure, creating drafts of laws, regulations and relevant instruction. To achieve this, it is important to create a plan of actions and to manage changes inside the organization on a daily base.
Methodology for Functional Analysis

Picture 2. Steps following FR

FUNCTIONAL REVIEW

Revision of organizational structure

Revision of legislation and regulation

Analysis

Revision of resources used

Proposals for:
- Restructuring
- Efficiency
- Process improvement

Updated regulation

Improvement of internal procedure

New organizational structure

Drafts of laws, regulations, instructions

Plan of Actions

Manages changes
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UNDP Serbia

P. O. Box no. 3
Internacionalnih brigada 69
11000 Belgrade
Serbia
Phone: +381 11 20 40 400
Fax: +381 11 344 4300
www.undp.org.rs

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