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## A Tale of Two Government Reforms in Korea

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# **A Tale of Two Government Reforms in Korea<sup>1</sup>**

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## **Abstract**

This paper evaluates and compares the government reforms of current Roh government and the previous administration based on 7 success factors of a government reform. The Roh administration is doing a better job than the Kim administration in such areas as preparation for a reform, periodical examinations and evaluation, and change management. However, the Roh administration shows relative weaknesses in creating an effective reform-leading organization, providing a balanced reform direction, and in overcoming resistance. This paper also suggests five important features of a successful reform-leading organization: full-time and permanent organization, organization directly under the President, focus on reform, flexibility in organizational management, and a combination of career civil servants and specialists from the non-government sector.

**Key words: government reform, comparison**

**JEL Code: H70, N40**

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<sup>1</sup> This paper is based on the idea presented in *Self-Criticism on Government Reform (2006)*, co-authored in Korean with Kim Hyunsok and Park Ge-Sung.

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Every administration desires to reform its inherited government. However, it is not easy to accomplish this goal. President Kim Dae-Jung was the first President in Korea that included government reform in his official agenda, linking it with reforms in the corporate sector, financial sector, and labor sector. His successor, President Roh, has also emphasized the importance of the government reform since his inauguration in 2003.

For a reform to be successful, there are some preconditions that should be met. Did President Kim's and Roh's government reform satisfy those conditions? The paper adopts seven criteria in evaluating and comparing the strategies and conditions for government reforms under President Kim and Roh. The criteria are revised version of 8 steps of transformation presented by Kotter (1996).<sup>2</sup>

The major problem of President Roh's government reform suggested in this paper is a lack of competent and motivated organization that leads the reform. The paper concludes by suggesting features that a reform-leading organization should have in the next administration.

## **1. Evaluation and Comparison of Two Government Reforms**

### **1) Presidential Leadership for the Reform**

Outcomes of reform heavily depend on the leadership. No matter how much effort civil servants invest, reform will not be successful without a political leader to support it. Unless the President shows keen interest in a reform agenda and thoroughly monitors the process, government reform will never be successful. Accordingly, the leadership of the President can be evaluated by the following three criteria.

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<sup>2</sup> 1. Establishing a sense of urgency, 2. Creating the guiding coalition, 3. Developing a vision and strategy, 4. Communicating the change vision, 5. Empowering broad-based action, 6. Generating short-term wins, 7. Consolidating gains and producing more change, 8. Anchoring new approaches in the culture.

First, the President should stress the importance of reform and deal with the resistance and problems that occur in the course of reform with a firm and consistent attitude. Usually, important stakeholders such as line ministries and labor unions try to measure the President's determination for reform and control their degree of resistance accordingly. For instance, ministries did not show much resistance against government in 1998 when former President Kim Dae-Jung stated that, "Rough-and-ready reform is acceptable, as long as it is innovative and necessary." However, in early 1999 when President Kim said with a clearly different tone that "Make the process of reform prudent", ministries suddenly raised their voice and strongly opposed government restructuring.

On the other hand, e-government projects that initiated in 2001, two years before the end of President Kim's term, have accomplished significant achievements due to his strong support for the projects. The President Kim had the e-government process reported bi-weekly so that the project could be well regulated and set for success.

President Roh Moo-Hyun has also shown a strong devotion in government reform. He has hosted a series of workshops with all cabinet members to disseminate his agenda. He also unsparingly established new institutions such as the Senior Advisor for the President for Government Innovation, the Presidential Committee on Government Innovation and Decentralization (PCGID), and the Headquarters for Government Reform in the Ministry of Government Administration and Home Affairs (MOGAHA). In this regard, President Roh has done what he could do to support the government reform.

The President should also appoint innovative and well-balanced reform figures as heads of public organizations. The heads of reform-leading organization such as the MOGAHA, the Ministry of Planning and Budget (MPB), and PCGID are especially important as they are the leaders who actually drive the reform process. Heads of line ministries and state-owned enterprises are implementers of reform. Their innovative attitude is crucial in changing their organizations. However, under the Kim administration, there were many cases in which

reform-minded heads had to step down, and those who were considered to be less innovative were promoted as ministers or vice-ministers. For instance, at the end of 1998, the Planning and Budget Commission evaluated the reform-mindedness of the CEOs of state-owned enterprises in order to report the result to the President. The three names at the bottom of the rankings were all considered to be the least cooperative with the reform drive by the government. However, the result was not utilized by the President Kim and was, in actuality, used in a very opposite way. Several months after the evaluation, the least reformative three were promoted to positions as a Minister, Vice-Minister, and congressman. In this respect, President Kim did not take candidates' reform-mindedness into account when he selected his political appointees.

However, to a significant extent, President Roh in his choice of political appointees has reflected the reform accomplishments his candidates previously made. Former Minister Oh Young-Gyo is a typical example. As the CEO of Korea Trade Investment Promotion Agency, he reinvented his agency to set role model of a balanced scorecard system and also of public sector reform. He later became the special advisor to the President on Government Innovation was appointed to be the Minister of MOGAHA.

The President also needs to shape favorable political conditions to promote government reform. A key precondition is public support to fight against resistance from stakeholders. Japan's Prime Minister Koizumi showed his leadership in this way when privatizing the postal service. The Kim administration started to lose public support on government reform after series of corruptive cases by his staffs and families. Another important political condition is a sense of crisis. The Kim administration in 1999 hastily announced a complete recovery from the economic crisis with the early redemption of the IMF bail-out loan. While this announcement heightened the national pride of Korean people, public support for reform decreased significantly afterwards.

The Roh administration has not been successful either in forming favorable conditions for

reform. President Roh has failed to gain support from citizens, opposition parties, the press, and public servants. Though he is not solely accountable for his very low approval rating, he fails to form favorable conditions for reform as a leader of a country.

President Roh is most vexed by the lukewarm support from Korea's civil servants though he took measures to boost the morale of the public sector. The current observation indicates that the civil servants are not very happy. The civil servants appeared to have been burnt out by the reform drive of Roh government. Many of them complained about voluminous amounts of paperwork and an excess of meetings provoked by the reform drive. Additionally, the civil servants feel that President Roh does not trust them. President Roh was somewhat inconsistent in his attitude towards civil servants, sometimes mixing messages of distrust interspersed with assurance of his trust.

Another reason behind the unhappiness of civil servants was the government's incapability of solving public conflicts. Though the participation of stakeholders in policy formulation was very much emphasized by the Participatory Government, a nickname for the Roh government, the public sector was not prepared to handle the flow of resistance. This gap made it very difficult for government officials to formulate and implement their policies.

**<Table 1: Major Public conflicts during 2003>**

Period	Status	Conflict area	Background of conflict
April, 2003	Settled	NEIS(National Education Information System)	Conflict between privacy protection and efficiency of systemic integration under the vision of e-government
May, August, 2003	Settled	Cargo workers' strike	Cargo workers strike against low wage and structural exploitation
July,2003~ February,2004	Settled	Nuclear waste dump	Buan nuclear waste dump
June,2003,	Settled with potential conflict	Railway union on strike	Conflict due to the failure of negotiation on work environment improvement between labor union and government.



## 2) The Ability of Reform Leading Organizations

President needs an agent organization that carries out his reform agenda. The MPB under the Kim administration had a Government Reform Office, which played a pivotal role in driving reform. It was the first permanent organization in Korea that specialized in government reform. The Government Reform Office had a very broadly-defined responsibility.

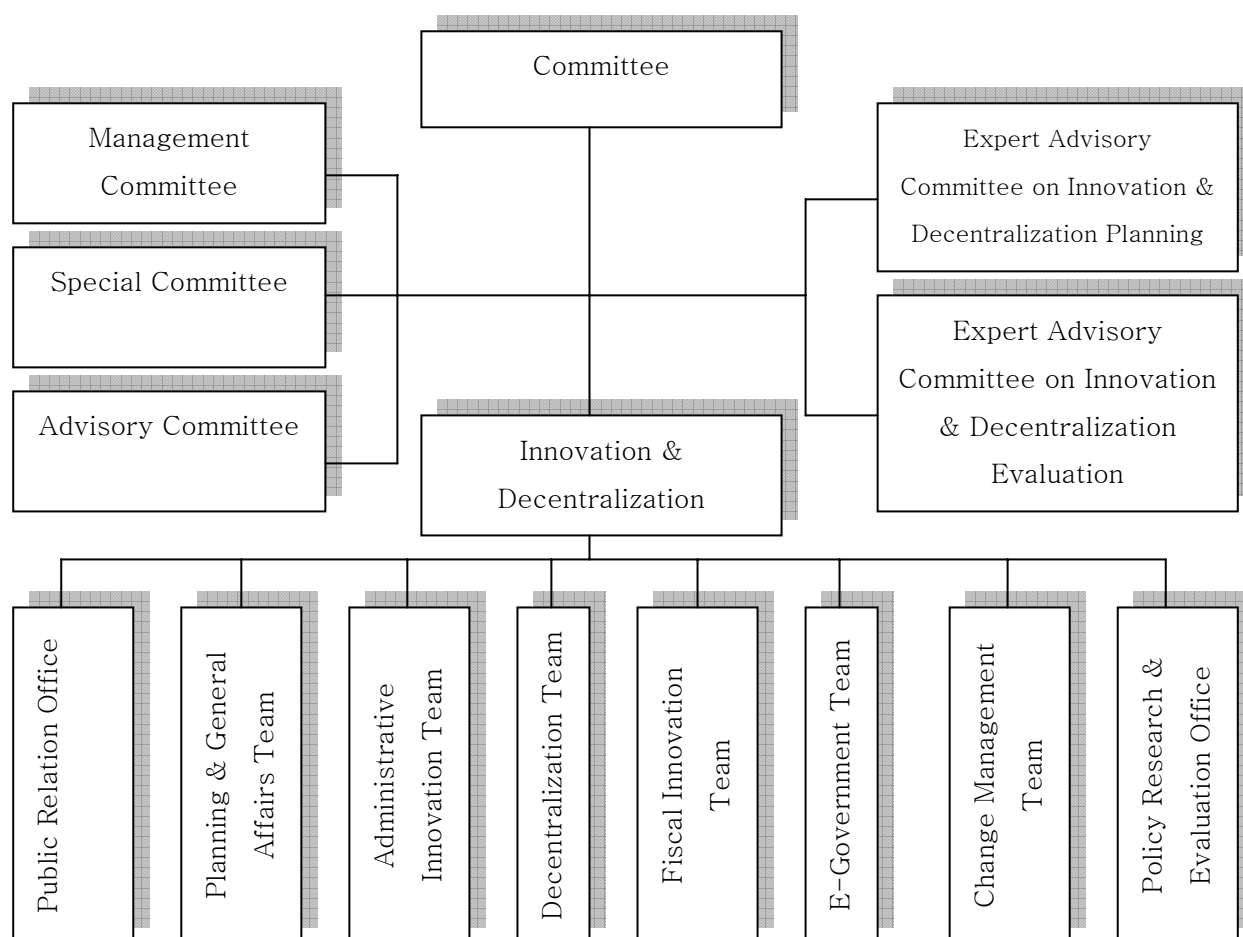
President Roh created an unprecedented Secretary of Innovation at the Presidential Office. To disseminate his reform agenda, and to lay the groundwork for spontaneous reform, he had each ministry appoint officers in charge of the reform of its own ministry. Ministry of Government Administration and Home Affairs (MOGAHA) has been designated as a main driving force for government reform. Additionally, the Presidential Committee on Government Innovation and Decentralization (PCGID) was also established to strengthen reform coordination among the Ministries.

There are five conditions for a successful reform leading organization needs to meet: full-time and permanent organization, direct empowerment by the President, clear focus on reform, flexibility in organizational management, and a mix of career civil servants and specialists from the private sector. This will be explained in detail in final chapter.

In this respect, the PCGID has had many problems. The Committee will be most likely to be dismissed with the completion of the Roh term. Furthermore, the chairpersonship is not a permanent position. Since most of the staff in the Committee are temporarily dispatched from line ministries, they tend to be inactive or even obstructive in reform agendas that might infringe on their home ministries' interests. Due to shortage of staffs, many important reform projects are reviewed by taskforces that are composed of professors and researchers working part-time. As such, strong ties and devotion are not as apparent within the PCGID, though loyalty is essential element for fighting resistance. Furthermore, the vague

division of jurisdiction between the Committee and MOGAHA is also a problem. Those two organizations have often been more competitive than cooperative, slowing down the pace of reform.

<Figure 1: PCGID Organization chart>



### 3) Appropriate Direction Setting of the Reform

Three points must be remembered when setting the basic direction for reform. First, the orientation of the reform must be aligned within national priorities. The Kim administration's basic reform direction was to streamline the roles of the government. Matters such as privatization, regulation reform, and the reduction of government staff and budget were main agendas.

**< Table 2: Manpower Reduction in the Public Sector during Kim Administration >**

(unit: thousand persons)

<b>Classification</b>	<b>Workforce as of end-1997 (A)</b>	<b>Actual Reduction for 1998-2001 (B)</b>	<b>Rate of Reduction (% , B/A)</b>
Total	700.0	141.3	20.2
Central Government	161.8	22.4	13.8
Local Governments	290.9	56.6	19.5
SOEs	166.4	41.7	25.1
Gov't-affiliated Org.	80.9	20.6	25.5

a) Excludes non-administrative personnel such as teachers, policemen, and security staff.

b) Excludes non-administrative personnel such as teachers.

Source: Ministry of Planning and Budget, How Korea Reformed the Public Sector, 2002.

**< Table 3: Trend in Number of Civil Servants >**

(unit: thousand persons)

<b>Category/year</b>	<b>1982</b>	<b>1987</b>	<b>1992</b>	<b>1997</b>	<b>2002</b>	<b>Increase (2002/1997)</b>
No. of Civil Servants	648	705	886	936	888	-4.8
Rate of increase (%)		8.8	25.7	5.6	-5.1	

a) Includes teachers, police, and security workers.

b) Gross reduction (-48 thousand) is less than “total net reduction” (total -79 thousand: -22.4 thousand from the central government and -56.6 thousand from local governments) due to increases in number to meet greater demands in administrative needs for teachers, security employees, firefighters, and welfare workers.

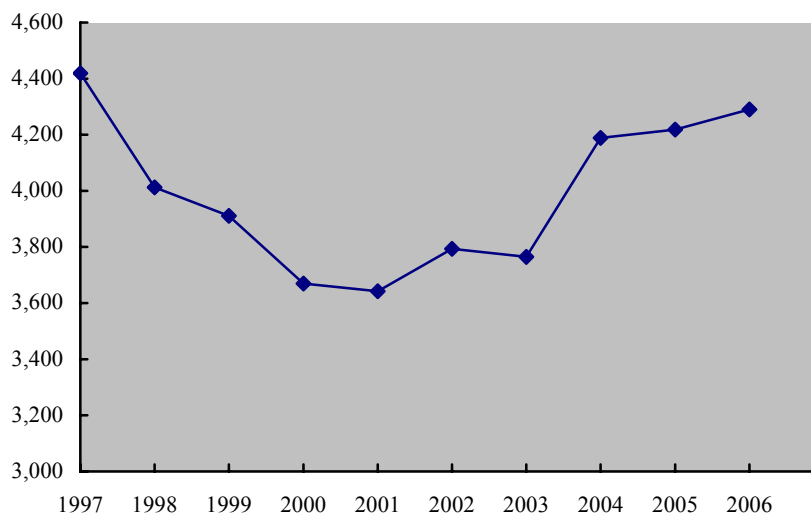
Source: Ministry of Planning and Budget, How Korea Reformed the Public Sector, 2002.

The Roh government has put more emphasis on better performance of the public sector than on small government. Reform goals such as privatization, employment reduction, and budget cuts are no longer pursued. As a result, the size of the public sector grew rapidly during Roh administration. In principle, a better performance is more important than a higher efficiency, since the former is output whereas the latter is input measure. However, when the expansion of the public sector fails to produce correspondingly better results, we lose both cost minimization and output maximization. The goal of small government should not be abandoned because a bigger government cannot guarantee better performance

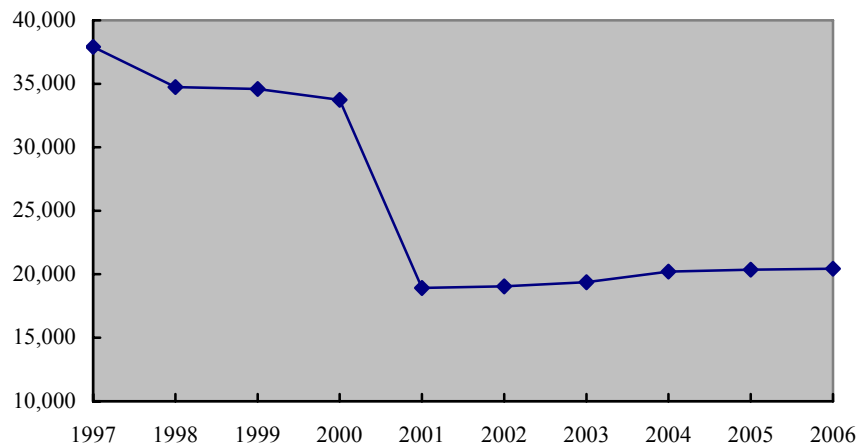
Second, the direction of reform should be consistent. Up till 2002, the Kim administration

annually checked the reduction progress of the workforce in the public sector. However, since 2003 the Roh government has encouraged the public sector to recruit more staff to ease unemployment pressure as the following figures show. The current government nullified many reform plans that had been made in the previous administration, including the privatization of Korea Electricity Power Company and the railway system. Though a new government can and should review the old reform plans when there are changes in the policy environment, a change of plans should be made with the utmost caution. If plans repeatedly change with a start of a new government, the public sector may find it advantageous to put off the implementation of reforms. Additionally, reform will be even more difficult if shifting policy directions have a political motivation to gain a support from the labor union.

**<Figure 2: Employment of Korea Highway Corporation during 1997-2006>**



<Figure 3: Employment of KEPCO>



One of the main reform directions of the Roh government has been decentralization. This is a reform that can be a foundation for further innovation. Decentralization does not only mean local devolution, but also the handover of budget allocation and personnel management functions concentrated in central agencies such as the MPB and MOGAHA to line ministries. The decentralization is a very appropriate reform direction that should be much pursued before his term ends.

#### 4) Preparation for Reforms Made In Advance

Before the inauguration, the administration must have a certain blueprint of the reform in mind. A new government usually has strong support from the public making it a suitable time to pursue important and difficult reform agendas. A new government should not waste this golden period for reform.

The blueprints must contain specific strategies and priorities, and not just a list of things to do. The Kim administration's first plan of government reform was the "Top 100 National Agendas" written in 1998 by the Transition Committee for the Presidency. The Committee, full of enthusiasm at the time, listed numerous things to do and envisioned that all that was

left was to simply put the ideas into practice. However, there were neither strategies nor priorities in the list.

**<Table 4: Government Reform Agenda among Top 100 National Agenda>**

85	Security enhancement by shifting responsibilities to of local government
88	Empowerment of local government and direct participation of citizen
89	Simplifying the layers of Local governments
90	Enhancement in regional conflict resolution capacity
91	Change of local tax system to expand local financial capacity
94	Systemic activation of citizen movement
95	Abolishment of inefficient bureaucratic red-tape
96	Introduction of enterprise management to government
97	Decentralization and privatization of government function and restructuring front-line organizations
98	Application of incentive system to increase productivity of public sector
99	Real-name policy making and opening up administrative information
100	Direct audit function toward prevention and active policy making

Source: Report of the Presidential Transition Committee for Kim Dae-Jung Administration

A notable mistake that came from the lack of the plan was the reform of the governance system of government-funded research institutes, the first big government reform project of the Kim administration. However, reforming government-funded research institutes was neither important nor imminent. This wrong choice of reform agenda comes from the lack of the reform plan.

The reform plan must also be shared and used within the government. In April of 1998, the government announced its master plan for government reform. However, it was merely an event prepared for a press conference, as it has never been used as a reference ever since it was announced.

Since reform must be continued by the next administration, the reform plan should answer questions like: What will happen to the reform projects underway under the next President, what should be done by the next government, and what should be prepared for the next

government. Particularly, tasks such as e-government that take longer and require continuity should be planned with a longer horizon.

The Roh government established a vision and strategy called “Roadmaps” that earned initial agreement among PCGID and line ministries. In this respect, the Roh government shows clear improvement. Shortly after entering office, the PCGID drew the roadmaps for five sections – administrative reform, fiscal reform, personnel reform, decentralization reform, and e-government. The committee tried to share the roadmaps through research seminars and its internet homepage.

One flaw of Roh’s roadmaps is that it took over six months to draft them, missing the best period to put them into practice. The government claimed that it would prepare the roadmap and attempt to implement the plans throughout the 5 year term. However, this initial delay in government reform eventually led to a decline in citizens’ trust for the government. Innovation must show early success, nourishing energy for further reform. The skeleton of the roadmaps should have been prepared before coming into office, and the finalization of the roadmaps and implementation of them should have proceeded together. Timing is very important issue for the success of the reform.

## 5) The Capability to Overcome Resistance

Since government reform will entail resistance, the way the government overcomes it becomes a major factor in determining its success. The government needs to understand the interests of stakeholders and try to reflect them through negotiation. The government must improve its conflict management capacity. The government also needs to be flexible since it is easy to become disoriented and blinded by immediate achievements rather than the ultimate goal of the reform.

Giving credit to an organization suffering harsh restructuring is one way of managing

resistance. The Ministry of Planning and Budget (MPB) under President Kim sometimes failed to attribute its accomplishments to line ministries. For instance, if the Korea National Housing Corporation and Korea Land Corporation were to be merged, the Ministry of Construction & Transportation (MOCT) would lose one of its affiliates. If the merger was agreed upon, it must have been recognized as an achievement of the MOCT not that of MPB. As such, it intensified the resistance from the MOCT. Even if the task was actually driven by the MPB, the credit for the innovation should have been directed towards line ministries.

The Roh government emphasized spontaneous reform and tried to avoid reform agenda that generate strong resistance. However, not all reforms can be accomplished by voluntary participation of stakeholders. Reforms such as privatization, downsizing and integration should be driven non-voluntarily. Though these two methods of reforms should be pursued in a balanced way, the Roh administration skewed too much to the spontaneous reform.

#### 6) Periodical Examinations and Evaluation

To maximize its effect, reform should be examined and evaluated regularly. However, all reform projects initiated under President Kim had neither a specific performance goal nor a target. For example, when reforming government-funded research institutes, we should have included goals and objectives with a specific target. The background of the reform was that the research outcomes were not independent from the umbrella ministries and that they were not fully utilized. However, the means in judging how much independence the institutes gained and to what degree research output was utilized under the new system were not verified.

Secondly, interim evaluations must be made periodically to see whether or not the task is on the right track. In the course of implementation, there can be many unintended effects, and a reformer needs to hand those troubles. Even after a project is finished, the evaluation on the



process and outcome of the reform must be made so that mistakes should not be repeated in the future. Self-evaluating reports and requests for external examination after the reform must be secured as a necessary part of the reform procedure.

In comparison to the Kim administration, the Roh government did a better job in periodic examinations and evaluations. The current government tries to build a system of performance management. Performance evaluation systems in Korea are carried out by the Office for Government Policy Coordination, MOGAHA, MPB, Board of Audit and Inspection, PCGID, Civil Service Commission. Although their emphasis is slightly different one another, overlapping and confusion is inevitable. Though the Office for Government Policy Coordination is trying to tackle this issue, the result of their efforts has yet to be realized. Each line ministry needs to spend more time developing a viable performance index.

## 7) Change Management

There are three ways for effective change management: legislation of reform, modifying compensation systems, and education and training. Legislation of reform is effective in systemizing innovation. For instance, under President Kim, government-affiliated organizations were intensively restructured during 1998~2000. However, the reform drive was dramatically weakened after 2001 when a lame-duck period of President Kim began to set in. If the MPB had prepared legislation to reinvent the government-affiliated organizations, there likely would have been no vacuum of reform drives after 2001. The MPB tried to make a relevant law after 2001, but was hindered by weak political leadership. Digitalization and computerization are also meaningful in systemizing reform. The behavior of civil servants must undergo some changes in order to adapt themselves to the computerized systems.

An incentive system can also motivate voluntary changes in each ministry. This also requires improvements in the personnel and compensation scheme for government officials.

However, the methods of compensation are still very limited for lower ranking officials. Currently, the payment system of the government is mostly based on ranking rather than on performance. More fundamental and systematic changes in the payment matrix should be considered.

Finally, education and training is another important means to stabilize the effects of reform. Meaningful education opportunities for division-directors or above are very much limited. In any organization, resistance against a change generally comes from the middle management level such as division-directors or director-generals. Therefore, education and training for those positions are very important in the reform drive. Recognizing this, the Roh administration has emphasized the importance of training, and has expanded resources significantly compared to those of the Kim government.

#### 8) Overall comparison

This section compares the seven success factors in government reform between the current and previous presidency. The Roh administration is doing a better job than the Kim administration in the areas of preparation for reforms, periodic examinations and evaluation, and change management. However, President Roh shows relative weakness in the areas of the ability of reform-leading organizations, reform direction and overcoming resistance. In terms of Presidential leadership, the two governments are on the par with each other.

For Presidential leadership, though President Roh shows a great deal of interest in government reform, he fails to form favorable political support for reform from major players such as citizens, news media, and Congress.

For reform leading organization, the Planning and Budget Commission of the Kim administration had all five conditions of a good reform-leading organization, thus looks like the best form of government reform body.

As for reform direction, the Kim administration emphasized a small government, an appropriate choice during the post-economic crisis era. The small government was a widely shared as a reform direction among the public. The Roh administration, however, rightly emphasized the performance of the public sector and decentralization, but neglected the value of small government.

As for preparation for reform, President Roh's Roadmaps made during the first 6 months of the administration made the orientation of his government reform clearer. The Kim administration, however, was not prepared and did not even realize that such roadmaps were necessary.

As for overcoming resistance, President Roh opened the door for conflicts by facilitating the participation of stakeholders without a capacity to manage it properly. For President Kim, the economic crisis created a very good environment in tackling resistance. In a way, it may not be fair to compare the two governments one-to-one since their situations differ. However, it should be noted that President Roh intentionally tried to avoid reforms that could create strong resistance.

Evaluation is another strong point of the Roh government. The Kim administration, on the other hand, did not value the importance of reform evaluation.

Finally, change management includes three aspects: legislation, incentive schemes, and training. The Roh government knew the importance of change management and tried to strengthen the incentive scheme and training system. During President Kim, however, the change management was almost neglected.

**< Table 5: Comparison of Two Government Reforms >**

	Unsatisfactory	Fair	Satisfactory
1. Presidential Leadership		●○	
2. Reform Leading Organization	●	○	
3. Reform Direction		●	○
4. Preparation for Reform	○	●	
5. Overcome Resistance	●	○	
6. Examination and Evaluation	○		●
7. Change Management	○	●	

● Roh Moo-Hyun Government / ○ Kim Dae-Jung Government

Source: Park Jin, Kim Hyun-suk, Park Kesung, Self-Criticism on Government Reform, 2006. (modified)

## **2. Suggestions for a Reform Leading Organization**

As discussed, the Roh government shows the worst marks on reform-leading organization. This chapter suggests ideal forms of a reform-leading organization.

### **1) The Hierarchical Status**

The organization must be placed directly under the President since government reform cannot succeed without the attention and support of the President. Reform drives by a leading organization always entail conflicts with line ministries. Therefore, such organizations must symbolically be above other line Ministries. President Kim changed the Planning and Budget Commission (PBC) under President into the Ministry of Planning and Budget (MPB) under the Prime Minister's Office in May of 1999. After this change, the reform drive was greatly weakened.

Another reason why the reform leader should be placed directly under the President is to broaden the coverage of the reform. When the MPB or MOGAHA leads a reform, they may be reluctant to a reform that is against their own interest. It was not a coincidence that a fiscal reform was relatively slow during the Kim administration when the MPB, a budget ministry was leading the government reform.

Second, the organization must be permanent. Every government has had a different reform-leading organization. Under the Kim Young-Sam government, it was the Administration Innovation Committee, the MPB under President Kim Dae-Jung, and it is currently MOGAHA and PCGID. Among these, only the MPB and MOGAHA are permanent organizations. Unless the reform leader is a permanent organization, line ministries think that the reform drive will end with the President's term. Just like the Ministry of Foreign Affairs and the Ministry of Justice, a government reform should be an on-going business, and the reform-leading organization must exist continually so that a more coherent reform is made possible across administrations.

Third, the reform-leading organization must specialize in reform. Some people believe that a reformer organization should hold powerful leverages like budget-drafting or personnel management to cope with potential resistance from line ministries. In fact, the MPB has budget formulation authority, and the MOGAHA holds the power to approve organizational change in line ministries. The problem is that those "powerful" leverage functions entail significant amounts of day-to-day business. When those roles coexist with government reform, the head of an organization tends to focus less on the reform agenda because it is generally less imminent.

The Planning and Budget Commission (PBC) and MPB are the typical examples. The PBC formerly had two missions: budget planning, not budget formulation, and government reform. However, in 1999, the Budget Office merged with the PBC to make the MPB. After that, almost all staff members wanted to work in the Budget Office rather than the

Government Reform Office as budgeting creates less resistance and thus is easier. The minister of MPB became busy in taking care of day-to-day budget issues.

In this respect, the ideal organization for government reform was one like the PBC, a Presidential Commission with government reform as its major mission. Since it had a budget planning function, it exceeded any organization in Korean history in its power in driving reform. However, duties such as budget drafting and personnel management should be decentralized to line ministries. For a leverage of reform, evaluation functions on each ministry's reform progress are the best possible options in the future administration. The Office of Management and Budget in the U.S. is the country's leading organization in government reform. The Office of Management and Budget submits evaluation reports on the performance of twenty-six federal government organizations on the big five reform agendas to the President.

#### **President Bush's Top Five Missions for Government Reform**

- (1) Strategic management of human resources: Reduce the class of government officials and increase contact with citizens
- (2) Utilization of competitive resources: Maximize private sector utilization rather than use of government officials
- (3) Improvement in financial affairs: Raise timeliness and reliability in reports and usefulness in financial result indexes
- (4) Expansion of e-government: Connect systems of human resources and supply, raise convenience for citizens
- (5) Connection between budget and outcome: Reflect outcomes when drafting budget

One suggested name for the reform-leading organization in the next administration is the Presidential Commission for Government Innovation. It is directly under the President and consists of ministers related to reform and specialists in the non-government sector. The

commission can have sub-committees that cover various reform areas such as administrative and personnel affairs, public finance, e-government, local empowerment, reform evaluation, etc, so that each agenda can be thoroughly examined before being brought up to the Commission. In this respect, it is similar to the current PCGID, but different in many other respects as follows.

First, the Chairperson of the committee should be a permanent and full-time position, not like the one in PCGID. Second, the Secretariat needs to have its own staff, not like that of the PCGID where most staff members are dispatched from line ministries. Third, its inner organizational chart should be different from the current PCGID as following arguments suggests.

## 2) Internal Organization

A reform-leading organization must have a flexible organizational structure. Since minor projects cannot create a significant impact, it is better to tackle a huge task to draw the concern of the public and the President. In order to tackle such a huge project, several teams need to work together, and in this respect, teams should not have pre-determined specific responsibilities. In a way, the reform-leading body must not be a settled farmer that performs its pre-set tasks each season, but a flexible hunter organization that goes searching for tasks.

To assist the duties of the Commission, a Secretariat will need approximately six teams with each group covering a set of line ministries. The following is one example of the division of labor. Each team shall be responsible for the reform of the ministries they are to cover.

- Team 1: Ministry of Foreign Affairs, Ministry of National Defense, Ministry of Unification, Ministry of Patriots and Veterans Affairs, Government Information Agency, National Intelligence Service
- Team 2: Ministry of Justice, Ministry of Government Administration and Home

Affairs, Civil Service Commission, Board of Audit and Inspection, Prime Minister's Office, Office for Policy Coordination, Office of the President

- Team 3: Ministry of Finance and Economy, Fair Trade Commission, Financial Supervisory Commission, Ministry of Planning and Budget
- Team 4: Ministry of Commerce, Industry and Energy, Ministry of Science and Technology, Ministry of Information and Communication, Ministry of Education and Human Resources Development
- Team 5: Ministry of Health and Welfare, Ministry of Labor, Ministry of Gender Equality and Family, Ministry of Culture and Tourism
- Team 6: Ministry of Agriculture and Forestry, Ministry of Environment, Ministry of Construction & Transportation, Ministry of Maritime Affairs and Fisheries

To support the head of the Secretariat, three officials should be appointed at director-general levels, with each covering administration and personnel reform, fiscal reform and local empowerment, e-government and reform evaluation. These officials should function as staff assisting the head of the Secretariat for government reform depending on their specialty. Each official should not have teams under its direct supervision, but should be able to utilize all six teams.

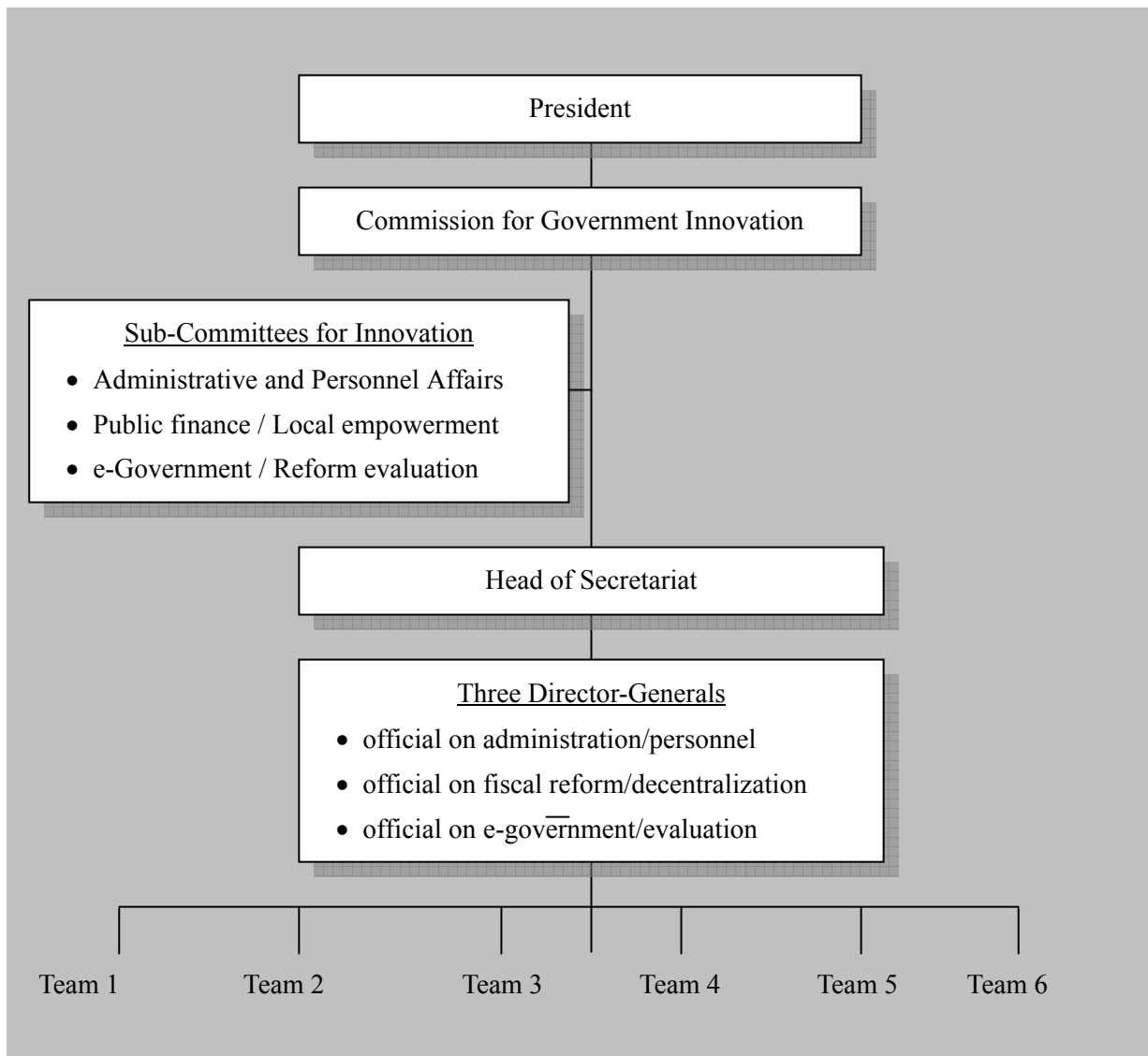
This is a matrix structure with a division of labor both by function and by object. It has several merits. First, large-scale projects that cannot be handled by one team can be easily managed since each team has no functional barrier. Second, since each team will search for reform tasks in the ministries in which they are in charge of, all line ministries can have a sense of constructive oversight at all times.

Certain shortcomings do exist in this matrix structure, but most can be overcome. First, the three officials will have to compete with one another to secure the time inputs of the six teams. Coordination is therefore a job of the head of the Secretariat. Secondly, since the six teams



must be responsible for all reform agendas of the Ministries, each team will have a better understanding on each Ministry. However, a functional specialty for instance on personnel matters or e-government could be weak. This issue boils down to a matter of choice between functional specialty and object or ministry specialty. Comprehension on each ministry is harder to come by as it evolves from internal information and experience. In my view, this kind of institutional knowledge is more important in formulating a reform strategy appropriate for each ministry. Also the three director-generals can supplement the lack of field specialty.

**<Figure 4: Organizational Chart of the reform-leading organization>**



### 3) Personnel Management

There used to fourteen experts from non-government sector in Planning and Budget Commission as of 1998, but most of them left the MPB, leaving only five in year 2002. This is one background to a decline and stagnation in the reform process. Contract-based officials from non-government sector tend to be more accomplishment-oriented. However, they lack in institutional knowledge on the government. Hybridization of the organization is a very powerful way to maintain its reform capacity.

What would be the optimal composition of human resources in the Commission? The Chairperson of the Commission must be someone the President deeply trusts. Being a position that can easily generate enemies and criticism, a lack of trust from the President is likely to weaken the reform drive. The head of the Secretariat can be either a career civil servant or a political appointee. In the case of the PCGID, the head of the Secretariat also serves as an advisor to the President. But when the Commission becomes a permanent entity, this would not be necessary. The three director-generals should be experts from the non-government sector. The success of the matrix structure depends on the outgoing search of those officials for tasks to be done. As for the head of each team, a fifty-fifty mix of experts from the non-government sector and career civil servants would be ideal. However the team members could be chosen mostly from career civil servants. A right driving force is the key to success in government reform. It is my hope that the next government can start with this key.

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