Understanding Institutional Capacity

of Local Government Agencies in Indonesia

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Statement of Originality

This thesis is my original work except where cited

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May God bless us all
Abstract

This thesis is about the capacity of local government agencies in Makassar (Indonesia) to provide services to the public. Besides aiming to understand the institutional capacity of local government agencies, the research also examines the role internal and external factors play in determining the service delivery capacity of public organisations. Internal factors refer to the organisational structure, managerial practices and the management of human resources in public organisations. External factors refer to the degree of bureaucratic and political accountability as well as the level of competition experienced by government agencies.

This research will enrich the existing development literature by strengthening our understanding of the ways in which internal and external factors strengthen or weaken the capacity of public sector institutions.

Institutional capacity is measured by the quality of services provided by the local government agencies as assessed by their clients through both questionnaires and interviews, whereas the data regarding the role internal and external factors play in determining the institutional capacity of local government agencies were collected by in-depth interviews and focus group discussions. In-depth interviews and focus group discussions were conducted with the management and staff in a number of agencies, with high-level bureaucrats, with non-government organisations and business associations, and members of the Makassar parliament.

This study concludes that the institutional capacity of local government agencies in the case studies varies, although overall institutional capacity is relatively low or unsatisfactory. Of the four agencies in the case studies, only one agency was able to deliver quality services higher than the level expected by its clients.
In general, this research reveals that the degree of accountability of the local government agencies in the case studies is relatively weak. The study infers that the degree of accountability does not have a significant impact on the agencies' performance.

It was found that the competitive or monopolistic environment in which the local government agencies operate does affect the capacity of the agencies to serve their clients. This capacity is also affected by a number of aspects within the organisation and human resource dimensions of the agencies.

This study shows that, in the case of Indonesia, attempts to improve the capacity of government agencies to deliver quality public services by improving the capacity of parliament to politically oversee the executive, as recommended by a number of international agencies and commentators, may not be the best and most effective alternative. Rather than focusing the resources to improve the degree of political accountability, the study suggests that a more effective strategy to develop the capacity of government agencies is to enhance the organisational structure, managerial practices and the management of human resources in the public organizations, and to introduce competition into the delivery of public services.
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