

**Primer:**

## **O9 STRUCTURAL REFORMS**

Optional Reform under JNNURM



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## **The Reform: Structural Reform**

### **Context**

Reforms in the structures of urban governance are critical for achieving better urban governance. Decentralisation and devolution are key attributes of structural changes. Devolution of funds, functions and functionaries are three key elements in decentralisation within governance structures. Significant structural reforms are addressed in two mandatory reforms under JNNURM, viz.

- Implementation of 74th Constitutional Amendment Act
- Adoption of the Community Participation Law, requiring constitution of Area Sabhas as the third tier of urban governance within a city.

Beyond these two areas, JNNURM envisages certain structural reforms that aim at making the institutions of urban management at both the State and City levels more effective. These reforms will be effective not merely by notification of changes in rules and Government Orders, but by actually carrying out these change in institutional structures on the ground. These reforms are significant as they bring long-term and sustainable change, even though their impact may not be immediately visible.

Efficiency and effectiveness of institutions to its external stakeholders (front-end) is critically dependant on the internal capacities of the institution at its back-end. In the context of ULBs, internal capacities would be defined by – Structures; People; Systems and Processes. While reforms in people management, systems and processes are addressed under Administrative Reforms, reforms in inter and intra-organisational issues are addressed under Structural Reforms.

Administrative reforms and Structural reforms must go hand-in-hand. Changes in systems and processes must be commensurately followed-up by changes in structures aligned to the processes, and visa-versa.

## **Structural reforms under JNNURM**

Similar to Administrative reforms, reforms in structural issues concerning ULBs and other urban management institutions cuts across their various activities and mandates.

Structural reforms should not be seen as stand-alone reforms, under which a few initiatives are undertaken to satisfy the conditionalities of JNNURM; but be seen as an enabler for the ULB and concerned state government to achieve its other reform commitments in true letter and spirit.

Reforms such as accounting reforms and e-governance cannot be achieved without the ULB inducting personnel with the correct set of contemporary skills. Creation of cadres of municipal staff with relevant finance / accounting or IT skills is therefore essential to achieve and sustain accounting and e-governance reforms.

Implementation of the 74th CAA cannot be achieved in true letter and spirit, unless the mandates of State level institutions in urban sector are redefined, clearly delineating – administrative, regulatory and supporting roles; and consistent with the sets of functions devolved to the ULBs.

Implementing the community participation law, achieving targeted service levels, disclosure of service levels across wards in a city, monitoring cost recovery of municipal services, etc. cannot be achieved in the real sense, till the administrative, revenue and electoral jurisdictions are aligned to one another.

All the above examples have been stated to highlight that Structural Reforms are integral to the overall reform process at both State and City levels, and therefore should not be seen as a residuary non-priority area of reform.

Structural reforms under JNNURM are therefore envisaged to provide an enabling and supporting institutional context for governance improvements to strike roots and sustain them.

They include:

- Reforms in the institutional structures of urban management at the State level
- Creation of cadre of municipal staff for different disciplines
- Decentralisation of municipal administration, and synchronisation of internal jurisdictions
- Organisation structure review and optimisation of staffing patterns

Implementation of these reforms requires concurrent actions by both the State level and ULB level. The Department for Urban Development / Municipal Administration (or its equivalent) in every state should take the lead in enabling implementation of the above mentioned structural reforms.

## **Rationale, Impact and Benefits of Structural Reforms**

### **Rationale for the reform**

Strength of an institution lies in its ability to respond to changes in the external environment. The vast and diverse sets of changes that have taken place in the urban context, requires Urban Local Bodies, other civic institutions and State Governments to respond through making long-lasting structural changes.

The key rationale for prioritising and undertaking Structural Reforms has been discussed earlier, viz. to enable the accomplishment and sustenance of other reforms under JNNURM in its true letter and spirit.

Structural reforms are more difficult to implement, as it creates significant changes in status-quo – changes hierarchy and reporting relationships, requires realignment of many systems and processes, redefines responsibility, jurisdictions and mandates, and brings in new people into the structure that should be accommodated.

Structural reforms cannot be easily undone or reversed. Therefore, the benefits of such reforms will surely endure beyond the tenure of elected councils, or tenure of elected or administrative leaders who would anchor such changes.

One of the key challenges in implementing structural reforms is in managing internal communication, so that all internal stakeholders accept and adapt to the changes.

### Impact and benefits

Reforms in Institutional structures of urban management at the State level should lead to	Reforms in Creation of cadre of municipal staff for different disciplines should lead to	Reforms in Decentralisation of municipal administration, and synchronisation of internal jurisdictions should lead to	Reforms in Organisation structure review and optimisation of staffing patterns should lead to
<ul style="list-style-type: none"> <li>- Clear delineation of regulatory, administrative and capacity development support functions rendered by State level agencies. Gaps, duplication and overlaps in mandates of state agencies resolved.</li> <li>- ULBs having issue-specific clear lines of reporting hierarchy to the State Govt. agencies</li> </ul>	<ul style="list-style-type: none"> <li>- ULBs have full time staff with specialised skills, within the hierarchy of the municipal setup</li> <li>- Clear career growth path is available to staff</li> <li>- Experiences are shared across cities through movement of personnel</li> </ul>	<ul style="list-style-type: none"> <li>- Alignment of political, administrative (managerial) and operational accountability</li> <li>- Costs, revenues and service delivery standards can be matched for each ward</li> <li>- Better resource allocation decisions - for both capital expenditure and operational improvements</li> </ul>	<ul style="list-style-type: none"> <li>- Improved alignment of organisation structure to the demands of municipal mandate</li> <li>- Pockets of staff deficiency and staff redundancy resolved through redeployment and training</li> <li>- Service delivery through optimal mix of in-house staff, contractual deployment (outsourcing) and PPP</li> </ul>

### Goals, Objectives and Components of Structural Reforms

## Areas of Administrative Reform and their objectives

For each of the four areas of Structural Reforms mentioned above, major areas within them are identified and the objective for reforms in that area mentioned below.

Ref. no.	Area of reform	Goals / objectives of the reform
<b>Institutional structures of urban management at the State level</b>		
<b>A1</b>	<p>Redefining institutional mandates – realigning the functions of multiple institutions that exist at State level</p> <p>Many states have multiple institutions – Directorate of Municipal Administration, SUDA, Directorate of Town Planning, Urban Infrastructure Finance Corporation, State level Missions / Program specific SPVs, etc. In many a cases, State agencies have become more of approving authorities rather than being accountable for the support role they need to provide.</p>	<ul style="list-style-type: none"> <li>- Delineation of functions resolves gaps and redundancies in mandates and competencies</li> <li>- ULBs are accountable to State agencies for regulatory functions (exercise of regulatory powers defined under respective municipal laws), which should be exercised effectively.</li> <li>- Different set of state agencies are accountable to ULBs, for                             <ul style="list-style-type: none"> <li>o Providing administrative support functions of ULBs (for e.g. transfers, promotions, etc.)</li> <li>o Support / capacity building roles that include - Financial support; Engineering / technical support; Managerial support</li> </ul> </li> <li>- If same agency is accountable to ULBs for a support function; and ULBs are accountable to that agency with respect to regulatory role or a program, this creates a clear conflict of interest, providing room for misuse of regulatory or program management authority. Such conflicts of interest should be eliminated.</li> <li>- Transition from existing structure to eventual structure is time bound and smooth, as per plan prepared, communicated and accepted by all institutions involved</li> <li>- All committant changes in rules, office orders, systems and processes are brought about without obfuscating (compromising) on the objectives of the structural transition</li> </ul>
<b>Creation of cadre of municipal staff for different disciplines</b>		
<b>B1</b>	<p>Creation of Cadre of municipal staff for both Administrative and Technical Functions.</p> <p>In large stages, this State level cadre will be deployed across ULBs and urban sector departments. In smaller states, this cadre may be integrated with public works, irrigation and other infrastructure sector related cadre.</p>	<ul style="list-style-type: none"> <li>- Cadre creation will enable ULBs be staffed with professionals with competencies acutely absent in current structures, such as – Public Health Management, Environment Management, Financial Management, Accounting in computerised systems; Information Technology and Systems Administration; Spatial data / GIS; etc.</li> <li>- Creation of new cadre will attract young professionals, and therefore fresh energy and thinking</li> <li>- Centralised and unified selection processes for hiring staff for the cadre will ensure basic minium qualification, quality of personnel and eliminate basis in hiring.</li> <li>- Experiences and competencies will be leveraged across cities through lateral movement</li> </ul>
<b>B2</b>	<p>Cadre management systems</p> <p>Specific disciplines (IT, accounting, etc.) within the cadre, rules and procedures for recruitment, training, promotion, transfers, performance assessment, mentoring, etc. should be defined.</p>	<ul style="list-style-type: none"> <li>- Through a role in cadre management, creation of cadres should not result in interference of State Govts. in management of ULBs through back-door</li> <li>- Cadre management rules and procedures should be clear and transparent</li> <li>- Cadre should offer clear career path, offering both learning and professional growth</li> <li>- Appropriate balance of powers and authority in cadre management should exist between State Govt level administrative authorities (DLB) and local leadership (Mayor / Standing Committee, Council, Administrative head). Professional accountability should be to ULB, and not State Govt.</li> </ul>
<b>Decentralisation of municipal administration, and synchronisation of internal jurisdictions</b>		
<b>C1</b>	Synchronising jurisdiction	- In large ULBs, routine service delivery functions should be

Ref. no.	Area of reform	Goals / objectives of the reform
	boundaries  Sub-ULB level boundaries have been drawn up as per requirements of each function, often not matching with electoral wards. This incongruence should be eliminated.	decentralised to zones / boroughs (or equivalent). Transfer of staff, and administrative authority should be commensurate to decentralisation of functions. The Head Office should focus on policy issues, resource allocations, capital expenditure, planning, implementing reforms, etc. - Sub-ULB level jurisdictions of revenue and administrative departments should be aligned to the electoral wards. I.e. zones for property tax, revenue zones for water supply, or sanitary wards for SWM, etc. should be aligned to electoral wards. This will enable examining – revenue performance, service delivery performance, wards committee / councilor expectations, etc. as they are all spatially synchronised. - Delimitation provides an excellent opportunity to synchronise, as electoral ward boundaries can too be redrawn at this stage.
<b>C2</b>	Realigning internal organisation structures and processes	- Internal departmental structures, roles and jurisdictions of staff at different levels, hierarchy and reporting relationships, etc., all should be redrawn and aligned. - Information reporting, accounting codes for booking revenue / expenditure, formats and some processes will need to be realigned as per revised internal structures
<b>Organisation structure review and optimisation of staffing patterns</b>		
<b>D1</b>	Staffing review  Widening municipal boundaries, intensity of service provision, and increasing urban population demand more civic staff in service delivery / citizen facing services. Usage of computers, outsourcing options, mechanisation, etc. are all creating surplus staff in some areas.	- The objective of the review is to eliminate redundancies, bridge staffing needs and enable redeployment through training / re-skilling. - Enhance productivity, motivate workforce as they become more relevant to the organisation and its mandate. - Manage costs, and operate within hiring freeze constraints - Transition from existing staffing pattern to revised pattern after redeployment should be time bound and smooth, as per plan prepared, communicated and accepted by all stakeholders involved.

### Generic set of reform initiatives for each reform area

To achieve the goals and objectives mentioned above in each area of structural reform, multiple initiatives will need to be undertaken. Each city and state government will need to contextualise and refine the reform initiative as relevant to its' context. The priorities too may differ across different cities. However, it should be ensured that such adoption and prioritisation does not compromise on the goals and objectives of the reform.

A generic set of reform initiatives in each area is listed in the table below. [Please note that this set is only illustrative and not exhaustive.

Ref. No.	Reform Area	Generic set of steps / initiatives
<b>Institutional structures of urban management at the State level</b>		
<b>A1</b>	Redefining	A1.1 Mapping functional mandates of all institutions at State level, both as defined in

Ref. No.	Reform Area	Generic set of steps / initiatives
	institutional mandates – realigning the functions of multiple institutions that exist at State level	<p>respective acts / articles of association of those organisations, etc. and as practiced in recent past. Identify overlaps and gaps. Classify regulatory, administrative, program management and technical support functions.</p> <p>A1.2 Evolve revised institutional structure, clearly segregating the above 4 types of functions and eliminating any conflict of interest. Merge entities where appropriate. Reduce administrative redundancies. In large states, decentralise administrative functions (such as that of DLB) to regional offices.</p> <p>A1.3 Revise the powers, official hierarchy and seniority of heads of the organisations, as per revised institutional structure.</p> <p>A1.4 Institutionalise reforms being managed by Program Agencies/ SPVs, through mainstream agencies (such as DLB).</p> <p>A1.5 Draft charters of mutual accountability, defining their roles, inter-linkages and performance accountability to one another. Bring ULB leadership in the governance structures of Program Agencies / SPVs involved in program management and technical support.</p> <p>A1.6 Prepare a time-bound transition plan from current structure to the revised one. Communicate plan to all stakeholder agencies and obtain their buy-in.</p> <p>A1.7 Effect changes in staffing structures and patterns aligned to the revised institutional arrangements. Transition plan can be gradual where some functions, staff, commensurate databases and processes are transferred.</p> <p>A1.8 The time bound transition should be periodically monitored, by senior level (Secretary – UD of State Govt.), and emerging issues addressed immediately.</p>
<b>Creation of cadre of municipal staff for different disciplines</b>		
<b>B1</b>	Creation of Cadre of municipal staff for both Administrative and Technical Functions.	<p>B1.1 Identify skill gaps – skill areas and number of professionals required.</p> <p>B1.2 Notify the position vacancies, grade and scale for that position (linked to ULB size, role, etc.)</p> <p>B1.3 Define qualifications, experience and competencies required. Finalise pay scale, grade (equivalence) with existing cadres, etc.</p> <p>B1.4 Institute a standardised selection process, operated in transparent manner. (for e.g. Govt. of Karnataka’s approach for posting municipal cadre officers through counselling)</p> <p>B1.5 Define performance management process for the cadre.</p> <p>B1.6 Ensure cadre is able to attract young qualified professionals, with the ability and aptitude to work in public institutions.</p>
<b>B2</b>	Cadre management systems – all systems, processes, rules and norms for managing the cadre	<p>B2.1 Define career growth path for cadre officers. Growth should offer higher responsibilities, learning opportunities, apart from higher emoluments.</p> <p>B2.2 Define process and norms for absorbing existing personnel with related qualifications and experience into the cadre at appropriate levels.</p> <p>B2.3 Define process that provides balance of authority in cadre management between State level and city level leadership. For all positions, process may be adopted of providing the ULB leadership a panel of at least 3/5 shortlisted names, and final selection by the ULB leadership. Similar balance should be created with respect to transfers, disciplinary action, etc.</p> <p>B2.4 Institute processes for intensive training to personnel hired into the cadre, and periodic retraining and learning opportunities.</p> <p>B2.5 Institutionalise processes for managing the cadre w.r.t all personnel management functions.</p>
<b>Decentralisation of municipal administration, and synchronisation of internal jurisdictions</b>		
<b>C1</b>	Synchronising jurisdiction boundaries	<p>C1.1 All sub-ULB jurisdictions (electoral wards, zones, engineering circles, etc.) should be represented spatially on the city map. Examine the extent of incongruity.</p> <p>C1.2 Identify bottlenecks to merging boundaries. For network services (water supply, sewerage, SWM) the network design, and logistics may pose peculiar problems in some places. Resolve these problems one by one (introduce intermediate</p>

Ref. No.	Reform Area	Generic set of steps / initiatives
		<p>metering in case of water supply, or club more than one ward to constitute a zone, etc.).</p> <p>C1.3 In case of large cities, divide the wards into few zones (3 / 5), define routine service delivery functions to be monitored from these zonal offices. Zonal offices may also be cost centres to recording service delivery costs incurred in that zone. Transfer adequate powers to zonal administrative and engineering heads, to take decisions for uninterrupted operations.</p> <p>C1.4 In the event, municipal wards are being redrawn under a de-limitation exercise, leverage the opportunity to alter municipal ward boundaries and synchronise with other sub-ULB spatial units.</p>
<b>C2</b>	Realigning internal organisation structures and processes	<p>C2.1 Review deployment of operations staff, and realign with new jurisdictions. Alter reporting relationships where necessary.</p> <p>C2.2 Review flow of information regarding operations from field to Zonal office / Head of Dept. Make appropriate changes.</p> <p>C2.3 Provide information swiftly to municipal staff, citizens and all other stakeholders about the change in boundaries. Communicate widely through maps and charts, with adequate level of detail (scale not more than 1:1000).</p> <p>C2.4 Provide training to all municipal staff about the revised structures, reporting lines.</p>
<b>Organisation structure review and optimisation of staffing patterns</b>		
<b>D1</b>	Staffing review	<p>D1.1 Undertake indepth review of staffing patterns in the ULB, covering staff in position, vacancies, sanctioned posts, etc. Examine skill and experience profile. Compare with norms. Examine ageing profile and examine superannuation rate (by department, level and skill base).</p> <p>D1.2 Conduct interviews, time and motion studies, and undertake other measures to identify number of personnel required for the job. Also project increase / decrease in requirement if any. Focus on field level service delivery functions, citizen interface points and administrative support roles.</p> <p>D1.3 Analyse skill availability Vs requirement, to lead to identification of gaps and redundancies. Prepare redeployment plan to bridge gaps and eliminate redundancies.</p> <p>D1.4 Examine span of control, reporting hierarchy and adequacy of decision-making staff at all levels. Many a times, the Commissioner has a large span of control, with some minor departments such as Nursery / Urban Forestry directly reporting to the Chief Executive / Commissioner. These departments never get adequate attention, and consequently performance and effectiveness of the department suffers.</p> <p>D1.5 Abolish redundant posts, many of which would have lost relevance.</p> <p>D1.6 If gaps still remain, explore options of outsourcing staff on contract basis, or outsourcing the activity itself. Many functions can be taken up under PPP, reducing the staffing burden of the ULB.</p> <p>D1.7 Prepare a detailed and timebound transition plan, with small incremental steps being taken up every day.</p> <p>D1.8 Communicate the plan, and hold detailed dialogue with staff unions, counsel them and all staff being redeployment on individual basis.</p> <p>D1.9 Take up measures for people to take pride in new role, improve hygiene factors and work conditions such as providing proper working spaces, uniforms, tools and devices, communication devices, etc. Often these minor issues are neglected, which snowball into larger issues, making transition difficult.</p> <p>D1.10 The time bound transition should be periodically monitored, by senior level (Mayor and Municipal Commissioner), and emerging issues addressed immediately.</p>

## Road Map for implementation

### Implementation responsibility

The responsibility for implementing Structural Reforms lies at multiple levels, but at each level with the senior most leadership. Structural reforms will require enormous political and administrative will to carry it through, as the benefits will not be immediate. In fact, lots of problems will crop up immediately, placing doubts and concerns in minds of many stakeholders. It is in such situations that the leadership at senior level will need to steadfast guide the transition process.

The responsibility for implementing administrative reforms envisaged above is broadly at three levels:

Implementation responsibility at:	Nature of responsibility <i>(the list is indicative and not exhaustive)</i>
<b>Minister and Secretary for Urban Development in the State Government</b>	Reforms for changes in institutional structures at State level, and introduction of municipal cadres, requires high level of commitment from political and administrative leadership. Therefore for these reforms, the Minister and Secretary for Urban Development should take the lead responsibility. The responsibilities will include: <ul style="list-style-type: none"> <li>• Bringing all department / agency heads to the discussion table and hammering out a consensus in the way forward</li> <li>• Steering any amendments required in Municipal Acts, and Rules thereunder.</li> <li>• Monitoring the transition on periodic basis, to ensure that the changes are as per agreed principles and being implemented in letter and spirit</li> <li>• Allaying any concerns that staff unions may have</li> </ul>
<b>Directorate of Local Bodies (or its equivalent)</b>	The Director / Commissioner – Municipal Administration should take the lead responsibility for initiating actions at the DLB level. The responsibilities will include: <ul style="list-style-type: none"> <li>• Draft amendments in Municipal Acts, Rules to enable changed institutional structures and mandates at the State level be implemented.</li> <li>• Take lead role in managing the transition plan for structural reforms at State Govt. level.</li> <li>• Creation of a municipal service cadre, and instituting systems for cadre management.</li> <li>• Supporting the ULBs to under take organisation structural changes, staffing review and redeployment.</li> <li>• Frame enabling policies and procedures for the structural changes to be implemented at the ULB level.</li> </ul>
<b>ULB level</b>	As structural changes are very fundamental and often face resistance, the Mayor and Commissioner / CEO should take lead responsibility in implementation at ULB level. The leader of opposition should also be engaged in implementing the changes. Responsibilities will include: <ul style="list-style-type: none"> <li>• Constituting the cross-functional teams</li> <li>• Preparing detailed implementation plan</li> <li>• Designing the revised organisation structures, processes/ procedures / reporting formats and forms, etc.</li> <li>• Providing orientation training to concerned staff</li> <li>• Liason with DLB / State Government for appropriate approvals</li> <li>• Seeking internal approvals for budgets to implement these administrative reforms,</li> </ul>

Implementation responsibility at:	Nature of responsibility <i>(the list is indicative and not exhaustive)</i>
	and monitoring related spending <ul style="list-style-type: none"> <li>• Periodic monitoring of tasks, identifying constraints / problems and resolving them</li> <li>• Playing role of counterpart staff to external experts / consultants deployed to advise and guide the structural reforms</li> </ul>

### Timelines and sequencing of action steps

Similar to administrative reforms, one or more structural reforms can be taken up simultaneously. Each State Government and ULB will need to prioritise the reforms as per its need and context, and prepare an implementation plan accordingly. For each reform, a detailed implementation plan should be prepared, identifying all tasks, sub-tasks, timelines, inter-dependencies and persons responsible. Therefore, a generic timeplan cannot be defined.

### Measurement of outcomes of reforms

Most measures for reviewing effectiveness of implementation of structural reforms are qualitative. However, for each area of reform, the state government and ULB should set benchmarks / outcomes against which the efforts can be monitored. Many measures may also be timelines for accomplishment of certain intermediate tasks. A ULB may define a target of achieving 80% satisfaction amongst all redeployed staff. This may be verified through quick survey amongst redeployed staff. Few measures of outcomes are mentioned below.

Ref. no.	Area of reform	Measurement of Outcomes
<b>Institutional structures of urban management at the State level</b>		
<b>A1</b>	Redefining institutional mandates – realigning the functions of multiple institutions that exist at State level	<ul style="list-style-type: none"> <li>- Gaps and overlaps in functions removed</li> <li>- No single agency has multiple roles, conflicting one another</li> <li>- Higher capacity of state agencies, manifest in faster pace of reforms implementation and higher levels of capex under programs</li> <li>- ULBs (especially smaller ones) report higher level of responsiveness from state agencies</li> <li>- Transition is achieved in time, without any major problems</li> </ul>
<b>Creation of cadre of municipal staff for different disciplines</b>		
<b>B1</b>	Creation of Cadre of municipal staff for both Administrative and Technical Functions.	<ul style="list-style-type: none"> <li>- Higher effectiveness of change processes in ULBs</li> <li>- Process and institutional reforms are sustained</li> <li>- ULB is a more informed customer to procuring goods / services from external vendors</li> <li>- Positions requiring key competencies do not fall vacant for long durations</li> </ul>
<b>B2</b>	Cadre management	<ul style="list-style-type: none"> <li>- Levels of satisfaction amongst the cadre</li> <li>- Aspiration of personnel outside cadre to qualify and be part of cadre</li> </ul>

Ref. no.	Area of reform	Measurement of Outcomes
<b>Decentralisation of municipal administration, and synchronisation of internal jurisdictions</b>		
<b>C1</b>	Synchronising jurisdiction boundaries	<ul style="list-style-type: none"> <li>- Ward wise budgeting, income and expenditure monitoring, service delivery standards are reported</li> <li>- In larger cities, service delivery responses are improved due to decentralisation, public official is closer to citizen</li> </ul>
<b>C2</b>	Realigning internal organisation structures and processes	<ul style="list-style-type: none"> <li>- Transition is achieved in time bound manner.</li> <li>- Citizens not at inconvenience due to transition</li> </ul>
<b>Organisation structure review and optimisation of staffing patterns</b>		
<b>D1</b>	Staffing review	<ul style="list-style-type: none"> <li>- Incremental staffing needs are resolved largely through redeployment.</li> <li>- Incremental establishment costs are marginal</li> <li>- Redeployed staff express satisfaction with new role</li> <li>- Transition achieved in timebound manner with cooperation and support from staff association / unions</li> </ul>