

TRANSFORMING THE PUBLIC SECTOR IN INDONESIA: DELIVERING *TOTAL REFORMASI*

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ABSTRACT:

After the economic crisis and subsequent political transition, culminating in the fall of President Soeharto, Indonesia embarked on an *era reformasi*. This resulted in a rapid process of democratization and decentralization. Over a decade later, Indonesia has emerged economically strong and remarkably stable in political terms. However, enhancing the effectiveness of government institutions, and in particular the bureaucracy, has emerged as one of the critical development constraints.

Nonetheless, this belies the considerable efforts that have been made to reform organizational and HR policies and practices. Through the interaction of people, institutions and technology (ICT), we examine Indonesia's process of moving from a 'command and control' paradigm to one that is more balanced and consistent with 'devolution and transparency' and 'quasi-market' relationships.

This paper considers the Indonesia case with the aim of drawing lessons, enablers and impediments for public sector reforms in emerging economies. We observe that Indonesia might 'reform the reformers' to better link performance and accountability frameworks to results. Drawing from the Indonesia example, we posit that emerging countries might better align their pursuit of internal efficiencies with social and political accountability measures and usefulness thereof of reforms to citizens through diffusion of newer technologies and government process transformation efforts.

KEYWORDS: Civil service reform, Indonesia, Public financial management, ICT, Change Management, Performance management, Public service.

1. INTRODUCTION

Teeming traffic and overwhelming hospitality underscored by dark, sweet *kopi tubruk* punctuate ceaseless work-days with the Indonesian government, while a sense of an intensifying reform process lingers. After the fall of President Soeharto in May 1998, Indonesia embarked on an *era reformasi*, a process of political, judicial, economic and social transition that included constitutional changes to enhance democratization and anti corruption, and an increase in the devolution of power, only partly to offset separatist movements, through a big-bang decentralization.

Over a decade later, Indonesia has emerged economically strong and remarkably stable in political terms. Today it faces a second-generation set of challenges, to improve the efficiency, effectiveness and integrity of public spending, raising the quality of services, and mitigating the remaining income-related and geographic disparities in access and outcomes (World Bank 2009). Indeed, many in Government have recognized the weaknesses of the current system, in which “stove-piped bureaucracies that do not reward good performance or remunerate positions fairly have long been an obstacle to the pursuit of a good government” (Indrawati 2008).

A few progressive ministries, such as the Foreign Affairs (2002) and Finance (2006) have led a Bureaucracy Reform Initiative focusing on reforming organizational structures and procedures, HR policies and practices to achieve the often complementary objectives of: (i) creating a clean, professional and accountable state apparatus; and (ii) creating an efficient and effective bureaucracy that provides high quality public services. This has been coupled with an extensive modernization program that has included the development of new business processes and procedures, followed by the introduction of Information and Communications Technologies (ICTs). In December 2010, a Grand Design with a 15 year timeframe for rolling out a National Bureaucracy Reform was signed by the President, and a Road Map was signed by the Minister for Administrative Reform.

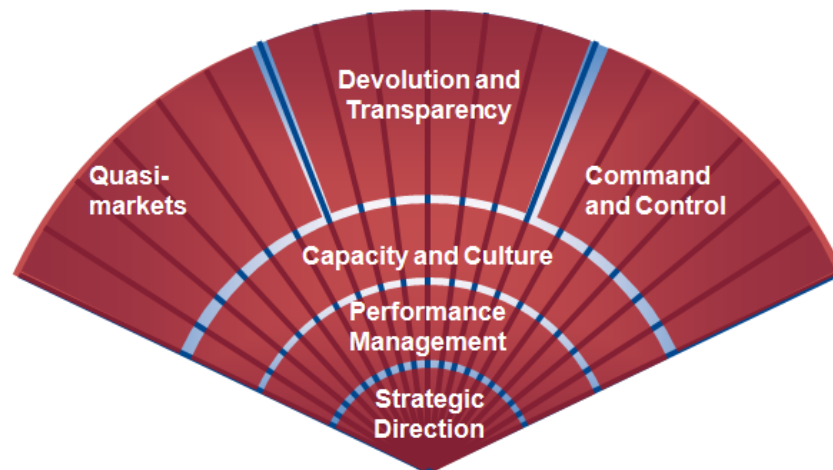
However, vestiges of the **Soeharto era top down ‘command and control’** (C&C) approach to *reformasi birokrasi* remain, which afford an intransience and inertia to the politicized bureaucracy. However, as Michael Barber, former head of the UK Prime Minister’s Delivery unit notes, “command and control can rapidly shift a service from ‘awful’ to ‘adequate’... (which) is a major achievement...but cannot deliver ‘good’ or ‘great’.” Therein rests the challenge for Indonesia, as an incremental change from ‘awful’ to ‘adequate’ would leave the public sector performance lagging ever further behind the demands of such a dynamic emerging economy.

In this paper we argue that the opportunity exists for Indonesia, and other states grappling with similar challenges, to effectively transform their public sectors gradually towards ‘devolution and transparency’ and ‘quasi-market’ arrangements. **Accordingly, we examine Indonesia’s journey from ‘command and control’ arrangements to ‘devolution and transparency’ within an economic, political and institutional context.** In the broader perspective we aim to draw lessons, enablers and impediments for public sector reforms in emerging economies.

2. CONCEPTUAL MODEL FOR ANALYSIS

Indonesia is analyzed using the framework for improving the delivery of public services developed by Michael Barber (2007). This conceptual model codified the UK’s experience in reforming its public services during the Labour government from 1998 to the mid-2000s, which encapsulates three paradigms of public service management: i) C&C—which is considered more appropriate when urgent decisions are required to be made and pushed through from the top; ii) D&T—in which managers are given the authority to manage resources and are held increasingly accountable for performance; and iii) quasi-markets—in which the contractual style relationships maybe developed, for example where agencies or trusts deliver front line services on behalf of Government. The paradigms are supported by three core functions of capability, capacity and culture; performance management; and strategic direction (figure 1).

Figure 1: A Model of Transforming Public Services



Source: Barber (2007)

Through the lens of the three core functions, we examine the process and impact of public sector reforms and how they might better work together to transform the public sector to stay competitive in the globalization era.

Strategic Direction: We consider the role of the overall strategy, leadership and change management in galvanizing a coalition for transformation. While reform programs have typically been expressed in terms of technology, human resources or financial systems, often these goals have proven insufficient as drivers of behavior change. In the absence of a clear strategic vision and framework for action that signals the long term direction of the institution, weak links connect reform efforts on the ground to a sense of purpose that can overcome inertia in current structures, culture, processes and practices.

Performance Management: We explore how reforms are challenged by the lack of transparent, merit-based, apolitical employment, reward (or sanction), promotion practices and difficulties with defining a culture of performance for delivering public services.

Capability, Capacity and Culture: We examine the changing roles, capabilities and characteristics that are the subject of the reform, including recruitment, training and development, performance management and remuneration. We examine the enabling role of ICTs to enhance the capabilities required for reform, such as controls and compliance, transparency, accountability, governance and ultimately (though by no means guaranteed) public sector performance.

3. CASE STUDY: INDONESIA

We examine the main waves of public sector reform in Indonesia and how it arches towards the D&T approach, although efforts continuously face the risk of a return to the C&C model of the Soeharto era:

- **First wave: post crisis responses (devolution and transparency)**, of democratization and the big bang decentralization in 2001 created the reform space, albeit limited by systemic constraints, for a few local and central government institutions to innovate;
- **Second wave: consolidating reform (command and control)**, witnessed the attempt to tackle the systemic constraints and support broad-based reform, marked by the decree of 2010 that mandated reform for all central and local governments; and
- **Third wave: looking to move beyond ‘remunerasi’ to wider ‘reformasi’(devolution and transparency to quasi-markets)**—the next generation systemic and agency reforms are intended to link the Strategic Direction more closely to the performance of the public sector, and includes a new civil service law, slated for 2012, as well as a national framework for monitoring agency reform.

The reform experiences are subsequently examined in conjunction with the political economy context of the country.

In this paper, we posit that a fourth wave of reform, Open Government (**quasi-markets**) can result from critical links that Indonesia might draw to align the public sector efficiencies it has pursued so far with social accountability and usefulness thereof of reforms to citizens through the recent Open Government Partnership and initiatives.

First wave of reform: post crisis responses

Indonesia was hit hard during the Asian financial crisis in 1997, GDP plummeted by 13%, the IDR lost 80% of its value almost wiping out the middle class. The country was mired in a deep recession. The economic crisis exacerbated separatist tensions and precipitated mass protests demanding a government free from corruption, collusion and nepotism (*korupsi, kolusi, nepotisme* or KKN), which was seen as one of the main causes of the crisis (World Bank, 2009). The crisis resulted in the fall of the authoritarian President Soeharto in May 1998 and Indonesia embarked on what has become widely known as the *era reformasi*, targeting governance reforms in areas such as the constitution, the judiciary, public financial management, and the devolution of power through decentralization in 2001. Although popular pressure served to slay the head, curiously, the body continued to be sustained by the entrenched political and financial elite, in contrast to comparable countries in Eastern Europe, contributing to a slow pace of reforms,

Politically the country shifted dramatically from a ‘command-and-control’ paradigm through a ‘big-bang’ decentralization and devolution in 2001. As the World Bank (2009) concluded, Indonesia went from “being one of the most centralized countries in the world in administrative, fiscal and political terms, to one of the most decentralized”. Consequently, the administration was expected to transform from a very centralized, hierarchical quasi-military tradition toward a more devolved and transparent institution (ADB 2004). Powerful state owned enterprises, such as the national oil company (PT Pertamina), the state telecom (PT Telkom) and commercial banks like Mandiri, were also required to start operating on a more market-oriented basis to counter the fundamental public and corporate governance weaknesses that were among the structural causes of the crisis. The geographically dispersed nation of 17,600 islands remained a unitary state, but devolved considerable powers to the sub-national level, as well as abruptly transferring 2.8 million civil servants from the central to local authorities administratively (not physically) with the aim of countering social and political issues of separatism brought about by the economic crisis.

Innovation mushroomed quietly within a number of sub-national governments, reflecting the paradigm of ‘quasi-markets’ wherein government ‘put users...and customers... in the driving seat’ (Barber 2007 p.337). Thus, to name a few, the municipality of Solok provided a one-stop-shop for various services to the public; the local government of Jember embarked on a fee-free school system for the public; and Sragen established a citizen friendly e-government system of public services.

Meanwhile, at the central government level, in 2002 the Ministry of Foreign Affairs commenced an organization, staffing and career management reform and the Ministry of Finance undertook radical reforms to comply with IMF demands, passing three financial laws between 2003 and 2004. In 2006, Sri Mulyani introduced its Bureaucracy Reform Initiative to support ongoing Public Financial Management reforms. The focus was on reforming organizational structures and procedures, HR policies and practices coupled with an extensive modernization program including widespread organizational reforms and the introduction of Information and Communications Technologies (ICTs).

This phase of reform at the Ministry of Finance was considered to be relatively successful. Jobs were weighed, competence was factored in and remuneration was increased to market levels. Personnel expenses at the Ministry increased by around 250 percent in 2008 (although part of this was due to accounting for funds of other agencies), while in the Supreme Audit Agency (BPK) personnel expenses rose by 130 percent and in Supreme Court by 110 percent, partly as a result of the new performance allowances. If the remuneration restructure was coupled with fit and proper tests, not only to fill in the vacant positions but also to evaluate the incumbent officials, the intended institutional reform goals might have been achieved. However, in the end, the remuneration reform

that was aimed to justly and fairly reward jobs and positions somehow became the definition and goal of reform rather than the performance outcomes or the agencies themselves.

Second wave: the spreading of reform

Nonetheless, bureaucracy reforms were viewed as slow and lagging behind reform initiatives such as electoral reform and constitutional reform. Incidents of corruption were still widespread, while a tortuous process for business approval also discouraged much-needed investments. Reforming bureaucracy thus became a crucial issue in the pursuit of sustaining democratic reforms, thereby driving the need for a nationally driven and centrally coordinated process.

In the second term of President Susilo Bambang Yudoyono (2009-2014), bureaucracy reform became the first priority of the Long-term National Development Plan (RPJP) 2010-2025. In December 2010, a Grand Design with a 15 year timeframe for rolling out National Bureaucracy Reform was decreed by the President, and a Road Map, was signed by the Minister for State Administration, changing even the name of the ministry to incorporate the spirit of reform. Thus was born the Ministry of State Apparatus and Bureaucracy Reform (KemenPAN & RB). The approach was seen as a necessary response to the urgency of spreading the reforms across all seventy six ministries and agencies. However, the approach had certain limitations, namely:

- Arguably, the rise of and unreformed KemenPAN & RB, protracted the command-and-control approach to reforms. Reform procedures and processes required by KemenPAN & RB placed an emphasis on compliance, hence adding further layers of bureaucracy, a phenomenon contrary to the mandate of reform.
- The reform initiative commanded nationally may have increased awareness of the need for reforming bureaucracy. However, core functions to support reform, namely, strategic direction; performance management; and support to build capacity, capability and culture were lacking.
- Absent clear institutional and governance frameworks, execution was divorced from strategy and complex decisions floundered in the bog of uncertainty. One of the most contentious issues from an institutional and governance perspective remained the role of KemenPAN & RB in directing reforms and the issue of a peer agency perceived to be controlling reform. The role of President's Delivery Unit (UKP4) has been thrown into focus, specifically, the question: to whom are agencies are accountable, for delivering reforms.
- Performance and accountability mechanisms for carrying out reforms were lacking. Firstly, remuneration as an incentive for reform was not linked to productivity and performance. Secondly, there was no mechanism to measure the impact and outcomes of reform. Thirdly, without transparency, citizens are unable to follow or comment on reform outcomes.

Overall, the civil service has been suffering from a shortage of skills and capacity to make the reforms work; to make matters worse, where skills are available, they are often mismatched to jobs or stifled by the regulations. Reforming agency leaders reported that the culture of reforms was ineffective owing to the laws and regulations that served to hamper innovation and risk taking. To address these constraints, the parliament initiated a draft Civil Service Law aimed at modernizing the civil service system, shifting from an archaic personnel administration approach to a strategic approach of managing the civil service. The new law would enable recruitment of professionals to executive positions should recruiting ministries be unable to find suitable and competent candidates within the civil service ranks. The new law is also aimed at facilitating what Barber called capacity, capability and culture to support reform.

Third wave of reform: looking to move beyond 'remunerasi' to wider 'reformasi'

Towards the end of 2011, the government was under increasing pressure to perform better. With the end of the second term of the incumbent President drawing closer, in 2014, issues surrounding underperforming ministries and agencies have continued to surface in the midst of what some see as a stagnating reform effort. While national budget execution rates have remained low

throughout the year, particularly for important capital spending, in July 2011, UKP4 produced an internal evaluation, which was widely reported, of cabinet performance that concluded that less than 50 percent of President's instructions had been carried out. In addition, the approval process of the draft new civil service law had stalled as the government, in this case KemenPAN & RB, had delayed the submission of the issues paper, the Daftar Inventarisasi Masalah (DIM), to the parliament.

Despite the lack of tangible progress with regard to public services performance, the new performance allowances continued to be rolled out across the national government. Between 2008 and 2011, sixteen Ministries/Agencies had been approved and obtained the new performance allowances based on the promise of future reform; the stated target for all central institutions is 2014, and for all local institutions, 2025. While important progress had been made in several agency specific reforms, much less had been achieved with regard to the systemic reforms and there was no central monitoring and evaluation process in place to ensure that the new allowances would result in better performance. Without some demonstrable improvements in the performance of the public sector there was a growing risk that the reforms would lose credibility, being associated only with increasing the pay of civil servants.

In October 2011, the President announced a cabinet reshuffle marking the replacement of the Minister for KemenPAN & RB, and the appointment of a Vice Minister, a new position in the ministry. This action appears to have been aimed at rejuvenating strategic leadership and direction for the reforms. As a result, discussion of the draft civil service law subsequently recommenced, and was tabled in the parliament. At the same time, a set of reform initiatives were ongoing within KemenPAN & RB as reflected in the following:

- i. Open selection and recruitment in January 2012 for senior positions, a practice aspired to in the new law, and the first time this approach was followed in the ministry.
- ii. A new monitoring and evaluation system for all seventy six Ministries and Agencies and across government (see Table 1). Performance indicators and targets are being set for 2014 both for the Government as a whole and for individual institutions, to capture the main elements of reform. This is backed by a transparent online self-assessment system for all institutions that will be managed and overseen by KemenPAN & RB.

Table 1: Setting performance indicators and targets for bureaucracy reform

Objectives	Key Performance Indicators	Base line (2009)	Target (2014)	
To realize an administration that is free from corruption, collusion and nepotism	Corruption Perception Index (CPI)	2.8	5.0	
	Government Supreme Audit Institution (BPK) Opinion (Unqualified Opinion)	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%	

Source: KemenPAN & RB website (www.menpan.go.id)

The President also announced that 2012 was to be the 'Year of Performance and Achievement'. Each Ministry and Agency could have a supervision arm of UKP4 embodied in their Inspectorate (internal audit) function to oversee and monitor bureaucracy reforms.

4. DISCUSSION

Reforms continue to be fettered by a ‘Command and Control’ Framework

With many moving parts in motion, reforms in Indonesia may well be at risk of stagnating or worse, going backward. While the reforms have given rise to islands of excellence, agency based reform can only take the state so far, as long as national policies and regulatory frameworks remain unreformed. Fragmented administrative reform efforts results in apparatus that are more complex and render accountability more obscure (Olsen 1988). Furthermore, KemenPAN & RB, a key coordinating institution for bureaucracy reform, albeit arguably a relic of the former governance framework, remains largely entrenched in the C&C paradigm despite its new leadership, and has thus far proven to be more of an obstacle for further reform.

Performance: Administrative reform in the country is complex and multifaceted, marked by changing structures though with increased attention being paid to improving performance. This impacts accountability practices that encourage greater autonomy such as relaxing rules about the mix of inputs, devolving authority to managers, increasing discretion and encouraging entrepreneurial behavior to be more responsive to ‘client’ (stakeholder and citizen) needs. One question is whether reforms promising greater autonomy are aligned with accountability mechanisms. ‘If management reform rhetoric emphasizes employee discretion and autonomy, but performance reviews emphasize rules and processes, then employees will emphasize rules and process in their work efforts. This same dynamic applies at the corporate level also’ (Romzek 2000). In the Indonesian context, KemenPAN & RB, being in essence a rules and process driven organization driving reforms, cannot then be expected to provide autonomy for agencies to pursue reforms with first reforming itself.

The Indonesian case shows us that it has proven hard to link performance to results or outcomes. As highlighted above, the new monitoring and evaluation system for measuring the performance of agencies is only latterly being introduced, sometime after the award of ‘performance’ pay increases for personnel that largely rewarded the promises of agencies to improve performance. Personal performance appraisal systems have also been introduced as part of the bureaucracy reform, with new Key Performance Indicators (KPIs) for agencies and senior staff. However, the system has been criticized as being overly complex, rigid and centralized with 360 performance appraisals sometimes proving to be an effective means of sweeping out the good performers from the agency. Disciplinary action is centralized and managers do not have authority to penalize poor performing staff.

In addition, while a new performance budgeting system has recently been introduced, with a complex array of over 6,400 nonfinancial performance indicators being introduced for around 500 programs, the so-called ‘rewards and punishment’ framework introduced in 2012 has yet to demonstrate that it will adequately be linked to, or promote, better outcomes. Too rigid an application of complex performance schemes risks entrenching a new set of top-down compliance tools. There is thus the danger that the central authorities will use this information selectively to enforce compliance, rather than to encourage a more devolved model of performance, i.e. it will be another stick with which to discipline managers.

For now, many of the agencies that are tasked to oversee the delivery of government priorities are more focused on the more basic problems the Government has with the disbursement of budget funds for programs, as a proxy indicator of performance. For example, the planning ministry, Bappenas, monitors the disbursement of financing for the Statistical Agency’s capacity building program, as a measure of performance, compared to any outcomes that have been met. UKP4, and the Ministry of Finance also closely measure disbursement rates for programs, in deference to more complex measures of whether the funds spent are effective in improving the delivery of public services. As in many other emerging economies, the availability of financing is not the key barrier for improving public services; it is absorptive capacity, and the ability effectively utilize financing to achieve desired outcomes. However, in the short-term at least you are likely to get more of what is measured and perhaps less of what is wanted.

The Indonesia case is a reminder that linking performance to results in the public sector is still a work very much in progress and incentives for public management reform are yet to be effectively tied to productivity or performance. While a remuneration scheme for implementing the reforms was helpful early on, to overcome some large pay differentials and spur some general reforms, the question remains whether a 'pay for promises' scheme will continue to help or risk becoming a hindrance whilst the C&C model (hopefully) gives way.

Capability Capacity and Culture: At the core of reforms is the ability to attract, select, retain, onboard, develop, coach, redeploy, reward and exit staff. As Nunberg (2002) observed (in a study of Indonesia and four other Asian countries), human resource management in civil service is an issue: 'Civil services were reasonably competent and meritocratic, but they were running on automatic pilot, often conflating status with seniority and minimizing the role of performance in motivating staff. With many of the strengths of the rule-based, "mandarin" Weberian model, these administrations also had weaknesses'. In a comparative study of civil service capacity in five countries in Asia, (Nunberg 2002) observes that Indonesia is assessed at the lower level capacity and capability when compared to high performers like Korea and Malaysia, and medium performers, Philippines and Thailand. High performers have successfully shifted from a relatively rules based merit practice to a more performance oriented practice. One of the two complaints that Fuller (2011) repeatedly heard about Indonesia, 'that central government produced many plans but little action, and that an "archaic" education system had led to a crisis in human capital'.

The Indonesian case shows us that the civil service is able to attract and select high caliber staff. The Foreign Service for instance has an ISO certification in recruitment. Following recruitment, in the first year of training and onboarding, deficiencies in human resource management start to surface. Positions and remuneration are based on rank and job content, while responsibilities remain undefined (Nunberg 2002). The best and the brightest fail to be matched to the right jobs. There is currently a move to develop competencies, however, jobs depth and indicator of competencies are not well defined, thus stunting the ability to effectively link competencies to talent management functions such as learning, career development, performance management, recruitment and workforce planning.

Human resource management systems are yet to be integrated and logically developed based on process models such as the employment life cycle. Bureaucracy reform efforts also show a lack of focus on the employment life cycle process and results focused management. Efforts focus instead on "workload analysis", unfortunately linked to incumbents in the job, and not to future-state 'government-to-citizen' processes, positions, competencies and jobs. The former initiatives lead rather to efforts to protect the territory of incumbents. To align internal process streamlining efforts with social accountability measures, bureaucracy reform initiatives would do well to focus on achieving the outcomes of government process reengineering, eliminating non-value added internal activities, and recommending an appropriate level of skills and staffing required for desired outcomes.

'Span of control' poses a peculiar issue for accountability practices that emphasize a process rather than a performance focus, as previously established in this paper. Administrative laws mandate the formation of uniform military style structures including four layers of management— echelon 1, 2, 3 and 4 - between entry level and the top, bloating the organization and creating opportunities for dysfunctional performance (Fuller 2011). Decentralization of government institutions has further bloated management structures which are replicated at the subnational level. Lack of flexibility in organizational design is exacerbated by the role of KemenPAN &RB in controlling organizational design through mandatory political and legal frameworks. To transform organizations, government agencies will need to take into consideration a holistic approach to process analysis, skills, staffing, competencies, jobs and positions to develop organizational designs that afford a nimble and high performing workforce. The Indonesian government would do well to deregulate organizational design, a practice that has dealt a crippling blow to more effectively managing accountability and decision authority for reforms.

A culture of camaraderie and consensus based decision making has resulted in an inability to make tough decisions. Managers may benefit from training that emphasizes the use of judgment within an analytical framework for complex decision making. The central training agency (LAN) has a nine month offsite program for leadership training for managers slated to move from echelon 2 to echelon 1. However, the course has been criticized as entrenching old practices and serving to

intensify the system of patronage, *'baparjakat'*, rather than promoting modern flexible, responsive, performance orientated leadership. It will be crucial to rethink the role of LAN in assisting with the reforms, rather than reinforcing the old order. Importantly Indonesia has to address the need for developing world class leaders and managers who can face external and internal challenges, the impact of globalization and rapid technological changes that are driving a new socio-political environment.

The new civil service law is silent on the integration of three (3) key but fragmented agencies that manage various elements of human resource management – BKN (Civil Service Administration Agency), LAN (National Institute of Public Administration) and KemenPAN & RB – while the opportunity rests to merge BKN into a restructured KeMenPAN & RB with a more strategic role and mandate. A new and restructured LAN must step up to the plate, collaborating with international networks of National Institutes of Public Administration to deliver world class leadership programs. Ultimately, while the new civil service law has the support of the parliament, it has yet to be realized; failing which the threat of a critical deadlock looms, a crisis that diverts leadership attention.

Strategic Direction: Unless the senior leadership publicly set, and continually reinforce, the strategic direction for the shift to a more devolved, transparent and market oriented system, there is always the risk of the control model reasserting itself. Although reforms rose from grassroots at the sub-national level in a democratic and decentralized Indonesia, and in specific central ministries, the vestiges of the C&C model of reforms and oversight have remained stubbornly in place. Even now, parts of KemenPAN & RB continue to impose a tight grip over agencies that want to reform, for example by needing to approve organizational restructuring, thus hindering the pace of change. In addition, some of the agencies which initiated reforms are now engaged in centralizing systems and power structures; LKPP (the agency in charge of procurement policies) plans to mandate a single e-procurement system whereas functioning systems already exist in many of the other agencies; BPK (the Supreme Audit Board) plans to centralize audit systems and functions across agencies and ministries.

The country may need to rethink the sequencing of reforms; first reforming the reformers. Time is running out on the opportunity to rethink the role of key ministries such as KemenPAN & RB to unstick reform efforts in other ministries. KemenPAN & RB may be better positioned to enable reforms through a consultative, coordinative approach (rather than a directive one), where it serves in the model of a 'management consultancy' for other ministries, channeling expertise and knowledge of public sector reforms, rather than retaining a firm grip reminiscent of its Soeharto-era C&C model.

One of the criticisms of the reforms is that it is a contained process, run by a group of people participating in the reforms. Citizens don't see the benefits of the reform. The question arises as to whom government is for. Technology is shifting boundaries particularly in public spaces, so it is possible to redraw the lines and see how far reforms can or should go. Increased pressure from non-traditional stakeholders in the reform process can help push the envelope further. The new Open Government Partnership (OGP) initiatives will provide a critical basis for aligning current reform efforts aimed at achieving internal efficiencies to greater social and political accountability, paving the way for a fourth wave of reforms, emphasizing D&T and quasi-markets.

Is Indonesia is Arching toward Devolution and Transparency and Quasi-Markets?

'There are no lies, you cannot hide anymore,' counsels the Head of the President's Delivery Unit, Kuntoro Mangkusubroto, as he urges the public sector to be a more 'relevant' performer in a rapidly globalizing world, where technological innovations are driving greater public participation in governance, particularly meaningful in a geographically and ethnically dispersed country such as Indonesia. The D&T space is demand driven. Public expectations and attitudes are changing in an age where books are bought online and delivered instantly, whereas red tape and interminably long turnaround times remain the norm for public services. Information is pursued relentlessly by frenzied media actors. Social configurations are seeing greater women's empowerment and the declining dominance of the traditional family form (Taylor 2006) (Mangkusubroto 2011).

In Indonesia, the D&T stimulus has made way for the birth of Access to Public Information Law, which then launched Indonesia as one of eight founding member countries of a global

movement for Open Government Partnership (OGP). The OGP signals a new wave of change and opportunities for public participation and empowerment, underscored by better use and dissemination of data, to improve public services, increase public integrity and more effectively manage public resources.

The D&T space provides room for being opportunistic and taking advantage of the shifting nature of the state to be more innovative. At the local level, decentralization reforms originated in 2001, appreciably earlier than those initiated from the centre. In 2006, the Minister of Finance, Sri Mulyani Indrawati, used the reform space to be innovative by introducing new procedures and technologies, paving the way for other ministries. In 2011, the Indonesian Statistical Agency (BPS) kicked off far reaching reforms for its transformation to a knowledge and citizen focus. Agus Martowardojo, the current Minister of Finance announced that the key issue for budgets in 2012 is transparency. Table 2 provides an illustration of the subtle shift in the Indonesia context, indicating that the country might be swinging towards D&T and quasi-markets:

Table 2: Shifting Nature of the Indonesian State – From Command and Control to Devolution and Transparency

From Command & Control	To Devolution & Transparency	In the Indonesian Context
Centralized Government	Open Government	Decentralization, local government and public participation
Ministry of Finance	Open Budgeting	Greater Transparency of fiscal reports, e-filing and payment systems to combat corruption and more efficiently process transactions like tax payments, the introduction of performance budgeting with great autonomy over inputs for program managers in return for greater accountability for outcomes
Civil Service	Open Recruitment	Open movement across Agencies/Ministries, new Civil Service Law (ASN)
Central Statistical Agency	Open Data	Open data shift from producer based official statistics to relevant citizen centered statistics.

Source: Authors

5. ANALYSIS

The Indonesian reform experience is analyzed under two main evidences: 1) the extent to which features of the political economy environment relates to some predictive power of reforms that are likely to work; and 2) the extent to which reform can successfully address functional problems (service delivery to citizens, social and political accountability)

Political economy environment and the predictive power of reforms

The Indonesian case demonstrates the political economy environment and public sector reform are closely linked. The economic recession that spiraled into socio-political crisis provided the impetus for a large scale reform in the form of decentralization of power to sub-national government and the move to eradicate corruption in bureaucracy. The political economy environment of the re-elected president provided momentum for a second large scale initiative aimed at reforming public services. Similarly but somewhat with different political motives, the government in seeking legitimacy for continued power has used the vigor of reform to reaffirm itself by reshuffling the cabinet and revamping the KemenPAN & RB. We see that although vestiges of the C&C paradigm has facilitated a prominent and large scale reform effort, the implementation of reforms has lagged far behind, absent an environment of devolution and transparency to catalyze innovation and risk taking at the institutional level.

However, the Indonesian case also demonstrates that political economy environment alone is insufficient to predict the likely success of the reform. Indeed, as it can be seen, the sustainability of reform is hard fought. There is a need for continuous re-evaluation of the political economy environment; the Indonesian case demonstrates that these very exercises are in tandem with much needed re-invigoration of the reform movement. In an exceptional scenario, where efforts in government to link performance and accountabilities to results, and meaningful citizen engagement fail, Indonesia will return to a C&C state and a civil service that does not deliver.

Functional spheres in reform: Can next-generation technologies drive greater social and political accountability for public management reforms?

According to Cheung (2005), two public management reform models are found to have impacted Asian institutional reforms, the managerially driven New Public Management (NPM) and the socially driven 'good governance'. The issue is that NPM has long been derided as a useful model to follow, having little to offer that is appropriate for politicized public sector institutional change in developing countries (Manning 2001). NPM calls for 'reinventing government' to become more business-like and entrepreneurial (Osborne and Gaebler 1992), in keeping with scientific management theories prevalent in the United States. Even Great Britain with its civil service tradition called for business-like management, client-orientated and 'market-like' competition in official policy (Kickert 1997). Lynn Jr. (2001) argues that the Traditional Public Administration paradigm routinely attributed to literature starting from Woodrow Wilson's famous 1887 lecture, to the works of Frederick Taylor, Max Weber, and Luther Gulick, to Frank J. Goodnow, Leonard D. White, and W. F. Willoughby, exhibited far more respect for law, politics, citizens, and values than the new, customer-oriented managerialism of NPM and its variants. Indeed, we observe that in the Indonesian case, public management reforms have thus far focused on the NPM model, striving for internal efficiencies in government.

Kickert argued that 'public governance has a broader meaning than the usual restricted business-like, market-oriented interpretation of the concept of 'management', and the interaction between the political and societal context plays a crucial role' (1997). The challenge is that Southeast Asian developing states in particular are marked by "post colonial (also post-military) regimes, with a strong bureaucratic state. State capacity is largely dependent on regime control over economy and society; bureaucratic modernization and efficiency improvement; and better subservience to political control (Cheung, 2005)."

Post NPM, as development agencies and others rethink their approach to public sector reform, a new Digital-Era Governance (DEG) has emerged highlighting the central role that information technology, next generation internet and the web plays in the organization of public services as business processes delivered to citizens. DEG involves 'reintegrating functions into the governmental sphere (where NPM separated elements into discrete corporate hierarchies, putting the burden onto citizens to integrate the pieces together), adopting holistic and needs-oriented structures (where end to end process reengineering enables a more agile and nimble government), and progressing digitalization of administrative processes (where digital channels become a primary rather than a supplementary channel for operations)' (Dunleavy et al. 2006).

The Indonesian case shows that reform in the central government, under a Grand Design, has proved to be problematic. While the chief objective of reform is improved service to the public, agencies at the national level find it difficult to formulate how this objective can be achieved. They maintain a technocratic bias, being too internal in their approach, and not sufficiently linking to service delivery to citizens or a social and political accountability framework (Global Expert Team 2011). Elsewhere, such as in the UK, for example, reforms are largely formulated at the sectoral level, such as for education or health, which may include the work across a number of departments and across levels (central and local); the emphasis is on the end results, i.e., service to the citizens. The emphasis on reforming each single ministry, and separately, on each local government by 2012 does bring a question on the level of achievement at the functional areas as opposed to reform by a sectoral approach. The Indonesian case demonstrates that the civil service has been lacking in 'the

attributes needed to adjust to rising demands for citizen accountability and quality service provision...(in) the post-crisis environment.’(Nunberg 2002). In comparison to the central government, and perhaps because of their more limited mandate and proximity to the user, sub-national governments were sometimes relatively more successful in improving service delivery to citizens as shown by the examples of Solo, Sragen and Jembara in Indonesia.

Indeed, our findings are consistent with research by the Monitor Group which shows that ‘a high-performance government institution has eight key drivers of performance that can be grouped into three pillars: (1) **Internal effectiveness** driven by the quality of the human capital in the institution, how this human capital is structured and motivated, and the resources deployed to support it, (2) **Alignment** represented by the quality of leadership, robustness of strategy and how these factors are translated into the overall culture of the institution driving its people to higher performance, (3) **External impact** expressed by the way that the institution engages with its main stakeholders, especially the community it serves, the citizens, other government institutions, the politicians and government agents that have decision-making powers over this institution, as well as its suppliers and collaborators.’ (Fuller 2011)

The above is similar with the framework that we have used in this paper, emphasizing the need for strategic direction (alignment), performance management, capacity, capability and culture (internal effectiveness), and the move toward a framework of devolution, transparency and quasi-markets (to ensure external impact).

CONCLUSION

“The central challenges Indonesia faces today in realizing its development agenda are all, in one form or another, of an institutional nature in that they entail furthering Indonesia’s as yet incomplete governance transition by improving the effectiveness of public institutions and processes through longer-term institutional and process transformations. Put another way, financing is not the only or even the main challenge Indonesia faces. Spending better, rather than simply spending more...”.

(World Bank, 2009)

Similar to many other emerging countries undergoing rapid economic and political transition, Indonesia highlights the challenges of moving a public administration from a rigid C&C paradigm toward a more modern, devolved and transparent system, which also supports more quasi-market relationships. Although the pace of Indonesia’s reforms is encouraging, it is still slower than the pace of economic and technological change, while it has not yet caught up with the rapid political devolution. This has resulted in the growing frustration with the pace of administrative reform and performance of the public sector. The reforms have also been hampered by the vestiges of tight central controls and unnecessary regulation that has outlived its usefulness.

It is important for the leadership to set, and to periodically reaffirm, the Strategic Direction of the reforms as well as to actively promote measures to enhance the capacity and capabilities that will enable reformers and introduce more performance orientated management. Consequently, providing the political space for the early movers has been important to demonstrate the potential benefits of reform, and for piloting new approaches, while also addressing the systemic constraints, such as the civil service law, over the longer-term.

However, Indonesia also highlights that some of the resistance to next generation accountability paradigms and the lack of capacity to promote change management is likely to come from those same institutions that may be functionally tasked with overseeing the reforms; hence, highlighting the need and challenges to ‘reform the reformers’ at a relatively early stage of the reforms. This involves ensuring that they have the leadership that supports the reform’s strategic direction, as well as internally building capacity, culture and performance management systems that will promote transformation away from the prevailing C&C paradigm.

Lastly, mainstreaming the use of new technologies (ICTs) for citizen and stakeholder engagement, and business process transformation in government reform efforts can help to provide a

break point from past practices to accelerate the move toward more transparent, efficient and effective public services. Based on greater demands for transparency, and the increasing use of technologies for social accountability (Indonesia, is one of the largest Twitter and Facebook nations in the world) rapid diffusion of new technologies in the public sector could prove a catalyst for much needed performance and governance improvements.

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