



**Asia-Pacific
Economic Cooperation**

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Bureaucratic Reform in Indonesia

Submitted by: Indonesia



**Policy Discussion on Bureaucratic Reform
Medan, Indonesia
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BUREAUCRACY REFORM IN INDONESIA

Progress – Challenges – Ways Forward



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Why Bureaucracy Reform?

- 1 To achieve good & clean governance, free from corruption, collusion and nepotism (KKN);
- 2 Improve the quality of public services;
- 3 Enhance performance capacity and accountability of the bureaucracy;
- 4 Improve professionalism of apparatus that is supported by a personnel recruitment and promotion of competency-based, transparent, and able to encourage the mobility of personnel between regions, between centers, and between central and local, as well as obtain salary and other forms of welfare equivalent.

Source: BR Grand Design (PerMenPAN&RB No.81/2010)



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Why Bureaucracy Reform? – Issues to tackle

Organization

Government organization is currently not in the right function and in the right size.

Laws and Regulations

Overlapping, inconsistent, vague, multiple interpretations and some are obsolete.

HR of Apparatus

Imbalanced and inappropriate allocation of human resources of the state apparatus in terms of quantity, quality, and distribution of civil servants according to the territorial (regional), and their productivity level is still low. Current pay system is not based on workload / position based on evaluations.

Authority

Practices of diversion and abuse of power in the process of governance and accountability among government agencies, and not yet showing a solid performance.

Public Services

Public services can not adequately accommodate the demand and basic rights of citizens.

Mindset and Culture-Set

Mindset and culture-set of bureaucrats have not fully supported the bureaucracy as expected, which should be efficient, effective, productive, and professional.



Source: BR Grand Design (PerMenPAN&RB No.81/2010)



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Why Bureaucracy Reform? – Competitiveness of Indonesia (2011/2012)...

| EoDB* | | CPI* | | CoC* | | GOV. EFF.* | | GCR* (TOT) | | GCR (INST.) | |
|------------|------------|------------|-----------|------------|--------------|------------|--------------|------------|-----------|-------------|-----------|
| CTRY | RANK | CTRY | SCORE | CTRY | SCORE | CTRY | SCORE | CTRY | RANK | CTRY | RANK |
| SGP | 1 | SGP | 87 | SGP | 2,12 | SGP | 2,16 | SGP | 2 | SGP | 1 |
| THA | 12 | BRN | 55 | BRN | 0,84 | MYS | 1,00 | MYS | 25 | MYS | 29 |
| MYS | 21 | MYS | 49 | BRA | 0,17 | BRN | 0,88 | BRN | 28 | BRN | 31 |
| CHN | 86 | BRA | 43 | MYS | 0,00 | THA | 0,10 | CHN | 29 | CHN | 50 |
| VNM | 91 | CHN | 39 | THA | -0,37 | CHN | 0,12 | THA | 38 | IND | 70 |
| BRN | 94 | THA | 37 | VNM | -0,59 | PHL | 0,00 | BRA | 48 | IDN | 72 |
| RUS | 118 | IND | 36 | IND | -0,56 | BRA | -0,01 | IDN | 50 | KHM | 73 |
| BRA | 127 | PHL | 34 | CHN | -0,62 | IND | -0,03 | IND | 59 | THA | 77 |
| IDN | 130 | IDN | 32 | IDN | -0,66 | IDN | -0,24 | PHL | 65 | BRA | 79 |
| IND | 132 | VNM | 31 | PHL | -0,78 | VNM | -0,28 | RUS | 67 | VNM | 89 |
| KHM | 139 | RUS | 28 | LAO | -1,06 | RUS | -0,40 | VNM | 75 | PHL | 94 |
| PHL | 141 | KHM | 22 | RUS | -1,09 | KHM | -0,75 | KHM | 85 | RUS | 133 |
| LAO | 165 | LAO | 21 | KHM | -1,10 | LAO | -0,91 | LAO | - | LAO | - |
| MMR | - | MMR | 15 | MMR | -1,69 | MMR | -1,64 | MMR | - | MMR | - |

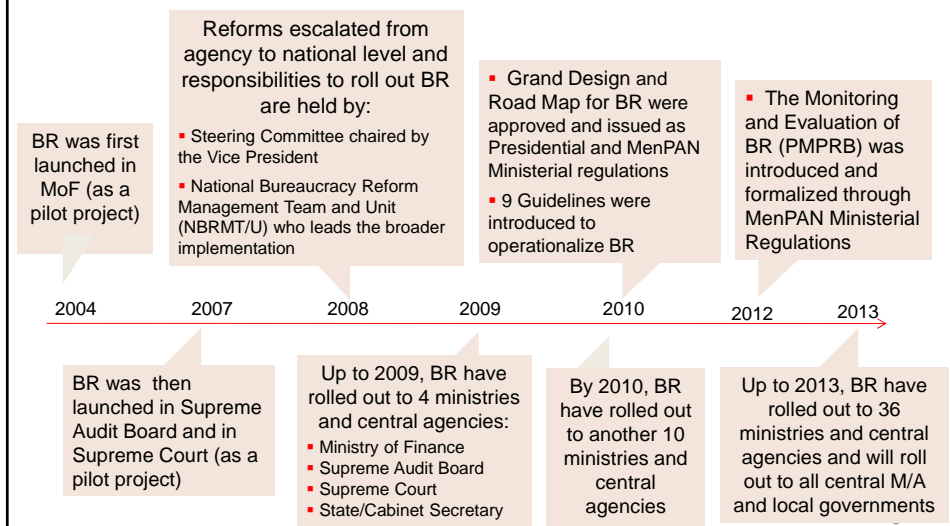
* EoDB (Ease of Doing Business), IFC, 2012
 CPI (Corruption Perception Index), TI, 2012
 CoC (Control of Corruption), WB, 2011
 Gov. Eff. (Government Effectiveness), WB, 2011
 GCR (Global Competitiveness Report), WEF, 2012-2013



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Bureaucracy Reform Approach (1/5)

Bureaucracy Reform Started in 2004 as an **Institutional Initiative** which was Escalated to the **National Level** in 2008



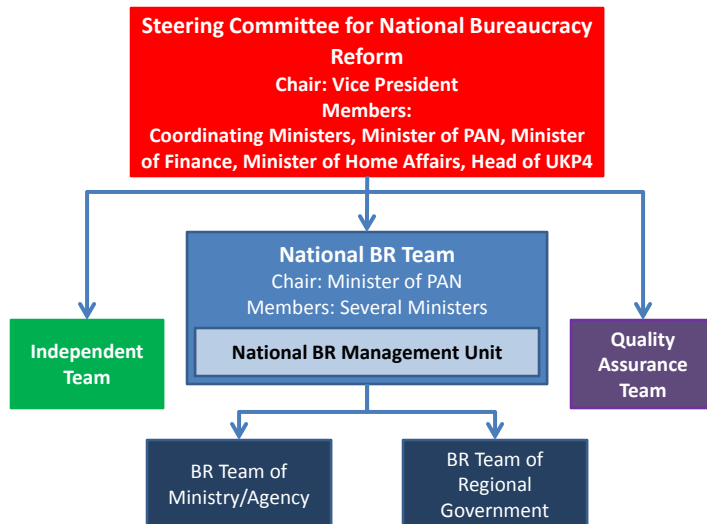
Bureaucracy Reform Approach (2/5)

The Second Wave of Reforms Introduces **More Objectives and Areas of Change ...**

| First Wave of Bureaucracy Reforms (2004 – 2009) | Second Wave of Bureaucracy Reforms (2010– 2014) |
|--|---|
| <p>Nature: Institutional</p> <p>Objective: Good Governance</p> <p>Areas of Change:</p> <ol style="list-style-type: none"> 1. Organization 2. Organizational Culture 3. Business Process 4. Regulation-Deregulation 5. HRM policies and practices | <p>Nature: National and Institutional</p> <p>Objective:</p> <ol style="list-style-type: none"> 1. Cleaned Government & Free from Corruption, Collusion & Nepotism 2. Improved public service delivery 3. Improved capacity and accountability of civil servants <p>Areas of Change:</p> <ol style="list-style-type: none"> 1. Organization 2. Business Process 3. Regulations 4. HRM policies and practices 5. Supervision 6. Accountability 7. Public Service Delivery 8. Mind-set and Working Culture |

Bureaucracy Reform Approach (3/5)

Supra-Structure is introduced to **accelerate** and **monitor** reforms ...



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Bureaucracy Reform Approach (4/5)

Indonesia's National Bureaucracy Reform is **Guided** by the **BR Grand Design & Road Map** (endorsed and released in 2010)



Presidential Regulation No. 81/2010



Ministry of PAN Regulation No. 20/2010

... these two documents provide strategic direction and operational direction respectively on the implementation of BR in the central and sub-national level

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Bureaucracy Reform Approach (5/5)

Ambitious Targets for Reforms are **set up ...**

| Objectives | Key Performance Indicators | Base line (2009) | Target (2014) | |
|---|-------------------------------------|------------------|---------------|------|
| To realize clean and KKN Free Government | Corruption Perception Index (CPI) | 2.8 | 5.0 | |
| | BPK's Opinion (WTP) | Central | 42,17% | 100% |
| | | Regional | 2.73% | 60% |
| To improve public service quality | Public Service Integrity | Central | 6,64 | 8,0 |
| | | Regional | 6,46 | 8,0 |
| | Ease of Doing Business | 122 | 75 | |
| To improve capacity and accountability of bureaucracy performance | Government Effectiveness | - 0,29 | 0,5 | |
| | Accountable Government Organization | 24% | 80% | |

- BR is one of the key priorities in National Mid-Term Development Plan (RPJMN) 2009-2014
- Achieving the targets in 2014 for all six indicators will put Indonesia in a better position to provide best value to the public, to attract more foreign investors, to create more jobs and to minimize corruption

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Status, Overall Achievements and End Target

| NO. | INDICATOR | BASELINE (2009) | ACHIEVEMENT | | | 2014 TARGET | STATUS |
|-----|--|-----------------|-------------|--------|------------------|-------------|--------|
| | | | 2010 | 2011 | 2012 | | |
| 1 | CPI (Int'l Transparency) | 2.8 | 2.8 | 3.0 | 32 ¹⁾ | 5.0 | 2 |
| 2 | % of Central Agencies with Unqualified Opinion of their Financial Reports | 41 | 56 | 63 | 77 | 100 | 1 |
| 3 | % of Local Governments with Unqualified Opinion of their Financial Reports | 2.68 | 3 | 9 | 16 | 60 | 2 |
| 4 | Average Score on Public Service Integrity Index of Central Agencies | 6.64 | 6.16 | 7.07 | 6.86 | 8.0 | 1 |
| 5 | Average Score on Public Service Integrity Index of Local Governments | 6.46 | 5.26 | 6.00 | 6.32 | 8.0 | 2 |
| 6 | Rank on EoDB (IFC WB) ²⁾ | 129 | 115 | 126 | 129 | 75 | 2 |
| 7 | Government Effectiveness Index (WB) | -0.26 | -0.19 | -0.24 | Unavailable yet | 0,5 | 2 |
| 8 | % of Central Agencies which are accountable | 47.37 | 63.29 | 82.93% | 95.06 | 100 | 1 |
| 9 | % of Provinces which are accountable | 3,76 | 31,03 | 63,33 | 75,76 | 80 | 1 |
| 10 | % of Districts which are accountable | 5,08% | 8,77 | 12,78 | Unavai-lable yet | 60 | 2 |

Note: ¹⁾ Due to update in the methodology, CPI 2012 is presented on a scale 0-100
²⁾ Doing Business 2013 rank is 128

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= On Track/on Trend

2

= more efforts needed

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Challenges of Implementing Reform in Indonesia

1. Rigid national policies for reforms – “one size fits all”;
2. Obsolete national regulatory frameworks and policies for reforms;
3. Lack of commitment of agency leaders to implement reforms
4. Low capacity of ministries and agencies to implement reforms
5. Limited technical assistance on the ground to ministries and agencies; and
6. Limited fiscal space to sustain on-going reforms



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Outcomes of Bureaucracy Reform in Indonesia

- Client surveys and Annual *Public Service Integrity Survey* carried out by the **Anti Corruption Commission** (2010 – 2012) have confirmed that **BR has had a positive impact** in MOF, in particular in the units that serve public directly through their field offices, like DG Tax, DG Customs and DG Treasury:
- A survey was undertaken by **Ministry of Administrative and Bureaucracy Reform and the World Bank** in 2012 covering more than 4,000 Jakarta-based civil servants, drawn from 14 Ministries and Agencies (M/As), which findings are among other things:
 - M/As that have gone through the reform process are likely to agree that their colleagues contribute more than expected.
 - Promotion and regulatory decisions in BR M/As are significantly less likely to be unpredictable and the product of favoritism.
 - BR M/As is more able to identify best candidates for the job and can recruit high quality staff more easily.

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M&E of Bureaucracy Reform (1/3)

M&E for BR is Performed Through PMRB or *BRISA* (BR Implementation Self-Assessment – in English)



Ministry of Administrative and BR Regulation 1/2012



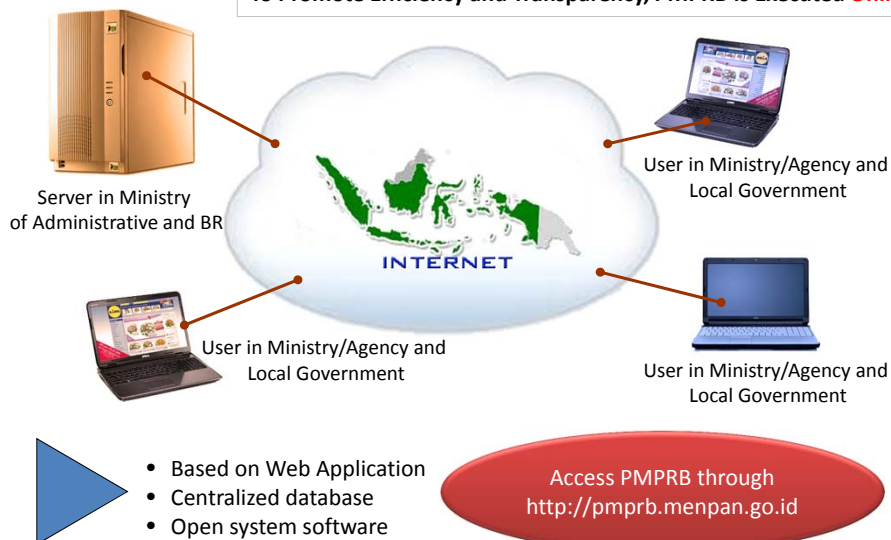
Ministry of Administrative and BR Regulation 31/2012

... these two documents provide operational direction on the implementation of BR Monitoring and Evaluation in the central and sub-national level

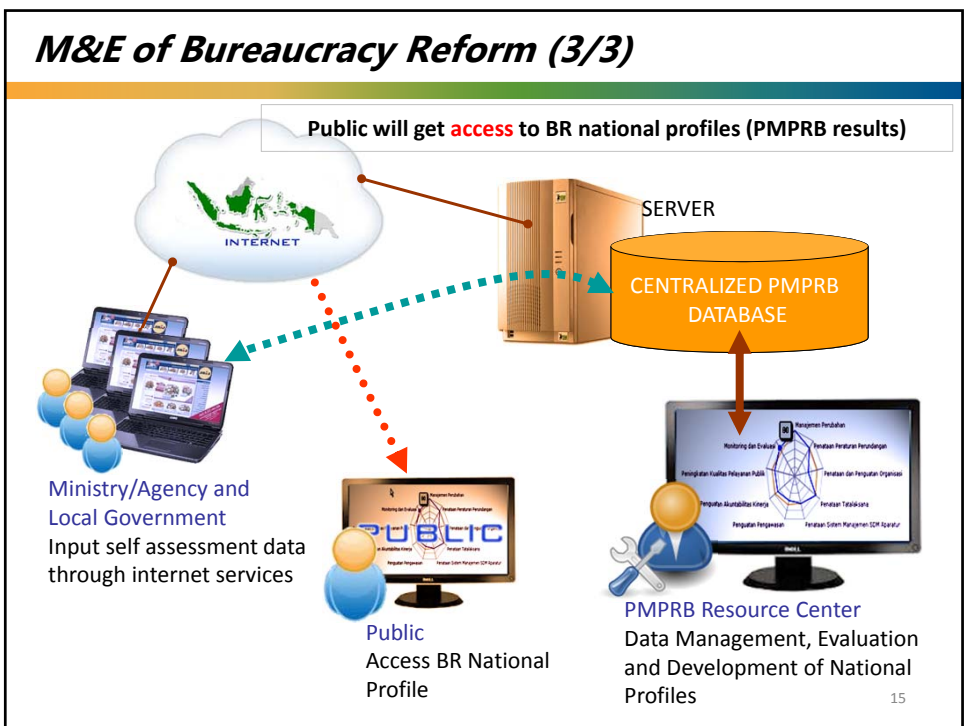
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M&E of Bureaucracy Reform (2/3)


To Promote Efficiency and Transparency, PMPRB is Executed **Online**




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- ### **Key Actions to Go Forward**
1. Implementation of 9 BR Acceleration Programs
 2. Pay and Pension Reform
 3. Rolling Out BR to Local Governments
 4. New civil service act accommodating reforms
 - More flexible regulatory framework for reforms
 - More merit HR base policies
 - Business process streamlining and more ICT utilization
- 



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Key Lessons Learnt from the BR implementation in Indonesia

- More flexible reform policies should be introduced
- Reforms cycle should be in harmony and in line with budget cycle
- Reforms should be gradual not big-bang; more quick wins should be introduced
- More guidance and technical assistance on the ground from the central authority of reforms
- More efficiencies should be done to off-set salary increase due to reforms



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Thank You!

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