Current and Strategic Issues
for State Apparatus Development and Reform

Pointers of Academic Draft for RPJMN 2015-2019 in Indonesia

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Agenda for Discussion

1. Scope of work: National priorities for 2015-2019

2. Methodology

3. Theoretical guidelines for administrative reform

4. Problem identification: State Apparatus

5. Evidence from studies and the new government policy

6. Strategic plans.

National Long-Term Development Plan 2005-2025

Mid-Term I 2005-2009

Restructuring the NKRI (Republic of Indonesia) to build a safe and peaceful, fair, democratic and more prosperous Indonesia

Mid-Term II 2010-2014

Strengthening NKRI, improve the quality of human resources, build the capacity in science & technology, strengthen the economic competitivenes

Mid-Term III 2015-2019

Enhance the overall development with emphasis on building economic competitive advantages based on available NR, Qualified HR and Sc. & Tech.

Mid-Term IV 2020-2024

Creating an independent, modern, integrated and prosperous RI society through acceleration of development in all sectors based on solid ES & competitive advantages;

Methodology

1. Theoretical reviews, desk and academic reviews

2. Descriptive analysis on previous studies; Bappenas, Kemenpan, Kemdagri, international agencies'

3. Interviews with selected respondents: public officials (Echelon I & II levels)

4. Field research; central govt agencies, Surabaya (best practice), Kukar (worst practice)

5. Structured questionnaires; Delphi technique.

Theoretical Guidelines, Administrative Reform

1. **The context of state apparatus development in Indonesia;**

   – Long-term Development Plan 2005-2024: 4 objectives: a) creating good and clean governance, free from corruption and nepotism, b) high quality of public services, c) improving capacity and accountability of public bureaucracy, and d) enhancing civil servants' professionalism; recruitment, promotion, transparency, and productive remuneration.

   – In 1980s and 1990s, efforts of bureaucracy reform was influenced by theories of privatization, reinventing government, and balanced-score-card theories. In early 2000s, it was influenced by theories of NPM and NPS. The public sector performance remained in substandard level.

   – NPM has been able to push for more performance-oriented public bureaucracy. But new problems arising from the tendency of fragmented policy and single-objective orientation among the public institutions. It is more complicated by a transition towards democratic governance. Cases of ineffective policies and bloated structures are increasingly in common (UKP4, Kemdagri, Kementerian koordinasi) and over-spending among sub-national governments.

2. **Theories on Whole of Government;**

   – Given the weaknesses in the theory of NPM, there is a new theoretical paradigm under the title of "Whole of Government and Centre of Government" in most European countries and the "Collaborative Government" in the United States of America. Policy issues on international terrorism and inadequate achievement in performance among public organisations are among the basis of argument in these new theoretical paradigms.

   – The problem of "silo-mentality" among strategic agencies in Indonesia (e.g. Bappenas, Ministry of Finance, Ministry of Home Affairs and other technical ministries) is fundamental. The WG or CG approach might be able to address the problem.

3. **International experience on Bureaucracy Reform;**

   – A cross-cutting targets among strategic agencies need to be established. Although ideas for democracy and decentralization need to accommodate sectoral and segmented objectives, strategic goals of governance should not be neglected.

   – Experience from Finland and scandinavian countries show that role and responsibility clarity among strategic agencies are the key for success. German government has appointed a particular agency in the position of Center of Government (CoG) for the purpose of coordinating and integrating strategic decisions of the government.

Divides problem identification into Four Aspects (Leavitt's diamond):

1. Structure
2. Human resource
3. Business process → public service
4. Technology

Why we need bureaucracy reform and good governance?

1. Enhance competitiveness in global level

2. Increase public service quality

3. Improve people's efficiency and productive activities

4. Good governance is a basic premise of democracy.

Indonesia Doing Business Ranking *)

Topics	2013 Rank	2012 Rank	Change in Rank
Starting a business	166	161	-5
Dealing with construction permits	75	72	-3
Getting electricity	147	158	11
Registering property	98	99	1
Getting credit	129	127	-2
Protecting investors	49	46	-3
Paying taxes	131	129	-2
Trading across borders	37	40	3
Enforcing contracts	144	145	1
Resolving insolvency	148	149	1

*) Among 185 countries. Source: www.doingbusiness.org

Bloated Structures…

Countries	Ministries	Non-Ministries Govt Agencies	Ad-hoc Institutions	Per capita GDP (USD)
Australia	37	NA	NA	40.800
China (RRC)	22	NA	NA	8.500
Jepang	11	19	13	35.200
Indonesia	34	28	87	4.700
Korea Selatan	15	19	13	32.100
Perancis	31	NA	NA	33.509

Source: LAN, 2012

Agenda for next president: rightsizing!
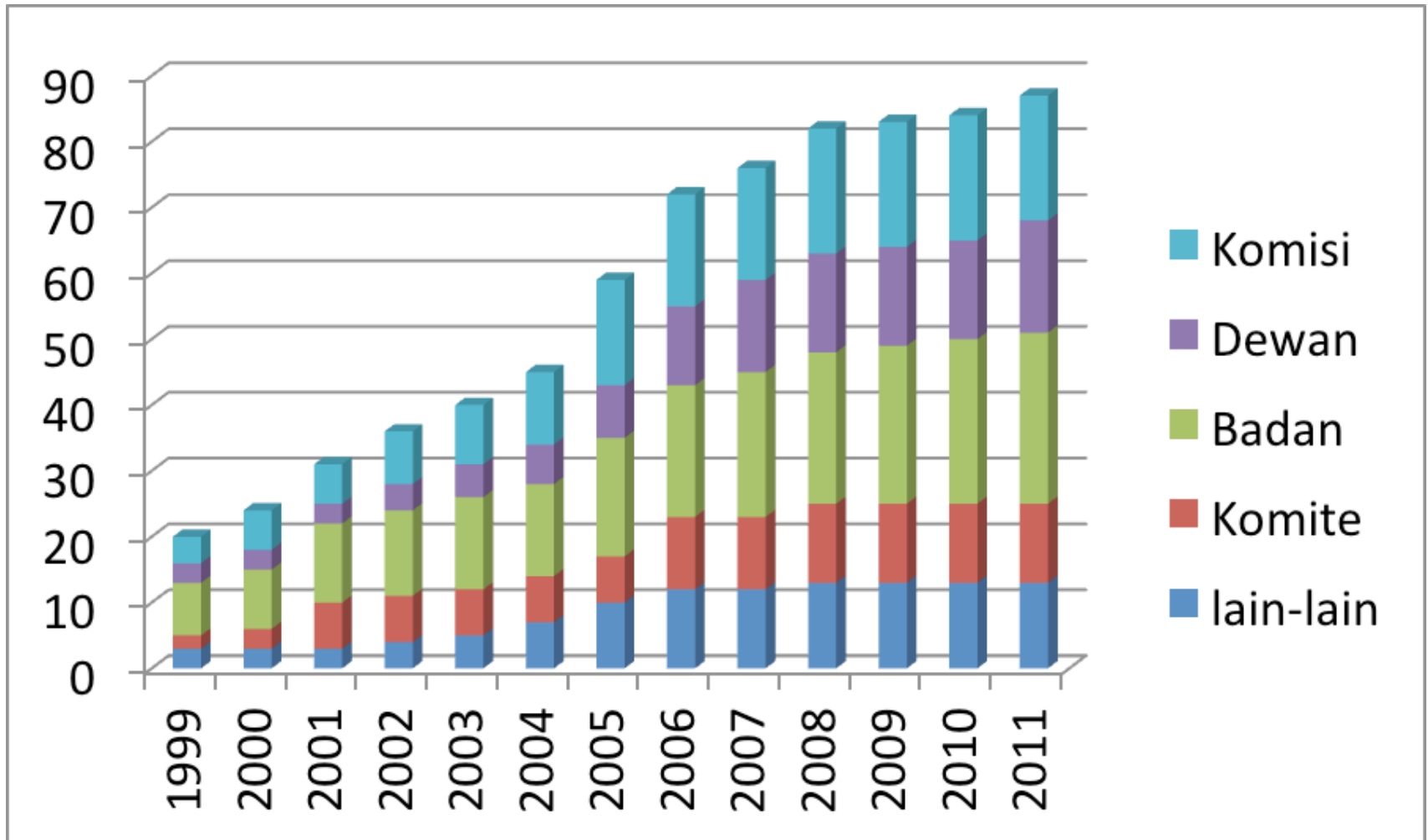
Current issue on BR

1. It is over-emphasized on "remuneration".
2. Weak political will to stream-line structure: more interests for proliferating, creating new institutions.
3. 15 yrs after political reform: creation of new regions.
4. New provinces and districts have been recruiting more staff without adequate human resource planning. Ex:
   - Kukar conducted job analysis very lately (2013)
   - Performance indicators are generaly weak
   - "Formasi" for new staffs have been "commercialized".

Bagan 3. Pertambahan Provinsi dan Kabupaten di Indonesia
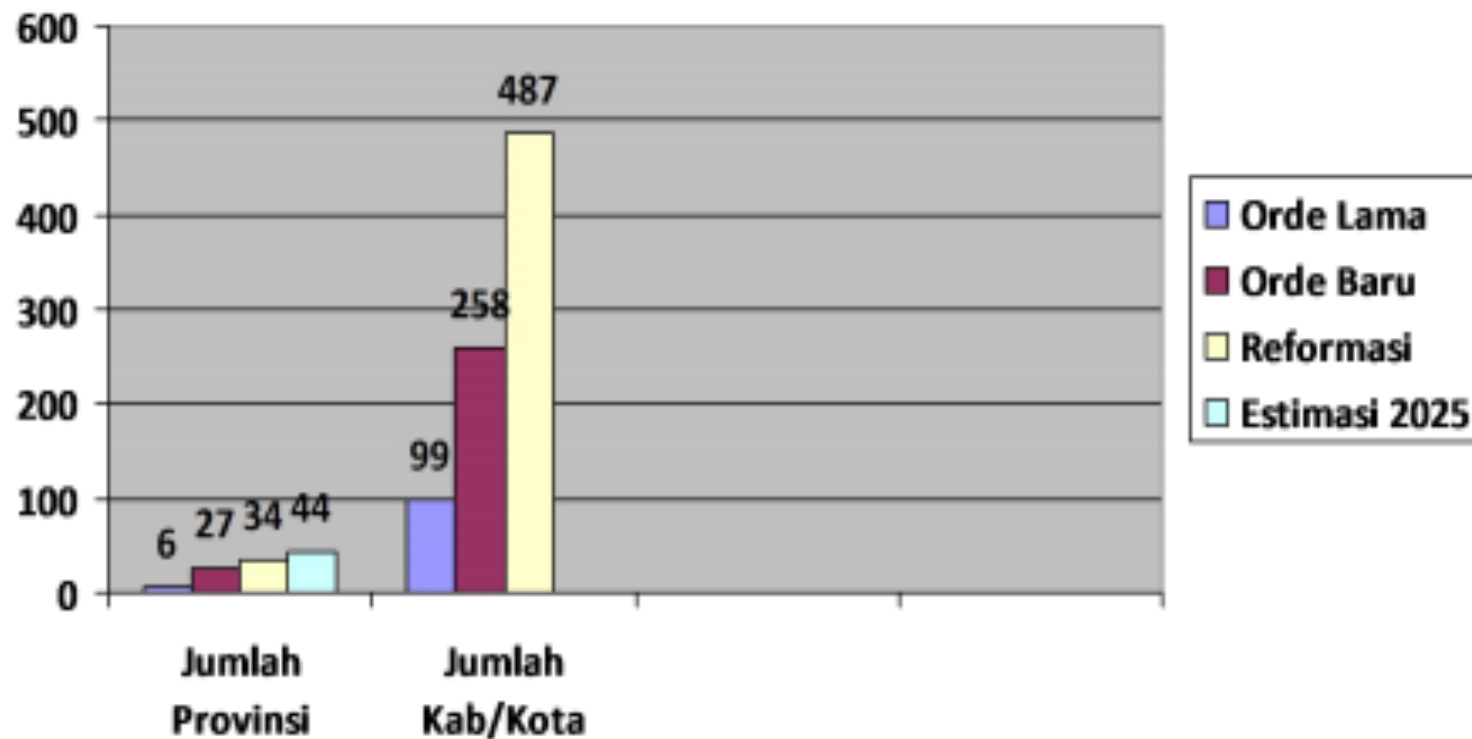
Sumber: Partnership Policy Paper 01/2011

Indonesian Public Servants (PNS)

Age	Male		Female		Total	
	N	%	N	%	N	%
18 - 20	1,727	0.07	693	0.03	2,420	0.05
21 - 25	42,060	1.80	60,795	2.85	102,855	2.30
26 - 30	197,550	8.47	266,046	12.46	463,596	10.38
31 - 35	270,653	11.60	311,712	14.60	582,365	13.03
36 - 40	290,660	12.46	284,723	13.33	575,383	12.88
41 - 45	410,262	17.59	378,808	17.74	789,070	17.66
46 - 50	527,047	22.60	425,590	19.93	952,637	21.32
51 - 55	464,625	19.92	303,636	14.22	768,261	17.19
56 - 60	118,829	5.09	97,907	4.58	216,736	4.85
61 - 65	8,663	0.37	5,382	0.25	14,045	0.31
65 +	473	0.02	141	0.01	614	0.01
Jumlah	2,332,549	100.00	2,135,433	100.00	4,467,982	100.00

Source: BKN, Per 1 January 2013

The cost of inefficient structures and weak human resources…

Fiscal pressure from bureaucracy costs has been intensified. In 2013 budget, personel payroll is the second largest expenditure after fuel subsidy. Rp 241.6 trillion (20.9%) from the total of Rp 1,154.4 trillion is spent.

In 2010, there were 30 ministries/ agencies reported plans for rightsizing and reducing staffs. However, such plans are not implemented accordingly. There is a silo-mentality, in which most officials consider the right-sizing idea to be implemented in "other" agencies while integrative policy on rightsizing is lacking.

Human Resource in Public Sector

- Planning and management:
  - Unclear authorities between national and sub-national agencies in human resource management.
  - MoHA: 124 of 491 districts do not have resources to pay salaries, 293 districts spend more 50% of local budgets for salaries.
- Recruitment:
  - Who has the authority to recruit? What is the role of Bupati/Walikota, Sekda and BKD?
  - KemenPAN-RB: 40% of PNS has sub-standard performance. Kristiansen (2009): corrupt transactions are rampant in local govt recruitments.
- Promotion and personnel management:
  - Career development among the PNS is unclear.
  - Kemitraan: at the provincial level, index for personnel management only recorded 5.7 from the 10.0 scale. More than half (23 provinces) have less than 6 governance index.
- Retirement and pensions:
  - Government finance is overwhelmed by pension payments.
  - In 2012, total spending for pension Rp 74 trillion of the Rp 200 trillion total personnel expenditures. In 2015, there would be 2.7 million PNS entering retirement age. The national budget might run a defisit for paying pensions.

Number of PNS is determined by local budget, not the population…

Surabaya
Area: 326.4 km^2
Population: 2,765,908
PNS: 19,896
Budget: Rp 5.7 trillion

Kutai Kartanegara
Area: 27,263.1 km^2
Population: 626,286
PNS: 25,078
Budget: Rp 7.7 trillion

Sleman
Area: 574.8 km^2
Population: 1,125,369
Pegawai: 12,196
Budget: Rp 1.7 trillion

Ngada
Area: 3,037.9 km^2
Population: 142,393
PNS: 4,456
Budget: Rp 489.8 billion

PNS Education

Level	N	%
Primary (SD)	70.331	1.58
SLTP	108.348	2.42
SLTA	1.374.851	30.77
D1	66.595	1.49
D2	611.397	13.68
D3	423.299	9.47
S1 or higher	23.687	0.53

Source: BKN, 2013

Issues: Technology for e-Government

The use of ICT in public service and bureaucracy reform is relatively very slow.

- 60% of relatively good local govt websites are in Java; technological divide.
- Most of the websites are only informative and use secondary sources.
- Constraints: e-literacy and lack of IT human resources.
- Law on information (UU ITE) does not specifically regulate e-government.
- Institutional development for e-government is generally ad-hoc.
- E-Government depends on local leaders' commitment.
- Lack of users' (public) participation for developing e-governance further.

Tabel 14. Perbandingan kualitas e-government Indonesia dengan negara ASEAN lainnya

Negara	e-government development index value		World e-government Development ranking	
	2010	2008	2010	2008
Singapura	0,7476	0,7009	11	23
Malaysia	0,6101	0,6063	32	34
Brunei	0,4796	0,4667	68	87
Thailand	0,4653	0,5031	76	64
Filipina	0,4637	0,5001	78	106
Vietnam	0,4454	0,4558	90	91
Indonesia	0,4026	0,4107	109	106
Cambodia	0,2878	0,2989	140	139
Myanmar	0,2818	0,2922	141	144
Laos	0,2637	0,2383	151	156
Sub regional average	0,4250	0,4290		
World average	0,4406	0,4514		

*sumber: United Nations e-government survey 2010

Recommendation for Structures and Rightsizing

- There is an urgent need to link remuneration, structural positions Diperlukan pembenahan struktur berdasarkan indikator kinerja sebagai landasan ditetapkannya remunerasi

- The formation of new institutions/agencies should not be based on partial and reactive consideration. Fiscal discipline need to be prioritized.

- Creation of new regions must be stopped. Objective evaluation on the newly created regions must be carried out.

- Job analysis has to be undertaken periodically, and structural positions must be determined based on the analysis.

- Merit system must be held according to Law No.5/2014 on Civil Service Apparatus.

Strategic Plans

1. Create clean and accountable governance: combating corruption.
2. Improve the quality of policy within the public organisations.
3. Effective and efficient policy implementation.
4. Create better public services.

Thank You