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INDONESIAN GENERAL GUIDELINES FOR PUBLIC SECTOR GOVERNANCE (PUGSPI)

Coordinating Ministry for Economic Affairs
National Committee on Governance Policy 2022

INDONESIAN GENERAL GUIDELINES FOR PUBLIC SECTOR GOVERNANCE (PUG-SPI)

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FOREWORD

COORDINATING MINISTER FOR ECONOMIC AFFAIRS

Various empirical literature has emphasized the importance of good governance in running an organization, including public sector organizations. The application of good public sector governance principles plays an important role in establishing public sector organizations that are committed to providing services to the community and other stakeholders, by engaging the community in formulating government policies, and developing superior policies for public interest, as well as achieving development goals.

However, the World Economic Forum through an assessment of the Global Competitiveness Index identified that many developing countries still have institutional weaknesses, such as lack of transparency and ethics, supervision, as well as good governance. The World Bank also made the same observation, through the Worldwide Governance Index, indicating that developing countries' institutional achievements in general are relatively far below those of developed countries, among others in the aspects of corruption eradication, government effectiveness, and regulatory quality.

By implementing the Indonesian General Guidelines for Public Sector Governance (PUGSPI), it is expected that Public Sector Organizations in Indonesia can improve their quality and performance, by creating an innovative, dynamic, and service-oriented, as well as sustainable public sector environment. PUGSPI will enhance the implementation of the Bureaucratic Reform program which is committed and mandated by President Jokowi. This PUGSPI was not only developed by identifying the institutional environment in Indonesia, but also reflecting governance practices in various countries.

I express my highest appreciation to the National Committee for Governance Policy (KNKG), which has updated this PUGSPI so that it is in line with public sector governance developments and practices at the international level. This PUGSPI should serve as a reference for public sector organizations in Indonesia in preparing, implementing, and evaluating their policies, in addition to surely being required to comply with the applicable laws and regulations in Indonesia. This PUGSPI is also expected to help public sector organizations to provide maximum services to the community at large.

Jakarta, 17 February 2022
Coordinating Minister for Economic Affairs,

A handwritten signature in black ink, appearing to read 'Airlangga Hartarto', with a long horizontal stroke extending to the left.

Airlangga Hartarto

FOREWORD

GENERAL CHAIRPERSON OF THE NATIONAL COMMITTEE ON GOVERNANCE POLICY

A governance guideline is not only needed in the private sector but also in various sectors, such as the public sector which also needs governance guidelines in addition to the applicable laws and regulations. It is expected that good governance is able to help organizations to improve their performance, including public sector organizations. Good public sector governance practices are extremely important to strengthen the accountability to various stakeholders and encourage the improvement in organizational performance. Therefore, a general governance guideline for public sector organizations in Indonesia (PUGSPI) is badly needed. It is expected that this 2022 PUGSPI will help public sector organizations to improve their governance frameworks, processes, and practices with global standards while being based on conditions in Indonesia in order to improve welfare, realize social justice for all people, and achieve sustainable value creation for public sector organizations in the long term.

The 2022 PUGSPI constitutes an update on the draft General Guidelines for Public Sector Governance created in 2019. It is expected that PUGSPI will become one of the important references for every public sector organization in running its organization especially in relation to public policy making and implementation. These guidelines were prepared using a principle-based approach so that it is expected that it can be applied or adapted in more detail to a various types of public sector organizations. Public sector organizations can adopt governance practices that suit their needs, implementing practices by taking into account the environment in which the public sector organizations operates, size and complexity, as well as the nature of the risks and challenges they face.

Revisions to the 2019 PUGSPI include the inclusion of the latest developments related to the public sector governance, such as discussions related to public sector collaboration processes, digital government, political governance, governance instruments, multi-level governance and joint outcomes. The 2022 PUGSPI also addresses several important issues in the public sector such as the whistleblowing system, handling of gratification, bribery, conflict of interest, and abuse of authority.

In addition, the development and preparation of the 2022 PUGSPI refer to the public sector governance guidelines in many countries, including among others Public Sector Governance Framework, Processes and Practices (Australia), Corporate Governance in Central Government Departments: Code of Good Practice (United Kingdom), and Governance at the European Commission (Europe). Furthermore, the definitions of terms used in PUGSPI refer to the definitions of terms in applicable laws and regulations in Indonesia.

The 2022 PUGSPI in general consists of thirteen basic values, namely: leadership, ethics and honesty, supremacy of law, transparency, independence, accountability, mandate, service-oriented, competent, harmonious, loyal, adaptive, and collaborative. Moreover, PUGSPI has six basic elements, namely: promoting public sector governance, building relationships with stakeholders, strengthening external accountability, increasing internal responsibility, implementing effective risk management, as well as political governance and community's role strengthening.

PUGSPI's basic values and elements are supported with three pillars of public sector governance, namely: policy planning; policy implementation; as well as performance, policy and governance monitoring and evaluation. The reflection of the three pillars in the Indonesian public sector governance principles will encourage the creation of public sector governance values in the long term. All of them are summarized in the framework of the Indonesian house of public sector governance.

The 2022 PUGSPI's preparation process has undergone some relatively long preparation stages, beginning at the end of July 2021. PUGSPI has undergone some focus group discussions (FGD) with the expert council. PUGSPI also received written input from several figures and the expert council such as Laode Muhammad Syarif and Sumiyati. In the limited hearing, PUGSPI received verbal and written input from several parties, including the Ministry of National Development Planning (Bappenas), Ministry of Finance, Ministry of Home Affairs, Corruption Eradication Commission (KPK), Ombudsman, Association of Indonesia Provincial DPRD (ADPSI), Association of Indonesian City Governments (APEKSI), Indonesian Chamber of Commerce and Industry (KADIN), and Indonesian Employers Association (APINDO). On this occasion, KNKG expresses its gratitude to all parties who had provided input.

The preparation of the 2022 PUGSPI was carried out by Commission 1 which was formed by KNKG. On this occasion, KNKG conveys its gratitude and appreciation to Eko Prasjo as the Chairperson of the Commission and the members consisting of: Astera Primanto Bhakti, Erwan Agus Purwanto, Montty Girianna, and Sally Salamah; as well as the Expert Council consisting of Erry Riyana Hardjapamekas, Yunus Husein, and Sumiyati; with the Formulator, namely Vogy Gautama Buana-putra.

It is hoped that this 2022 PUGSPI will become a valuable and meaningful contribution to improving Indonesia's public sector governance.

Jakarta, 17 February 2022

National Committee on Governance Policy
General Chairperson



Mardiasmo

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CHAPTER 1 INTRODUCTION

1.1 Governance Theory

The theory that is quite dominant in explaining governance practices is the agency theory (Daily et al., 2003; Turnbull, 1997). The agency theory first introduced by Jensen and Meckling (1976), focuses on resolving the agency dilemma between management acting as an agent and a trustee (principal) to the agent. An agency dilemma occurs when the principal delegates its assets or power to another party (agent) to manage it. The agency theory basically assumes that the agent (manager) is a party who has its own interests and does not want to sacrifice those interests in order to accommodate the interests of the principal or trustee. On the other hand, the principal (shareholders) have an interest in always increasing their wealth/power (Daily et al., 2003). Therefore, the agency theory sees an organization or company as a contractual obligation indicating that the principal and agent should have an explicit contract that shows the agreements between the two parties. The agreements usually state that the agent must act in the interests of the principal in managing the principal's assets.

Under ideal circumstances, Turnbull (1997) believes that the agents (managers) should sign a contract that clearly states what a manager must do under any circumstances and how the organization's resources will be managed. However, the contract can cause potential issues because future events are uncertain contingencies, thus cannot be stated explicitly in the contract. As a result, the agent can act and make decisions opportunistically because they have not been regulated in the contract and can have an impact on the manager's reluctance to use the assets of the company or organization effectively (Tricker and Tricker, 2015; Turnbull, 1997). Tricker and Tricker (2015) state that a lot of empirical evidence shows that managers manage companies or organizations as if the organizations are their property, taking remuneration which is not related to their performance, and abusing their position. This situation triggers the occurrence of an agency issue, namely conflicts between the agent and principal. Figure 1.1. illustrates the relationship between the principal and agent.

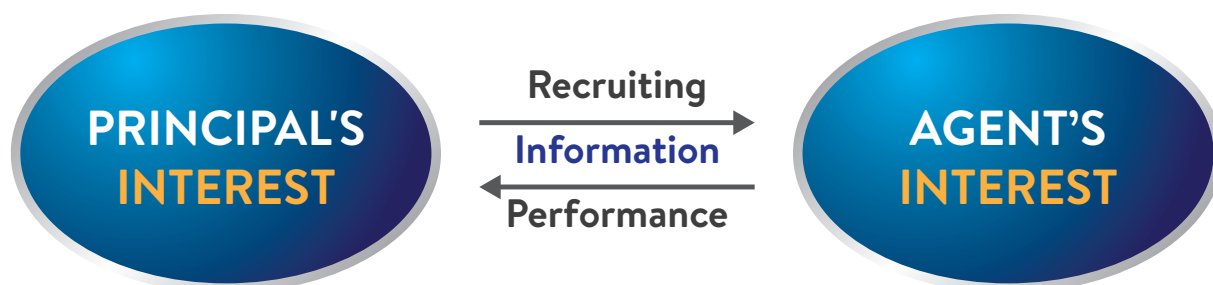


Figure 1.1. Relationship between the Principal and Agent

How to make agents or managers act in accordance with the interest of the principals or shareholders in companies? This can be overcome by implementing the good governance principles and mechanisms (Tricker and Tricker, 2015). It is expected the governance mechanisms are able to provide certainty that managers perform in accordance with principals' expectations. Walsh and Seward (1990) explain that shareholders as principals have two governance mechanisms, namely internal and external mechanisms. Internal mechanisms are an effectively structured board of directors, compensation, and concentrated ownership that enables active monitoring of activities carried out by agents or managers. The external mechanism is the market that functions as a means of corporate control if the internal mechanism does not function or fails. Internal mechanisms focus heavily on the role of independent directors (one-tier system) or board of commissioners (two-tier system) as a monitoring mechanism, and the existence of principles, rules, regulations and incentives for agents as the main components of governance to align agents' behavior with the principals' interest and to reduce the occurrence of information asymmetry. Figure 1.2. illustrates the governance mechanisms for monitoring and evaluating the behavior of organizational agents or executives.

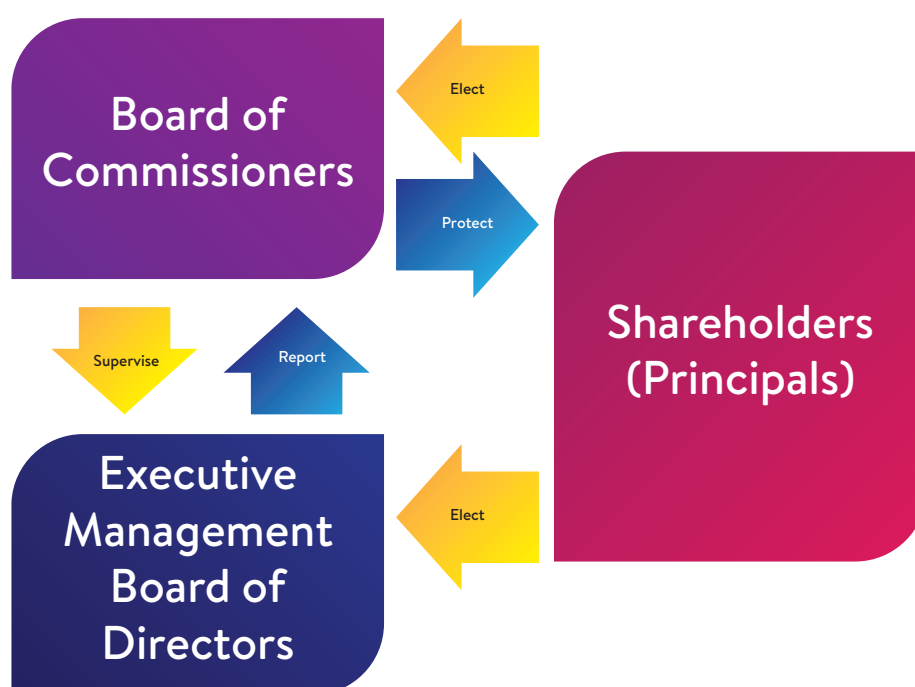


Figure 1.2. General Governance Mechanisms

1.2 Public Governance Based on the Agency Theory

Although the concept of governance as described above uses an illustration of a business organization, this concept can also be applied to other organizational contexts such as public organizations (Pierce Jr, 1989; Shapiro, 2005). A government can also be seen from the perspective of agency theory showing the relationship between the principal and agent (Pierce Jr, 1989). The executive acts as an agent who is given a mandate (elected) by the people, and the legislature acts as a mechanism for monitoring and balancing power within the government which is also elected by the community at large. Given this relationship, the people are principals who delegate their authority to the government (President) and council members (members of House of Representatives (DPR), Regional Board (DPD) and Regional Legislative Council (DPRD)) through general elections to regulate and manage public resources through state power.

The executive as an agent acts as government management which will be balanced by the legislative role as a representative of the community at large (Pierce Jr, 1989). The legislature takes the role of supervising the administration of government in the interest of the community at large, like the role of a board of commissioners in a company. This applies both at the central government and regional government levels. Figure 1.3. concisely describes the agency relationship between the government and people.

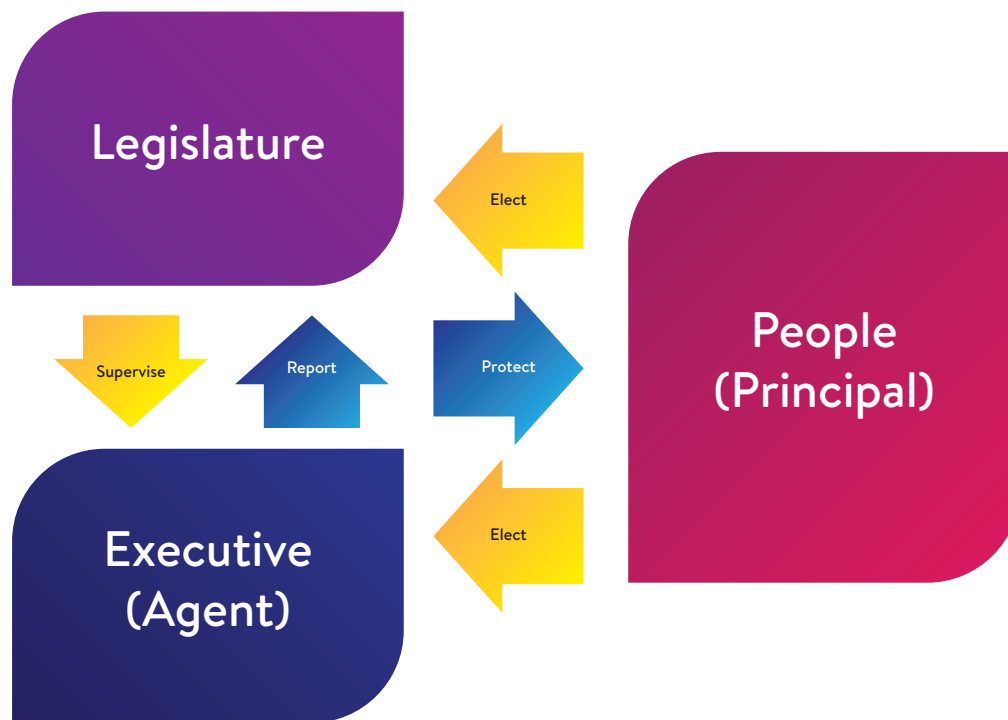


Figure 1.3. Agency Relationship in the Government

In the context of a state, the executive's power carries out the government functions, both related to policy making and its implementation. The legislature's role is highly important in balancing the executive power (Haque, 2001). The legislature must be able to ensure that the government is administered well by the executive as the community's agent aimed at providing public services and improving the welfare of the community (principal). In carrying out the supervisory function, the legislature also receives assistance in the form of supervisory and audit functions carried out by state institutions having audit power with professional authority and expertise, namely the Audit Board (BPK), and can also be assisted by independent institutions or public accountants. In addition to the legislature, the judicial power is also given a mandate by the 1945 Constitution to carry out the function of supervising legal norms and their implementation. The judicial power can even cancel legal products made by the legislative and executive power. The parties who contribute to monitoring the administration of government are the community as principals, including among others Non-Governmental Organizations (NGO), universities, and the media as a form of social control.

Similar to business organizations, an agency issues arise when there is an information gap between the people (principal) and the executive as the agent is given a mandate to manage public resources (Pierce Jr, 1989). If the governance system does not work well, then the agent can also act opportunistically to pursue their own interests, even personal interests. This is one

of the things that causes corruption cases to occur involving executive parties such as Ministers, Regional Heads, State Civil Apparatus (ASN) officials, Prosecutors and Police Officers, and even from the legislative circle such as members of DPR as well as judicial circles such as Judges. On the other hand, the legislature as one of the main components of public governance is also elected by the community and must be able to carry out its main duties and functions, namely as a government supervisor who upholds public interest. If infiltrated by personal interests, the legislature can also be trapped by opportunistic actions to fulfill their personal interests thus legislators can also be trapped in various corruption cases. Therefore, it is very important for any organization including public organizations to implement the governance principles and mechanisms well.

In addition, the phenomenon of governance in government organizations also has its own uniqueness. From one particular point of view, the executives are the agents. On the other hand, the executives can act as a principal when viewed from its relationship with ASN officials and State/Regional-Owned Enterprises (SOE/ROE). It can be seen as a double agency phenomenon. ASN officials obtain their authority from various laws and regulations through the principles of attribution, delegation and mandate. In this case, ASN officials are government agents. In SOE/ROE, the main shareholder is the government, while the company management acts as an agent. In this relationship, not only the agent can act opportunistically and abuse authority, but the principal can also act for certain political interest. The relationship between the Principal and Agent in the government is a relationship between politics and bureaucracy which often leads to imbalance and intervention. An abusive practice also usually involves partial political interference in government activities. Many empirical studies prove that government-owned enterprises are often infiltrated by political interest from various parties, including the government (Ashraf and Uddin, 2015; Uddin, 2009). Without good governance mechanisms, the government as the main owner of SOE/ROE can infiltrate the interest of certain individuals or groups into the enterprises so that the main role of SOE/ROE as one of the sources of state revenue can be disrupted.

Therefore, good governance principles and mechanisms are absolutely necessary to enable the government to work transparently and accountably thus it can accommodate the interest of the community at large by providing excellent public services and improving public welfare. It is expected that these Indonesian General Guidelines for Public Sector Governance are able to provide understanding and guidance for the implementation of governance in public institutions. These guidelines provide a comprehensive overview of the basic principles and mechanisms of governance developed from various up-to-date research in the field of governance, guidelines for public governance practices in developed countries, and applicable regulations in Indonesia.

Awareness of the importance of governance grew after the 1998-1999 global economic crisis which had a significant impact on some Asian countries, including Indonesia. The crisis has caused a decline in public welfare, which is reflected among others in a decrease in per capita income and an increase in the number of the poor. The government's efforts to improve economic conditions were not easy because at the same time, the government must also restore public trust.

A study analyzing the development of government efforts in Indonesia, Malaysia and Thailand shows that there are variations in trust in the government in these three countries related to public satisfaction with the implementation of basic governance values and government performance in overcoming corruption in the economic and political fields (Kim, 2017). Furthermore, the study concludes that the public sector needs to:

1. encourage the implementation of basic governance values in economic development and control of corruption to increase public trust;
2. have leadership competencies that are able to disseminate/socialize the vision and goals of governance and government performance to stakeholders; and
3. make innovations to build bureaucratic capacity in implementing economic development in a democratic and transparent manner.

This conclusion indicates that public sector governance is a necessity to build public trust in the government. The government's capacity to implement policies and programs will also build public trust. Without public trust, it will be difficult for the government to obtain support from market players and the business community, especially if this support is needed in difficult conditions in the short term or long-term achievements in realizing development goals. This support takes the form of among others participating in implementing economic reforms, compliance with paying taxes, and the desire to make investment.

Fulfilling public expectations along with increased transparency is the key to trust in the government (OECD, 2021a). The higher level of public education is directly proportional to expectations regarding the improvement in government performance. If these expectations are not fulfilled, the level of public trust will decrease and this may result in disruption of social structural cohesion and a decline in the business community's trust in the government (OECD, 2020).

In fact, public sector governance is still needed in developed countries, such as the United States. This was conveyed by Nobel Economics Winner Joseph E. Stiglitz in his latest book *People, Power, and Profits* published in 2019 stating the public sector governance ensures that the government will make fair and correct decisions (Stiglitz, 2019). 'Our systems of government, with its commitment to fair treatment of all, required ascertaining the truth. With systems of good governance in place, it is more likely that good and fair decisions are made. They may not be perfect, but it is more likely that they will be corrected when they are flawed'.

1.3 Definition and Scope of Public Sector Governance

An organization falls in the scope of public sector if it has the following characteristics: 1) all parts of the organization are formed by the state or government and obtain their authority from constitutional sources either directly or indirectly, 2) the majority of the organization's operations are funded by state financial sources, and 3) it is under the supervision of state or government institutions. Thereby, the public sector includes all organizations financed by state finances and carrying out public programs, either public services or provision of public goods, either development, government, or public services (including the provision of public goods and services). This guidebook does not specifically regulate the governance of State-Owned Enterprises (SOE), because specific guidelines for SOE governance will be developed

independently and separately from these guidelines.

Based on this definition, the scope of public sector in Indonesia includes high state institutions, government institutions both ministerial and non-ministerial, the Indonesian National Army (TNI), the National Police of the Republic of Indonesia (Polri), non-structural institutions (LNS), and Regional (Province, Regency and City) Government institutions. Specifically, the public sector becoming the subject of this guideline consists of High State Institutions and their ranks, Bank Indonesia, Central Government and Regional Government along with their ranks, the National Police of the Republic of Indonesia (Polri), and the Indonesian National Army (TNI); and Non-structural Institutions such as the General Election Commission (KPU), Indonesian Financial Transaction Reports and Analysis Center (PPATK), National Commission on Human Rights, National Commission for Children, National Commission for Women, Indonesia Competition Commission (KPPU), Indonesian Broadcasting Commission (KPI), and others.

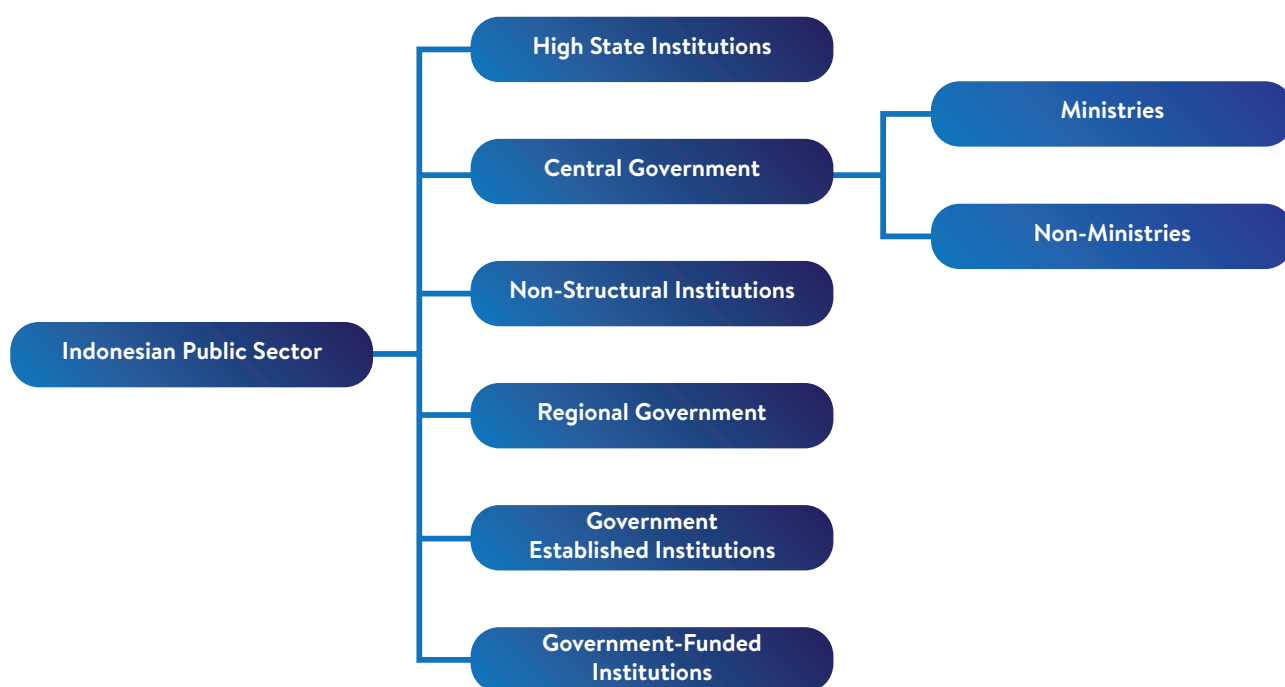


Figure 1.4. Indonesian Public Sector Structure

There are several definitions of public sector governance. The United Nations Development Programme (UNDP) defines public sector governance as the exercise of economic, political, and administrative authority to manage state affairs at every level including mechanisms, processes, institutions of the community and community groups in articulating their interest, exercising legal rights, performing their obligations, and mediating the differences (UNDP, 2011). The World Bank (2017) defines governance as a method of power that is exercised in managing political, economic, and social resources to achieve development goals. Therefore, public sector governance includes efficient, effective, economical, accountable public sector management, open (transparent) exchange and flow of information, as well as development that complies with the legal framework (justice and respect for freedom and Human Rights).

The Institute of Internal Auditors (2012) states that the definition of public sector governance includes policies and procedures used to direct organizational activities so as to provide certainty that organizational goals can be achieved in a responsible manner and in accordance with social values. In the public sector, governance is related to how the desired goals can be achieved. Governance also includes activities to ensure government credibility, to build a fair and equitable service system, to involve varying state stakeholders actively and dynamically and to ensure that government officials act according to norms for reducing and eliminating the risks of corruption, collusion and nepotism.

Although the definitions of public sector governance used as references are different, these definitions basically lead to one general concept, namely that the public sector is given the authority to manage possessed resources with the aim of achieving the state goal, namely for the prosperity of the people in a fair and equitable manner. To achieve this goal, the public sector is authorized by the constitution and laws to manage possessed resources, either economic, political, and defense and security resources, as well as making policies to improve welfare and to realize social justice for all people.

1.4 Objectives of Public Sector Governance Guidelines and Guideline Classification

The purpose of public sector governance is to ensure that public sector organizations can operate to achieve development goals. In this case, the development goals can be defined as achieving a just and prosperous community in accordance with the ideals and goals of an independent Indonesia. Therefore, public sector governance generally focuses on three main requirements from public sector entities, namely 1) performance in producing public goods and services or programs that are effective and efficient as well as compliance with laws, regulations, and established standards, 2) public expectations for honesty, accountability and openness in various public sector activities, and 3) the fulfillment/delivery of quality and efficient public/community services.

In achieving the above goals and ideals, a general guideline that serves as a reference for public institutions to implement public sector governance is needed. It is expected that the implementation of these guideline will achieve a number of public sector governance targets as follows:

1. Encouraging the effectiveness of public sector administration based on the basic values of public sector governance.
2. Encouraging the implementation of public sector functions in accordance with their duties and authorities based on high moral values and compliance with laws and regulations.
3. Encouraging public sector administrators to increase the competence and integrity required to perform their functions, duties and authorities.
4. Encouraging the emergence of awareness and responsibility to promote and prioritize public welfare by considering the human rights and citizens' obligations.
5. Increasing healthy and high competitiveness for Indonesia both regionally and internationally by creating an innovative and efficient public sector environment. This effort will increase public trust which is expected to encourage investment and sustainable national economic growth.

Good governance in public organizations is needed to help improve organizational effectiveness, sustainability, accountability, and justice. Governance of public sector organizations is needed to prevent the occurrence of detrimental events, alleged abuse of authority and responsibility, and to prevent organizational failure. The need for public sector governance is increasingly important because the community's expectations of organizational behavior and performance in providing public services are increasing.

Therefore, a house of governance is needed to systematize governance structures and processes hence organizational goals can be achieved.

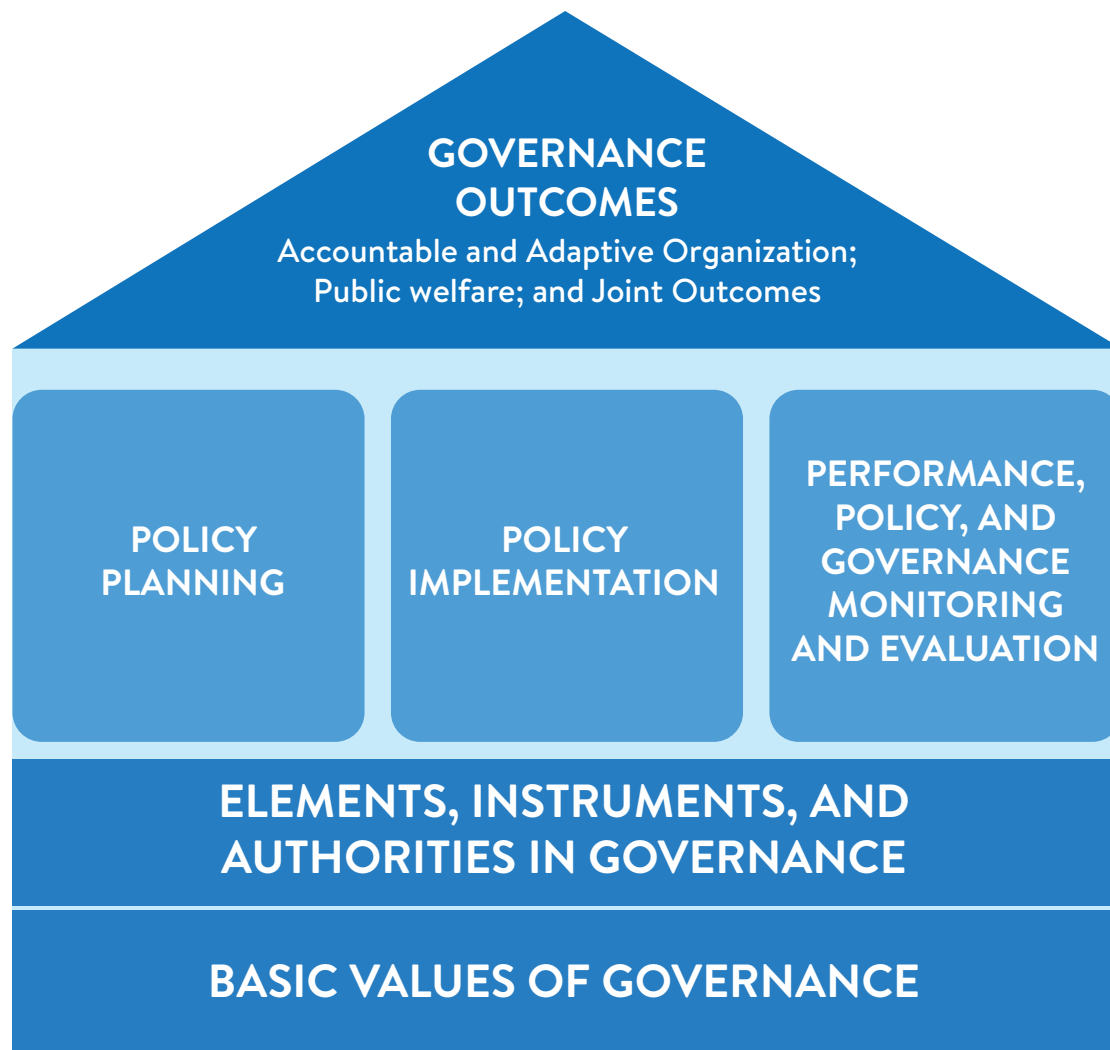


Figure 1.5. Indonesian House of Public Sector Governance

Public sector governance can be implemented properly if basic values (to be explained in Chapter 2) are implemented in each of the authorities, elements, and instruments in the management of public sector organizations constituting the basic foundation of governance practice. As depicted in the house of governance, this foundation is expected to serve as a strong foundation to enable the governance process in the provision of public services through a policy-making process that is in line with applicable regulations, evidence-based, participatory, accountable, and aimed at maximizing public welfare and prosperity.

A good governance process is expected to produce good results, namely an organization that is accountable and adaptive, oriented towards public welfare, and strong synergy among government institutions in collaborating to provide services to the community. This house of governance will be discussed throughout the guideline's chapters.

1.5 Guideline Classification

The classification of the Indonesian General Guidelines for Public Sector Governance (PUGSPI) is as follows: Chapter 1 presents an introduction to these guidelines followed by an explanation of the basic principles of public sector governance in Chapter 2. The basic foundations of governance regarding the basic elements, instruments, and authorities in governance are described in Chapters 3, 4, and 5. Chapter 6 explains comprehensively the governance process, starting from policy planning governance, implementation, and its monitoring mechanisms. Chapter 7 details the outcomes of the governance process. Chapter 8 addresses the relationship between central and regional governments which is explained based on the concept of multilevel governance.

These guidelines apply to all institutions in the public sector. They can also be used as a reference in carrying out activities in the public sector in preparing and implementing laws and regulations and public policies, as well as in conducting evaluations and reviews of the implementation of laws and regulations as well as public policies.

CHAPTER 2 BASIC VALUES OF PUBLIC SECTOR GOVERNANCE

The Indonesian General Guidelines for Public Sector Governance (PUGSPI) was prepared by using the principle-based approach. The preparation of these principle-based guidelines provides greater flexibility for institutions that will implement it. In establishing the public sector governance principles, several concepts in the constitutional mandate of the 1945 Constitution and Laws, as well as other concepts prepared by several institutions such as the World Bank, UNDP, OECD, APEC, and the European Council were explored.

Public sector governance is needed to increase public trust in the government in realizing national development goals, namely achieving a just and prosperous community in accordance with the ideals and goals of an independent Indonesia. This indicates that public sector governance constitutes the implementation of one of the principles of Pancasila, namely Social Justice for All Indonesian People. This principle contains three great meanings, namely developing a fair attitude, seriously maintaining the balance between rights and obligations, as well as giving respect to other people. The government must be fair to all public elements, both in establishing and implementing development policies.

By considering the aforementioned factors, 13 (thirteen) basic values in these guidelines are established, namely: leadership, ethics and honesty, supremacy of law, transparency, independence, accountability, mandate, service-oriented, competent, harmonious, loyal, adaptive, and collaborative.

2.1. Leadership

The value of leadership in the public sector refers to regulation in the highest position, which is when leaders in the public services, promote and support the public governance principles through leadership and exemplary examples. Leadership is important to be able to achieve a good organizational governance commitment. Leaders must be trustworthy in performing their duties in managing public resources. Public policies made by a leader must prioritize public interest in a fair and equitable manner, as well as be able to account for the use of public resources to the community at large. Leaders must position themselves as public servants, proud to serve the community, and close to the community so that a leader is easily accessible to the community at large.

2.2. Ethics and Honesty

Public sector ethics and honesty require public officials to adhere to a set of principles, standards, or moral values that regulate their behavior, what is permissible and what is impermissible, what is appropriate and what is inappropriate, and to act with complete honesty and integrity. An internal monitoring system supported by ethics can align public perceptions regarding appropriate behavior. In this case, conformity between decision making, public officials' behavior, and perceptions deemed correct by the public is required. Public sector ethics have various values, among others objectivity or impartiality, professionalism, trustworthiness, and avoiding conflict of interest.

Public sector honesty includes the behavior of selflessness, honesty, and integrity. Public officials should be selfless, act only in the public interest, and obtain no gains or other benefits for themselves, their family, or friends. Public officials must be honest and take steps to resolve conflict of interest. They must act with integrity and not place other interest influenced by external parties in the official duties of public officials.

2.3. Supremacy of Law

An essential principle of effective governance is the primacy of the law. This means that both the community and the government adhere to, obey, and are governed by Indonesian laws, including Pancasila, the Constitution, and other legal statutes and regulations. The supremacy of law means that the law is above every person and is applied equally to every person, both those who regulate and those who are regulated. The supremacy of law requires a fair legal framework enforced by an independent and impartial judiciary. The supremacy of law provides a checks and balances mechanism to minimize opportunities for abuse of power by government officials for personal and group interest at the expense of public interest through arbitrary actions and corruption. The supremacy of law also means that all policies, decisions and actions of public officials must be based on legal provisions, and the law applies equally to all citizens.

2.4. Transparency

The value of transparency or openness in government answers citizens' right to have access to information on what the government has done, is doing and will do and the goals to be achieved. In this case, government officials are expected to be as open as possible in disclosing information to the public regarding decisions, actions, and transactions carried out as well as providing reasons for those actions. Disclosure of information requires public documents that are understandable to be disseminated or can be made available upon request. However, the dissemination of some information still needs to be restricted. Examples of information that needs to be restricted are information related to national security and defense as well as criminal investigation information.

Published information regarding government performance and activities, such as routine financial reports approved by independent audit institutions, allows the public to provide assessments and evaluations of the government. The value of transparency is closely related to the supremacy of law because it allows the community to assess the suitability of government decisions, actions, or transactions with existing laws and regulations. Openness at all levels of the government helps ensure that the public sector works well and develop public trust in the government.

2.5. Independence

Independence refers to the condition when public officials have freedom from all forms of intervention that are not in good faith when making public decisions/policies. The independence value is a critical value in public sector governance because amid a pluralistic community, the public sector is faced with varying interest. Public officials are required to have the independence value in making decisions so that the decisions made are based on objective thinking and analysis by prioritizing the aspect of professionalism. Therefore, the independence value is also

related to the demand for public officials to have high integrity so that all decisions made are based on objectivity, professionalism, and without any intervention from other parties, thus they are free from the element of conflict of interest. The independence value also means that every public official makes policies based on wisdom, data and information, as well as is not under any pressure causing a loss of objectivity.

2.6. Accountability

Accountability is a very broad concept (Romzek and Dubnick, 1987). Bovens et al. (2014) believes that public accountability constitutes matters related to the public domain, such as the use of public funds, the use of public power, or the activities of public institutions. Public accountability can mean providing accountability regarding any matters related to the public interest, namely accountable activities with the purpose of the public interest or public responsibility. Therefore, Bovens et al. (2014) defines public accountability as accountability about and within the public domain.

Mardiasmo (2018) defines public accountability as the obligation of the agent (the party holding the mandate) to carry out accountability, present, report and disclose all activities under its responsibility to the principal (the party giving the mandate). The principal has the right and authority to ask for accountability. Thus, public accountability can be seen as providing information and disclosure of the government's financial activities and performance, both central and regional, to parties who have interest in the report.

Mardiasmo (2018) further states that there are two types of public accountability, namely vertical and horizontal accountability. Vertical accountability is a form of accountability for the management of public funds to a higher authority, for example the accountability of regional apparatus organizations (OPD) to the regional government. Horizontal accountability is accountability to the community at large, for example a regional government's financial reports to account for the use of public funds to the community. Therefore, public sector organizations are not only obligated to emphasize vertical accountability, but also need to emphasize horizontal accountability to the public at large.

Ellwood (1993) explains four main dimensions of public sector organizational accountability, namely legal, process, program, and policy accountability. First, accountability is related to the supremacy of law because it implies punishment or sanctions against the misuse of resources for purposes other than those for which they were allocated. In addition, accountability is closely related to transparency, because accountability cannot be enforced without transparency. Government accountability is facilitated by approaches, mechanisms, and practices to ensure activities and outputs are in accordance with the agreed objectives and norms/ethics/guidelines.

Second, process accountability is accountability related to whether the procedures used in performing duties are relatively good in terms of the adequacy of accounting information system, management information system, and administrative procedures. The realization of process accountability is the provision of fast, responsive, and low-cost public services (Mardiasmo, 2018).

Third, program accountability is a form of accountability that is related to consideration whether or not the goals set can be achieved. Program accountability also refers to whether public sector organizations have considered program alternatives that provide optimal results with minimal costs.

Fourthly, policy accountability pertains to governmental accountability across all levels regarding policies presented to the legislature and the broader community. The resources under government ownership constitute a significant mandate bestowed by the community. Therefore, the government is duty-bound to manage these resources responsibly for the collective well-being and prosperity of the community, while also ensuring transparency and answerability to the community regarding their utilization and management.

2.7. Mandate

Mandate includes several key words that must be internalized by ASN (State Civil Apparatus) and government organizations, namely sincerity, integrity, consistency, and trustworthiness. Public sector organizations must be able to uphold the mandate given by the community, namely public resources for the highest welfare of the community. Officials and ASN are obligated to behave and act in accordance with their words. State servants must be able to become a person who can be trusted and responsible, act honestly, and adhere to moral and ethical values consistently. Mandate that is carried out properly will increase public trust in public officials and government as a whole.

2.8. Service-Oriented and Being Proud to Serve the Community

In line with the spirit of the new public service (NPS) (Denhardt and Denhardt, 2015, 2000), the government must be oriented towards providing the best services to the community based on the needs and interest of the community at large, not based on market demand. The people are not merely seen as “customers” but as “citizens” who have various backgrounds and different social positions. The community at large must receive equal and best services from the government, regardless of their background. The government is a public servant, who works together with the community to achieve common goals. The government does not determine the direction of policies and programs unilaterally, but involves all community groups to formulate policies.

2.9. Competent

The government along with its central and regional public servants or ASN (State Civil Apparatus) really needs to improve continuously and consistently its abilities and competencies by always updating its knowledge through regular training. Up-to-date knowledge and competencies will form ASN who are strong and competent in performing duties according to their respective fields, as servants and partners of the community.

Simultaneously, up-to-date competencies will enable ASNs to achieve optimal performance targets, even leading to achievement.

2.10. Harmonious

The government must be able to create a harmonious environment for its community. This can be done by instilling the value of care and respect for differences in ASN. The government must care about the needs of its entire community regardless of their background so that they are able to act fairly in making policies. The government is also obligated to guarantee the basic rights of the community in order to create a harmonious social environment. The government’s efforts must also be supported by the community who assists the government

in playing its role to safeguard the basic rights of the community by respecting each other's opinions, ideas or notions and not tolerating the occurrence of discrimination.

2.11. Loyal

The government must be able to show a strong commitment to achieving state goals. ASNs are obligated to show their commitment to dedication and prioritization of the interest of the nation and state, to contribute more to the public interest, and be willing to make sacrifices to achieve common goals. ASN are obligated to commit to always complying with all generally applicable rules in order to create a conducive environment in the process of making public policies. It is expected to increase ASN loyalty to the state. ASN and public officials are legally obligated to be loyal to the state and laws and regulations, but the "level of loyalty" must be differentiated from loyalty to superiors. State policies set out in the state constitution and laws and regulations must be followed, but ASN and public officials may not be loyal to superiors who oppose or violate state policies and regulations. In order to be "loyal to the state and laws and regulations," ASN are obligated by laws to refuse orders from superiors that conflict with the laws and state goals. Good ASN must be able to remind colleagues and superiors if they violate state policies and valid laws and regulations.

2.12. Adaptive

The government's openness to changes is crucial to ensure that the government and ASN are able to face and adapt to those changes. The government and ASN must be proactive about the extremely rapid changes occurring in almost all aspects of life by always updating their skills and knowledge regularly through training. This proactive attitude towards changes will encourage ASN to continue to innovate in the process of providing excellent public services to the community. An adaptive attitude is needed by ASN in dealing with volatility, uncertainty, complexity and ambiguity, abbreviated as VUCA, namely complex and uncertain situations occurring in the public sector which can cause difficulties in identifying causes and consequences of the occurring changes (OECD, 2017a). Although there is a lot of uncertainty occurring in the public sector, the public sector organizations must continue to provide effective services, manage the existing complexity amidst uncertainty, and create a dynamic public service system to adapt to existing changes.

2.13. Collaborative

Rapid changes in various fields make the world increasingly "hybrid", including the government. This hybridization requires the government to improve the climate of collaboration. The government must be open to cooperating with many parties, without discrimination. Specifically, the government is obligated to suppress and eliminate sectoral egos, regional egos, and scientific egos between government agencies so as to create a collaborative environment between government agencies for formulating effective public policies. This collaborative climate will significantly increase the synergy of government agencies so that they are expected to be able to achieve common goals.

CHAPTER 3 GOVERNANCE ELEMENTS OF PUBLIC SECTOR ORGANIZATIONS

The elements of public sector governance include: 1) public sector governance culture, 2) relationship with stakeholders, 3) external accountability, 4) internal responsibility, 5) risk management, 6) political governance and community's role strengthening. These governance elements will among others become the basic pillars in the public sector governance process in order to achieve the governance objectives outlined in the house of public sector governance. Subsequently, the following section explains the meaning of the six elements of public sector organizational management.

3.1. Promoting Public Sector Governance

The essence of public sector governance is the creation of an organizational culture that is committed to carrying out public sector governance. Public sector governance culture plays a very important role because there are many cases where public sector reforms fail to be implemented optimally because they are not accompanied by changes in the public sector organizational culture. Therefore, promoting public sector governance is the core of public sector governance itself. Basic values of governance constitute important components of organizational culture and play a role in determining, guiding, and informing the expected behavior. In the public sector, a high level of commitment to public services can lead to substantial public trust.

All parties in public sector organizations will be interconnected in promoting public sector governance. However, promoting public sector governance needs to start from the leaders of public sector institutions who implement the basic values of public sector governance in each of their words, behavior and activities. Leaders of these public sector institutions will be examples for public sector workers, including ASN and individuals who carry out activities within the public sector organizational structure. Leaders of public sector institutions need to communicate the expected behavior. It needs to be done regularly, have its implementation measured, evaluated and monitored, as well as be conveyed to workers in the relevant organization, so that all parties in the organization accept the expected behavior as shared behavior, eventually making a significant contribution to achieving the determined performance.

Public sector governance can be promoted effectively if the culture is written down and summarized in a document such as a general guideline or code of ethics. The document needs to contain the translation of those basic values into actual expected behaviors along with examples. Training on the expected behavior will make public sector governance become a reality, easy to do and can be observed, measured, evaluated as well as monitored. The document constitutes an important instrument that is useful in helping to lay down the basic values of public sector governance to be used as organizational culture.

3.2. Building Relationships with Stakeholders

As a public institution, the public sector has strong relationships with stakeholders both with internal and external parties. Internal stakeholders may include, among others: ministers who are politically responsible for their collective decisions, ministers or their equivalents who are

politically responsible for the operations of their departments, boards of directors who are responsible for their collective decisions in connection with their agencies or state-owned companies, and goods and services providers as well as their partners, namely management and staff of organizations, contractors, other government bodies, and volunteers. Meanwhile, external stakeholders among others include: citizens, the business community, political parties, community organizations, non-governmental organizations, the press, as well as other countries and the international community.

Relationships with stakeholders also include effective communication between public sector organizations and stakeholders. Stakeholders can provide invaluable information in connection with policy and program development, as well as feedback on the quality and effectiveness of public sector organizations' goods or services. The relationship between public officials and all public stakeholders must be based on the principles of collaboration, co-creation, and co-innovation on the compatibility of constitutional rights and obligations and government ethics. Relationships with public officials may not result in maladministration and violations of the general principles of good governance.

3.3. Strengthening External Accountability

The core of public sector accountability is the ability of the public sector to answer and be accountable for all activities carried out and decisions made by the organization. One of the measures of the success of a public sector organization is when the organization is able to fulfill its accountability to external parties for their performance and/or compliance with relevant regulations. External accountability institutions that can carry out evaluations include the legislative body, external auditors (who are responsible to the legislative body for conducting financial and performance audits), and the Ombudsman. In an organization, including public organizations, external audit serves to provide an independent assessment of reports/accountabilities made by an organization with the purpose of testing and evaluating various activities carried out by the organization. The purpose of an external audit is to provide adequate and objective assurance of management accountability.

Governance arrangements that can help ensure an organization's external compliance and accountability, include annual reporting (including financial reports) to the legislative body in accordance with applicable standards; communication with stakeholders electronically via a comprehensive and easy-to-use website; audit of the organization's accounts by external auditors; and specific inquiries made by external accountability institutions.

Public sector organizations do not only involve the community, but also involve some other sectors. Explanations related to public involvement are set out in sub-chapter 3.6. Political Governance and Community's Role Strengthening The following penta helix concept in accordance with Figure 3.1. constitutes an integrated development that focuses on five stakeholder groups including the media, academicians, business/philanthropy, community and government. The main purpose of the penta helix concept is to involve and support authorities at various levels together with other stakeholders to improve the quality of government policies.

Each stakeholder element in the penta helix concept plays its own role in improving the quality of public services. The media acts as a supporting means to make it easier for the community to access information related to policies and services of public sector organizations. Academicians act as drafters who assist public sector organizations in developing knowledge capacity to improve the quality of public services and public welfare. Business/philanthropy plays a role

in creating added value and maintaining sustainable growth by becoming an extension of public sector organizations. For example, the implementation of Corporate Social Responsibility (CSR) programs created by businesses can contribute to providing services to the community. The community acts as an accelerator that serves as a liaison between stakeholders to improve government services. On the other hand, the government itself acts as a regulator and coordinator involved in the entire service process of public sector organizations.

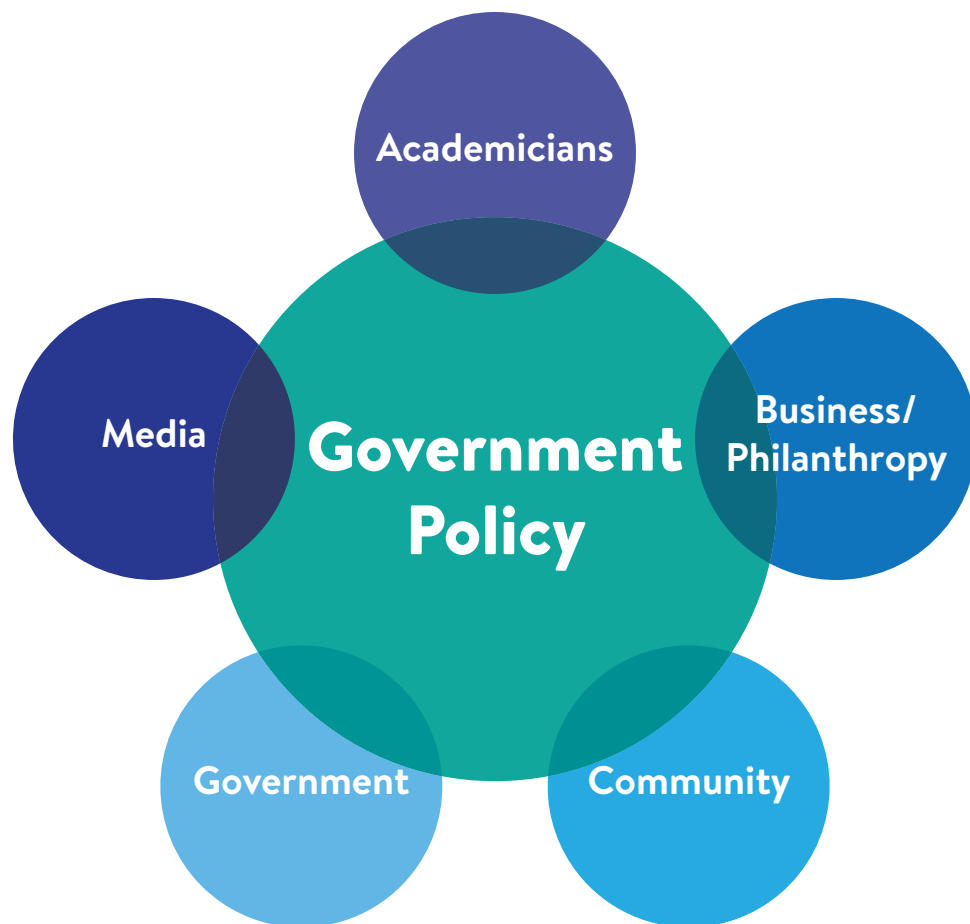


Figure 3.1. Penta helix Concept

External accountability also needs to be strengthened by implementing the principle of social inclusivity which involves all components of the community based on the following instruments 1) Gender Equality, Disability, and Social Inclusion (GEDSI), 2) Gender-based Analysis, 3) Participatory Planning and Budgeting, and 4) Co-creation. Social inclusion is the process of improving the conditions on which individuals and groups take part in the community to enhance the capabilities, opportunities and dignity of those who are disadvantaged based on their identity. It is important to adopt the principle of social inclusivity as a way to realize social accountability which opens up access for the entire community to monitor and improve the quality of public sector governance. Public sector organizations must still be accountable to all stakeholders, thus no stakeholder is marginalized.

3.4. Increasing Internal Responsibility

An effective internal audit function is established as part of the control framework, which ensures that the organization is managed to achieve its objectives, complies with appropriate laws, policies and procedures, as well as functions efficiently and effectively. The internal audit

function adheres to acceptable standards regarding independence from organizational management, professional capabilities, scope of work, and performance. An organization with effective internal accountability management ensures that both management and staff clearly understand their roles, responsibilities, strengths, and how they relate to others within the organization.

These guidelines use the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework for designing the government's internal control system (COSO, 2013). The implementation of the COSO framework can help the government develop an internal control system that is effective and efficient, can adapt to a dynamic environment, can mitigate risks to a tolerable level, and support capable decision making and public sector governance. This is in line with Article 3 of Government Regulation Number 60 of 2008, namely the Government's Internal Control System (SPIP) which implements the five elements (control environment, risk assessment, control activities, information and communication, and monitoring activities) of the COSO framework below as a part integral to government agencies' activities.

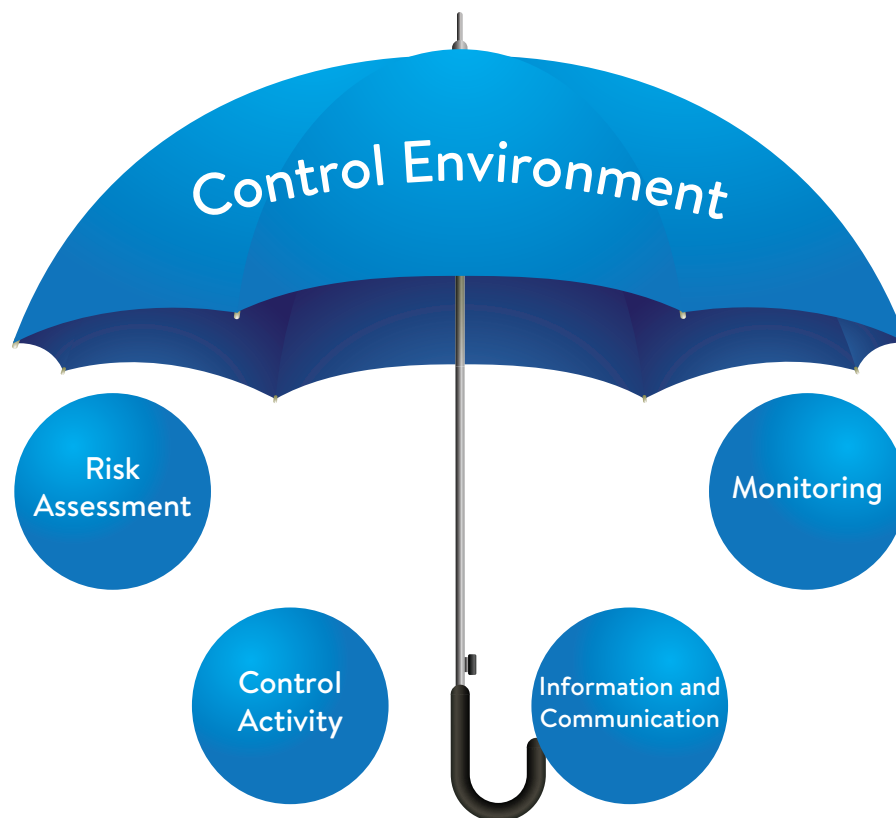


Figure 3.2. Five Components of Internal Control

As previously mentioned above, Government Regulation of the Republic of Indonesia Number 60 of 2008 serves as the legal basis that explains the Indonesian government's internal control system. Specifically in Articles 4 to 12, there are more detailed explanations regarding the components of control environment. Article 4 states that leaders of government agencies have an obligation to develop and maintain a control environment thus resulting in positive and conducive behavior in the implementation of the internal control system. This is achieved by upholding integrity and ethical values, commitment to competence, conducive leadership, establishment of an organizational structure that suits the needs, appropriate delegation of

authority and responsibility, formulation and implementation of sound policies regarding human resource development, realization of the effective role of the government's internal supervisory apparatus, and good working relationships with relevant government agencies. The subsequent articles provide more detailed guidelines on those obligations.

3.4.1. Three Lines Model and Additional Fourth Line

IIA (2013) states that the three lines of defense model is a simple but effective framework for improving communication in the implementation of risk management and control in organizations. This model puts forward an explanation of the roles and duties carried out by the three lines of defense. The three lines consist of executive management control as the first line, risk control and compliance functions by compliance officers as the second line, independent assurance as the third line, and supervisory bodies as well as executive officials as the main stakeholders. In other words, the three lines of defense model involves the executive leadership (governing body), executive management, and internal audit. There is no one most appropriate way to coordinate the three lines of defense, but knowledge of the basic roles that all three have is necessary to help understand the flow of synergy between them.

The first line of defense involves executive management as the holder of the risk control function and the party at risk. In the context of the public sector, executive management consists of all executive officials who are directly tasked with implementing government programs. The first line of defense is responsible for maintaining the effectiveness of internal control and implementing daily risk control procedures. Executive management is the first line in the three lines of defense model because the defense model is designed in accordance with systems and processes based on guidance from executive management.

Compliance officers, who are also part of the executive management like the government's financial officers and legal officers, serve risk management and compliance as well as control functions as a second line of defense. They are authorized to monitor the implementation of effective risk management practices by executive management, monitor environmental compliance, as well as monitor financial risks and problems in financial reporting. For example, the government's legal department must be able to ensure that all forms of organizational activities carried out are in accordance with applicable regulations. Although the compliance officers have a degree of independence over the first line of defense, this independence is limited because the executive leadership/compliance officers also serve the management function. Therefore, although the second line of defense has a crucial function, it cannot provide executive leadership with a truly independent analysis of risk management and internal control.

Furthermore, the Government's Internal Audit Apparatus (APIP) being the government's internal auditor as the third line of defense will provide the executive leadership and its management staff with comprehensive assurance based on the highest level of independence and objectivity within the organization, namely a level that is impossible for the second line of defense to achieve. The scope of assurance provided by internal auditors usually includes broad objectives (such as operational efficiency and effectiveness), all elements of the risk management and internal control framework, as well as the overall function of the entity. The third line of defense is then expected to have an active and effective reporting mechanism to supervisory institutions.

In addition to the three lines of defense, the external auditors, regulators and external institutions may also assume an important role in the overall governance and control structure

in the organization. In the government context, the role of external supervisory institutions is assumed by the legislature, while the role of external auditors will be played by the Audit Board (BPK). If there is effective coordination with these parties, then they can be considered as additional lines in the defense model (IIA, 2013).

These three lines of defense model is further developed into a three lines model. Figure 3.3. below explains the flow of role synergies between the three lines in the three lines model.

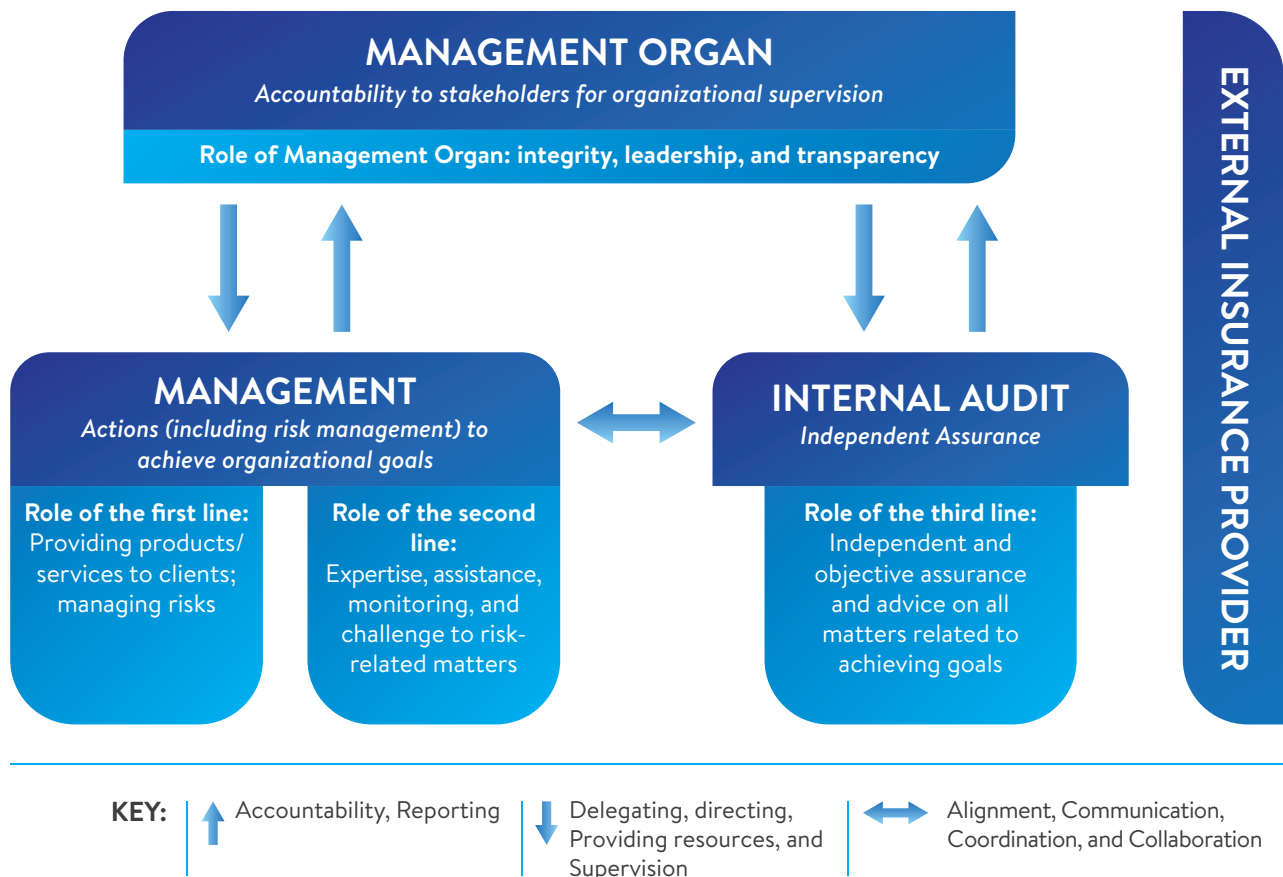


Figure 3.3. Three Lines Model (IIA, 2020)

The three lines model more explicitly recognizes that first and second line functions tend not to have clear boundaries (blurred) or can be combined. The executive in the government who acts as the first line may also act as the second line. For example, the compliance function is also carried out by financial officials to increase financial accountability, which in fact is part of the government's executive management. Financial officers are not only responsible for the integrity of the implementation of government financial processes and their control, but also help carry out organizational risk management related to the financial aspect and the implementation of internal control. On the other hand, the role of internal auditors becomes increasingly broad in organizations. Independent internal auditors must be able to provide input to executive management related to the organization's governance and risk management processes.

To strengthen the government's three lines model, a fourth line is needed by enhancing and optimizing the role of the Finance and Development Supervisory Agency (BPKP) as the government's internal auditor. In line with its duties and functions, BPKP is authorized

to implement effective internal controls in government organizations. The functions to be carried out by BPKP include formulating policies related to internal control of government financial accountability; carrying out audits, reviews, evaluations, supervision and other supervisory functions on the execution of accountability for government revenues and expenditures funded by the government budget; internal supervision of planning and use of government assets; providing risk management, control and governance consultation; reviewing financial reports and government performance reports. In addition, BPKP will carry out dissemination, provide guidance and consultation on the implementation of control system in government agencies, including regional governments. The four lines model mechanism can be seen in Figure 3.4. below.

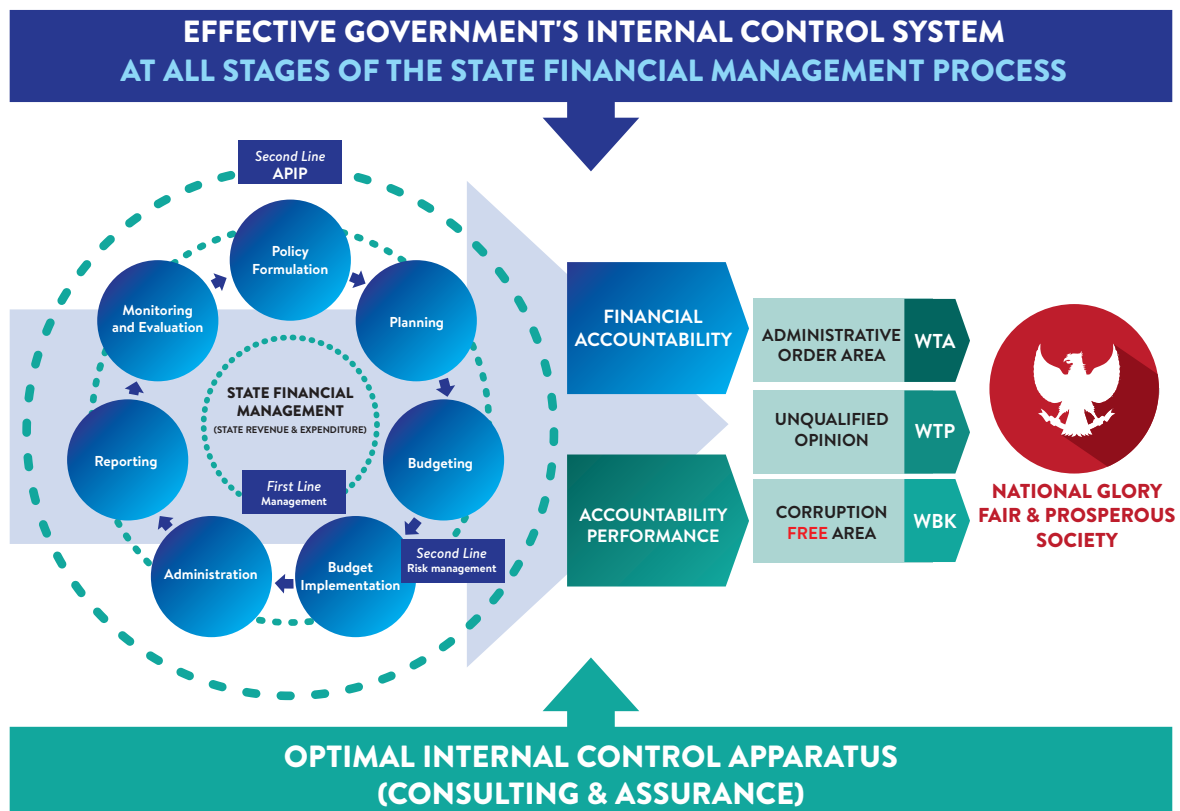


Figure 3.4. Four Lines Model

3.5. Implementing Effective Risk Management

Public organizations manage any risks that are thought to hinder the achievement of organizational goals. Risk management is a means for identifying the types of risks that hinder, the true causes of risks, measuring the magnitude of risks, and the impacts that may be experienced by the organization. Therefore, the public sector needs to have an effective risk management system.

Effective risk management includes a number of elements:

1. Understanding the importance of organizational goals and the performance achievements that must be achieved.
2. Identifying internal and external risks associated with continuously achieving goals and remaining alert to new risks that may arise.
3. Assessing and measuring the level of risk, including the magnitude of the possibility of the risk occurring and the magnitude of the potential impact of each risk.
4. Developing and implementing systems, programs, procedures, and action plans to manage

identified risks so that the organization can anticipate and mitigate risks in the right way and quickly.

5. Monitoring and evaluating risk management so that risks that still arise can be managed and mitigated further.

Communicating the identified risks and ways to manage them is a key aspect of risk management. It is important for the Minister to ensure that ASN have recognized the risks that will be faced, and, in turn, understood which risks need to be first prioritized for management, identified risks that are acceptable to the organization's stakeholders, and can minimize the impact on achieving the goals/rights of stakeholders' interest.

Risk will affect the organization because it has negative consequences/impacts on organizational performance, finance, economy, reputation, lawsuits, environmental pollution, and occupational safety. Therefore, managing risks effectively will help organizations to perform better in an environment full of uncertainty. Risk management must be used as a means to help achieve organizational performance and goals. Implementation of governance values will greatly support the implementation of risk management.

In accordance with Article 13 of Government Regulation 60 of 2008, risk assessments need to be carried out by leaders of Indonesian government agencies. Leaders of government agencies based on Articles 14 and 15 need to determine government agencies' goals and objectives at the activity level in order to contain statements and directions that are specific, measurable, achievable, realistic, and time-bound through risk identification and risk analysis. Based on Article 16, risk identification is carried out by 1) using a methodology that is appropriate for the objectives of government agencies and objectives at a comprehensive activity level, 2) using an adequate mechanism to identify risks from external and internal factors, and 3) assessing other factors that may increase risks. Article 17 explains that risk analysis is required after risk identification has been carried out, by determining the impact of the risks that have been identified on achieving the government agencies' objectives and applying the precautionary principle in determining the acceptable level of risk.

3.6. Political Governance and Strengthening Community's Role

Political governance is related to the process of making political decisions and public policies as well as the factors that shape the political system, institutions, values and interactions of actors involved in the process. Therefore, political governance is an effort to build legitimacy and legality of various political decisions and public policies. Legitimacy constitutes public acceptance of decisions made by political institutions, while legality constitutes the fulfillment of various conditions and processes in making those decisions. The basic principle of political governance is community involvement in various political processes in an active, open and accountable manner. In addition, political decisions and public policies must be able to provide benefits and impacts on better quality of public services and the welfare of society as a whole (Bevir, 2010; UNDP, 2007). Political governance in democracy is to provide greater space for the community in the decision-making process and public policy in order to provide better outcomes and impacts on the community. In accordance with the penta helix concept in sub-chapter 3.3, a prosperous and actively involved community is an important element of democracy.

Some literature has discussed the importance of maintaining democratic values in the spirit of bureaucratic reform to strengthen and improve public services (Denhardt and Denhardt, 2000). Therefore, public sector organizations must implement the values embodied in the

spirit of New Public Service (NPS), which prioritize democracy and encourage broad public participation in governmental processes, including policy making.

First, serve, not control (steer). Public sector organizations and public workers play an important role helping the community articulate and fulfill their interest instead of trying to steer the community in a new or particular direction. In the past, the government played a critical role in “controlling the community” (Nelissen et al., 1999). The role of government today has become “agenda setting”, inviting the public or community groups to discuss and negotiate for determining government programs and activities in providing public services. With the increasing role of the community, the role of government employees is no longer focused merely on providing public services, but “inviting” the community at large to solve existing social issues and to realize necessary programs.

Secondly, the realization of public interest is essential. The government must foster and coordinate a collective spirit to achieve public interest. The aim is not to find the quickest solution based on individual interests, but to create a shared interest and responsibility between the government and the community. The government must be able to take an active role in creating an environment that enables the community at large to participate and take a role as a facilitator to find solutions implemented by the community and ensure that the offered solutions are in line with public interest, both in process and substance. The government has an obligation to ensure that the offered solutions or policies are consistent and in accordance with the applicable regulations and norms.

Third is to think strategically and act democratically. Programs and policies for the benefit of the community at large can be achieved effectively and responsibly through collective efforts and collaborative processes. Political leaders’ role in this case

is critical in creating the strengthening of a responsible society and supporting relevant individuals and groups in promoting togetherness in the community. The government does not create the community. However, the government, especially political leaders, can create the foundation for the community to act effectively and responsibly. In this case, the government must be able to create a condition that enables the community to see that the government is open, accessible to anyone, responsive, and to provide services to the community.

Fourth is to serve the community (citizens), instead of consumers (customers). Public interest is created from the dialectic of shared values, not a collection of individual interest. Therefore, the government’s role is not just to respond to “customer’s” requests, but also to focus on building trust and collaboration relationships with and together with the wider community. In the public sector, considering the relationship between the government and community is like the relationship between a company and its consumers poses a dilemma. There is definitely a group of “consumers” who have resources and the abilities that enable them to get faster and better access to public services thus, according to the company logic, those consumers will receive the best services. This condition does not apply in the public sector. The government does not only serve people who have more resources, but also those who do not have resources. The government does not only serve people or groups who are directly related to the government. However, the government is also obligated to serve all parties who are waiting for services, parties who need services although they are unable to actively seek those services, the next generation who will receive public services, and so on. The government must prioritize the principles of equity and equality in making every policy.

Fifth is the importance of accountability to the community. The government should not be accountable to the market as proposed by NPM, but must always act in accordance with the constitution, shared values, political norms, professional standards, and the interest of the community at large. The spirit of NPM enables bureaucrats to have broader authority in public sector management by acting efficiently, at low costs, and responsive to the market. The government must also act by considering other principles such as social norms and the interest of the community at large. The government does not make decisions alone, but through a process of dialogue, mediation, community empowerment and public engagement on a wide scale in administering the government. More importantly, through this process, the government is obligated to be responsible for its activities to the community so that a good accountability relationship is formed (accountability engagement) between the government and community at large.

Sixth is respecting the community, instead of merely productivity. The government really needs to implement “people-based management”. The productivity-based management system proposed by NPM is very important for maintaining the quality of public services, but can fail in the long term without sufficient attention to the values and interest of the community at large. This can be realized by the important role of government in treating public employees. Public employees are people whose motivation and appreciation for themselves are not solely based on income or life security, but they are also people who want to make a difference in the lives of others (Perry and Wise, 1990; Vinzant, 1998). On the other hand, shared leadership is also very influential in realizing community-oriented public employees. Shared leadership will focus on the goals and values to be achieved together with the community as well as enabling public workers and the wider community to collaborate and support each other in administering the government.

Seventh value the community and public services above “entrepreneurship”. Public affairs must be implemented by public workers and the community who are committed to making a real contribution to the community, instead of by “managers” who act as if public money belongs to them. Public workers must embed the thought that public programs and resources do not belong to them. The government must carry out the responsibility to serve the community by acting as a steward of public resources, custodian of public organizations, facilitator of democratic community and dialogue, as well as protector of the public community. The government must organize and identify its resources, and be able to connect and look for alternative resources in any form in order to provide the best public services.

3.6.1. Political Parties’ Role in Educating the Community and Their Cadres

Strengthening the community’s role in the government governance process cannot be separated from the important role of political parties. Political parties are tasked with providing education for the community at large and their cadres. As a voter and also a citizen, every individual must receive correct and adequate information on various aspects of the life of the nation and state, including citizens’ rights and obligations. It is the duty of political parties, through their administrators and members, to create many forums and activities aimed at disseminating various constitutional substances, citizens’ rights and obligations in the life of the nation and state. Every political party must explain to the community the state ideology, basic platform of thought and various programs owned and implemented by the political party to achieve state goals and ideals. This variety of information dissemination is carried out both formally through structured events (seminars and workshops), and informally as well as individually on the streets and in crowded places where political parties and their members convey various party initiatives to the community. This is planned and implemented continuously at all time, not only before the general elections/regional head elections/presidential elections.

Political education for the community is an effort to build awareness, capacity, trust and active public involvement in political parties' programs as well as in overall development, government and service programs. The community will thereby become a subject in political governance and an active government partner in the formulation of various public policies as well as their implementation.

Before educating the public and to be able to enhance political parties' role in building political governance in Indonesia, it is necessary to organize and carry out ongoing political education for political party cadres. In various countries where the democratization process has been implemented properly, every political party cadre is equipped with an understanding of the basic philosophy of the life of the nation and state, constitutional goals to be achieved, good government administration, policy making processes that are based on evidence and involve the community, quality public service delivery to citizens, ethics and integrity of public officials, as well as other matters related to the prohibition of abuse. Education for cadres is a requirement that is planned and implemented on an ongoing basis by every political party. This will strengthen the understanding, awareness and behavior of political officials so that they comply with the general principles of good government administration and the legal norms applicable in Indonesia. The individual capacity of political party members in a good political system will serve as the basis for implementation of open, transparent and accountable political governance. Since entering the political world, prospective political party cadres must be taught and instilled about how to create goodness for the community. Political parties must have a clear stance and actually prohibit practices that are not in accordance with democratic values, such as: money politics, not being trustworthy after being elected, and so on.

3.6.2. Political and Moral Responsibility

Every political party member, administrator and political official has a moral and political responsibility to the community, nation, and state. Moral responsibility (moral obligation) means that political members and administrators are bound by the values of truth that are in the social life of the community and constitutionally as the basis for the life of the state in implementing various decisions, policies, and actions. Each of the actions and utterances of political party members, administrators and political officials must always be based on the principles and values of truth that uphold their dignity as citizens and as representatives of the Indonesian community. Political responsibility means that political party members and administrators as well as all political officials are bound by the obligation to realize state goals through good public decisions and policies as well as involving varying relevant public stakeholders.

3.6.3. Political Party Funding

Political party funding is regulated in Law No. 2 of 2011 on Political Parties. Sources of funding for political parties come from APBN and various donations from the community. Political party funding needs to be focused on several matters; first, since political parties are a state subsystem, the various funding needs of political parties must be met adequately from state finance, the amount of which for each political party is calculated based on the votes obtained in the most recent election. The state is responsible for ensuring the continuity of political parties through accountable and proportional state financial funding. Second, the community must have broad access to the acquisition and reports on the use of political party funds obtained from the state and community. Transparency in political party funding is important to build public trust in political parties in various political decision-making activities and public policies. Moreover, with the current and future advances in information and communication technology, the community must be able to easily access political party funding reports. Third,

the state budget given to political parties must be able to be audited in a transparent and accountable manner according to the rules of state financial management. The requirements for obtaining political party funds from APBN/APBD must be made in such a way that they can be accounted for and are wide open for the community to know. As institutions, political parties must also be willing to disclose all of their financial information in addition to the one which comes from APBN/APBD, thus political parties do not become closed institutions. Transparent and accountable political party funding will be an important requirement for the formation of political governance in Indonesia.

3.6.4. Developing a Political Accountability System

One of the efforts to strengthen political governance is to build a political accountability system; in this case, how do political decisions and public policies made by political and government institutions meet the community's varying expectations and demands. Political accountability relates to the question of whether public decisions and policies can have an impact on public welfare and prosperity, as well as fulfill the principles of good governance and comply with various laws and regulations.

Political and government institutions are obligated to communicate and explain to the community the various goals, practices and performance that will be planned and achieved in a democratic mechanism. This is because political and government officials are the recipients of delegations from the community through a political process. Political accountability can be carried out through various available systems and mechanisms, among others; public hearings, periodic reports on various social media, discussion forums with stakeholders, disclosure of information, and so on.

CHAPTER 4 GOVERNANCE INSTRUMENTS

4.1. Whistleblowing System

The whistleblowing system is able to help public sector organizations detect fraud early on. Perpetrators who want to commit fraud will realize that colleagues around them will find out about the fraud they have committed sooner or later. Monitoring carried out by fellow colleagues is an effective way to catch dishonest acts.

OECD (2016) states that the lack of legislative participation or active implementation of a whistleblower protection system will lead to reluctance for individuals who suspect or know of fraudulent acts committed by their colleagues to report such fraudulent acts. This is because individuals are afraid of making a report or do not know how to reveal the fraud. Further guidance related to the whistleblowing system can be seen in the guidelines published by the UK Department for Business Innovation and Skills titled “Guidance for Employers and Code of Practice (2015): Is there a standard whistleblowing policy?”(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/415175/bis-15-200-whistleblowing-guidance-for-employers-and-code-of-practice.pdf).

The following are the elements needed in a whistleblowing system to help public sector organizations detect fraud effectively.

4.1.1. Anonymity

Public sector organizations need to ensure that the anonymity of public sector employees who report a fraudulent act is maintained without concern that their identity will be exposed. An effective system must be able to conceal the whistleblower’s identity. Although this can lead to fictitious reports, they can be easily verified through follow-up and investigation of the reports. Report recipients who leak whistleblower information must be imposed with strict sanctions. Therefore, the report recipients in the whistleblowing system must be positioned at a high level of authority, for example the inspectorate general, or higher if the person being reported is part of the internal supervisor. The whistleblowing system must be confidential, infallible, effective, and free from the possibility of retaliation.

4.1.2 Independence

The whistleblowing system is an independent body that has no relationship with public sector organizations or parties involved in existing fraudulent acts. This will make public sector employees feel safer and more comfortable in reporting the occurring fraud.

4.1.3 Accessibility

Public sector employees must have some means of reporting fraud such as by e-mail and telephone. This is to ensure that all employees at varying levels and locations of the public sector organization are able to report fraudulent acts using the desired reporting means.

4.1.4 Follow-Up

Incidents reported through the whistleblowing system must be followed up. Corrective actions also need to be taken if necessary. These two actions demonstrate the benefits of a whistleblowing system and in the future, will encourage public sector employees to report fraudulent acts.

Not only stopping at creating a whistleblowing system that has these four elements, OECD (2016) also explains that the whistleblowing system actually needs to be translated into a special form of legal legitimacy. The legal legitimacy can then become a foundation for a complaint mechanism by public officials regarding suspected fraudulent practices in the public sector, protect whistleblowers from “retaliatory acts”, and encourage the performance of duties by office holders in the public sector efficiently, transparently and with high quality. However, although the whistleblowing system is later legitimized as a legal regulation, it should also be noted that the implementation of this legal umbrella is effective, comprehensive, and provides sufficient protection to whistleblowers.

4.2 Anti-Gratification System

Based on Article 12B of Law Number 20 of 2001, gratification is defined as a gift in a broad sense which includes giving money, goods, rebates (discounts), commissions, interest-free loans, travel tickets, lodging facilities, tourist trips, free medication, and other facilities. Gratuities can be received domestically or abroad using electronic means or without electronic means. A gift can be categorized as gratification which is considered a bribe if the gift is related to a position and is in conflict with the recipient’s obligations or duties. Different from bribery, gratification is a new type of criminal act in accordance with the approval of the Draft Law on the amendment to Law Number 31 of 1999 on Eradication of the Criminal Act of Corruption. Gratification will be considered a bribe if the recipient does not report it to the Corruption Eradication Commission within the specified time. Further guidance related to the anti-gratification system can be seen in the guidelines published by KPK in 2015 with the document title “*Pedoman Pengendalian Gratifikasi*” part VII. *Sistem Pengendalian Gratifikasi* (<https://aclc.kpk.go.id/materi-pembelajaran/tata-kelola-pemerintahan/buku/pedoman-pengendalian-gratifikasi>).

To control gratification, Ministries, Institutions, and Government Organizations (KLOP) need to develop a gratification control system as a form of their responsibility for creating an environment with integrity. KPK (2015) in *Pedoman Pengendalian Gratifikasi* states that in designing a gratification control system, government institutions need at least:

1. Ethical rules in giving and receiving gratification are used as a foundation or guidelines in handling the practice of receiving and giving gratification. The rules are determined by the heads of agencies or institutions, and bind on every individual within the agencies or institutions.
2. Implementing the gratification control function the form of which is adapted to the actual needs of the agencies in developing the gratification control system. The implementers have duties and authorities related to the reports of acceptance, rejection, and giving of gratification within the agencies. Personnel implementing the gratification control function are expected to have integrity standards and analytical skills in dealing with gratification and developing a gratification control system.
3. The commitment from the KLOP leaders is realized with real action to be able to realize collaboration between gratification control system tools and leaders’ commitment to be able to realize optimal implementation of gratification rules.
4. Implementation of the dissemination of gratification ethical rules to ensure the same standard of understanding for all stakeholders.
5. Monitoring and evaluation of the implementation of the gratification control system to maintain the relevance and effectiveness of the gratification control system.

Gratification control in public sector organizations needs to be carried out by increasing

understanding and awareness of gratification reporting in accordance with the main principles of gratification control activities:

4.2.1 Transparency

A reporting mechanism for receipt of gratification reflects the principle of openness. A reporting mechanism is a means for public sector organizations to test and guarantee the validity of individual receipts obtained in connection with their position as a public official. However, the principle of openness needs to be set aside when the report is in the handling and determination processes with the purpose of providing protection for the gratification whistleblower.

4.2.2 Accountability

KPK as a state institution which has the duty and authority to receive gratification reports needs to implement the principle of accountability. Gratification whistleblowers need to implement the principle of accountability as a form of obligation for civil servants who are given the mandate to perform their duties and authorities in the position that they hold by not accepting gifts in any form related to their position and making a report to KPK if case of a receipt of gratification which is considered a bribe.

4.2.3 Legal Certainty

In performing its duties, KPK needs to prioritize the foundation of laws and regulations, compliance, and aspect of justice. All stages of gratification reporting need to be carried out in accordance with applicable laws and regulations. Determination of the ownership status of gratification needs to provide legal certainty related to the whistleblowers' rights and obligations regarding the gratification received.

4.2.4 Expediency

Gratification goods that have been made the property of the State needs to be utilized as much as possible for the interest of the State. Other gratification that is not categorized as a bribe but is related to official service, needs to be utilized for institutions and poor communities. For example, gratification that is not considered a bribe can be donated to social institutions in need such as orphanages.

4.2.5 Public Interest

The people as owners of sovereignty need to implement the principle of public interest by making regulations and decisions on the administration of the State by prioritizing the interest of the people. This principle emphasizes public officials to prioritize public interest over personal interest. The principle of public interest can be realized if public officials serve and carry out work without asking for and receiving gifts from the community.

4.2.6 Independence

Gratification whistleblowers can demonstrate the principle of independence by refusing any gifts in any form related to their position or reporting the receipt of gratification that is considered bribery to KPK. The reporting made will eliminate the potential for influence on the independence of gratification recipients in performing their duties and authorities.

4.2.7 Protection for Gratification Whistleblowers

Gratification whistleblowers can be qualified as whistleblowers in accordance with Article 15 letter (a) of the KPK Law. KPK's obligation based on the provisions is to provide protection for gratification whistleblowers together with another relevant institution, namely the Witness and Victim Protection Agency. The agency or institution where the gratification whistleblower

works also has an obligation to provide protection and ensure that the whistleblower does not experience intimidation or discrimination in the personnel aspect.

4.3 Anti-Bribery Management System

In dealing with bribery, the Government has entered into international agreements through OECD, UN Convention, and state laws and regulations. Despite international agreements, public sector organizations have a responsibility to contribute to the fight against bribery by creating an anti-bribery management system and through leadership commitment to establishing a culture of honesty, transparency, openness, and compliance.

The anti-bribery management system established by a public sector organization must include measures to identify and assess risks. Additionally, the system should be designed to prevent, detect, and respond to bribery. This system must be actually implemented in the field, instead of just becoming a “showcase” if it has received certification for this anti-bribery management system so as to avoid symbolic compliance. One of the bribery systems that can be used by public sector organizations is ISO 37001:2016. ISO 37001:2016 - Anti-bribery management systems - Requirements with guidance for use, constitutes one of the systems to help public sector organizations in fighting bribery and promoting an ethical business culture (Fasa and Sani, 2020). Further guidance related to the anti-bribery management system can be seen in the guidelines published by UNODC (2020) titled “State of Integrity: A Guide on Conducting Corruption Risk Assessments in a Public Organizations” in chapter 3 “The Risk Assessment and Management Process” (https://www.unodc.org/documents/corruption/Publications/2020/State_of_Integrity_EN.pdf).

Public sector organizations also need to carry out bribery risk assessments and establish criteria for evaluating the level of bribery risk that considers the policies and objectives of the public sector organizations. Bribery risk assessments must be reviewed regularly and when significant changes occur to the structure or activities of public sector organizations.

4.4 Conflict of Interest Prevention System

Conflict of interest is one of the issues that often arise within the public sector. Each individual in a public sector organization has their own interest, giving rise to conflict of interest between various parties. In public sector organizations, there are three elements in the public sector conflict of interest. The first element is public officials.

Individuals who meet the terms and conditions as public officials in accordance with applicable national laws. The second element is public officials’ official actions. Actions taken by individuals are in accordance with their role in a public sector organization, including 1) decision making, 2) substantial participation in a deliberative process, and 3) taking an action or recommending an action. The third element is individual interest. Officials have personal interest that influences decision making and actions. Public officials’ personal interest includes benefits that can be enjoyed by the individuals or their family, close relatives, or organizations that have a relationship with the public officials.

Other elements include public obligations, public trust, and the violation of specific norms in laws and regulations due to conflicts of interest. Resolving conflicts of interest is necessary to prevent corruption resulting from the abuse of authority.

Conflict of interest is divided into two categories, namely financial and non-financial. Financial conflict of interest occurs when a public official's interest is related to money. As a result, family members, close relatives, and public officials themselves can gain financial benefits or avoid financial losses. Non-financial conflict of interest occurs when a public official's interest is not related to money. Interest in this category can arise as a result of personal relationships, affiliations, ties, or other involvement that can influence the level of objectivity of public officials in making decisions.

To overcome conflict of interest, certain regulations need to be enforced in public sector organizations. There are four regulations that need to be enforced including regulations for public sector organizations' employees, codes of ethics and ethics for public sector organizations, criminal law, and special anti-corruption law. Among the four regulations above, regulations containing conflict of interest norms need to have clear provisions and not have different interpretations. Preventive measures also need to be taken to prevent corruption caused by conflict of interest. Public sector organizations can take preventive actions by disclosing potential conflict of interest among public officials and implementing policies and procedures for managing conflict of interest. One of the forms of regulations regarding conflict of interest stipulated in Indonesia is set out in Law Number 30 of 2014 on Government Administration, especially in the third section of the law.

Public sector organizations need to create strategies to evaluate the implementation, function, and relevance of the existing conflict of interest policies. Monitoring conflict of interest policies can be carried out as part of the routine reporting practices of government agencies responsible for dealing with public officials' conflict of interest. As an alternative, conflict of interest policies can also be evaluated as part of the implementation of a national anti-corruption strategy.

It is important for public sector organizations to regulate conflict of interest clearly and in detail. It is so because conflict of interest is much more difficult to measure than fraud or corruption, and even constitute the "forerunner" of corrupt acts. Potential conflict will occur if public officials have personal interest that is relevant to the public official's official responsibilities. Therefore, maintaining the integrity of public officials and administrative decisions needs to be emphasized to avoid abuse of power at public sector organizations. Public sector organizations also need to encourage the use of relevant information to detect possible conflict of interest or other violations.

Rules regarding conflict of interest need to be completed with a mechanism for declaring that someone is involved in conflict of interest (the "Declaration of Conflict of Interest" mechanism). This mechanism is used when someone participates in formulating policies that will benefit themselves or their family/group. The person must declare themselves not to participate in deciding the policies. For example, public officials can formulate public policies that will provide benefits to businesses owned or managed directly or indirectly, or business ownership promised to them. Therefore, the public officials are required to declare that they have conflict of interest in the policies. Conflict of interest must be recorded in formal documents so that the public sector organization concerned can prove that specific conflict has been identified and managed appropriately (OECD, 2021b). Disclosure of further information related to conflict of interest can also be used to support overall policy objectives. Further guidance related to the conflict of interest prevention system can be seen in the guidelines published by KPK (2016) titled "*Pengelolaan Konflik Kepentingan*" in sub-chapter E "*Tools Pengendalian*

4.5 Declaration and Transparency of State Officials' Assets

The existence of asset declarations for state officials as a governance instrument helps public sector organizations to increase transparency and public trust in public administration. Disclosure of information related to assets shows that public officials have nothing to hide. Leaders of public sector organizations will be helped by asset declarations in preventing conflict of interest between employees, resolving conflict of interest when it occurs, and promoting the integrity of the public sector organization. In addition, asset declarations can monitor variations in the wealth of each public official to prevent errors and protect public officials from false accusations, as well as clarify enrichment and illegal activities by providing additional evidence. Based on OECD (2011), there are at least five main pieces of information in the asset declarations, including income and expenses of public administrators, assets owned by public administrators, income received by public administrators, other interests and positions outside the official positions, as well as identification of spouse, relatives, and other relevant people.

The obligation of state administrators in Indonesia to report assets is regulated in Law Number 28 of 1999, Law Number 30 of 2002, and Regulation of the Corruption Eradication Commission Number 2 of 2020. Based on article 1 paragraph 8 of Regulation of the Corruption Eradication Commission Number 2 of 2020, the State Administrators' Asset Report (LHKPN) is a report in the form of document, including but not limited to an electronic document regarding descriptions and detailed information on Assets, personal data, revenues, expenditures, and other data on State Administrators' Assets. State administrators who are obligated to report assets in accordance with article 1 paragraph 4 are state officials who carry out executive, legislative, or judicial functions, and other officials whose main functions and duties are related to state administration or other public officials in accordance with the provisions of applicable laws and regulations. Further guidance related to the declaration and transparency of state administrators' assets can be seen in the guidelines published by OECD (2011) titled "Asset Declarations for Public Officials: A Tool to Prevent Corruption" in sub-chapter 1.1. "The spread of public officials' declarations" (<https://www.oecd.org/corruption/anti-bribery/47489446.pdf>).

4.6 Importance of Integrity Pact

Integrity pact is a concept formed in the context of fighting corruption, which was initially developed by Transparency International as a means to encourage government and corporate officers to carry out procurement ethically. However, in its development, integrity pact was then adapted for application to various situations and conditions. OECD (2019) explains that integrity pact is a preventive and collaborative means to help prevent corrupt practices and transparent public service processes. The three main objectives of developing an integrity pact are to make it easier for stakeholders to avoid acts of bribery by providing assurance that each stakeholder will not commit bribery and the government will take preventive actions to prevent corruption. In addition, integrity pact was created to enable the government to reduce costs and the impact of corruption that occurs in public sector organizations, as well as allowing the community to monitor decision-making activities and other government activities. In simple terms, it is expected that an integrity pact is able to increase public trust in the government by increasing the credibility of government procedures and administration. In Indonesia, the

procedures for implementing and supervising the integrity pact are regulated in Regulation of the Minister of State Apparatus Empowerment and Bureaucratic Reform Number 49 of 2011.

4.7 Public Service Complaint Channel

Public sector organizations promote public service complaint channels. There are three public complaint channels that can be used by the community including Lapor, Ombudsman, and Jaga. These three channels need to be developed and empowered as a means or media for the community to make complaints about public services.

1. Lapor (www.lapor.go.id): Service for conveying all people's complaint aspirations online.
2. Ombudsman (www.ombudsman.go.id/pengaduan): Reporting follow-up services that are not handled in the SP4N LAPOR! application.
3. Jaga (www.jaga.id): Public service information services including procedures, rights and obligations, and regulations on one platform.

The development of an integrated public/government service complaint channel can utilize existing complaint channels to be integrated or mirrored in one integrated channel. The level of complaint resolution (clearance rate) as the main performance indicator of the existing channels also needs to be assessed by public sector organizations.

CHAPTER 5 AUTHORITY

5.1. Good Use of Discretion

Linguistic discretion means the freedom to make one's own decisions in every situation faced. Article 1 of Law No. 30 of 2014 explains discretion as "Decisions and/or Actions determined and/or carried out by Government Officials to overcome concrete problems faced in government administration in terms of laws and regulations that provide choices, do not regulate, are incomplete or unclear, and/or government stagnation". According to Munir et al. (2020), discretionary power gives authority to office holders to be able to take whatever action they feel is appropriate to the occurring situation and condition, but are still bound by legal restrictions and certain provisions that are considered fair and appropriate to be able to support existing legal objectives. The urgency of discretionary power is needed to deal with unforeseen situations by legislators, thus the executive must be given discretionary authority. In a further explanation, Munir et al. (2020) also states that a government that does not carry out the discretionary function will be very rigid and will not be able to function as it should. Therefore, government officials must be given the choice to determine when, how, and where they can act freely, especially in dealing with complex and/or anomalous situations. Discretion can be exercised if:

1. There is a compelling situation or a situation where if 'discretion' is not exercised it will cause harm to the community or recipients of public services. For example, there is a natural disaster, epidemic, or another compelling circumstance.
2. There are no clear rules regarding an event or situation so that public officials can exercise discretion to fill the gaps in those rules.
3. The rules that guide public officials are unclear or have multiple interpretations, so public officials must interpret existing rules with 'discretion' thus they are clear to public officials and the community they serve.
4. When public officials exercise discretion, the 'discretionary policy' cannot give rise to financial or other benefits to themselves or their family or relatives. The discretion exercised must be aimed at the public interest of the community.

In its implementation, the discretionary power given to office holders will be broad because it is impossible to always set standards or norms in the exercise of discretion. However, unlimited discretion is very difficult to find. Therefore, holders of authority over discretionary power need to take into account the legal basis and applicable norms, as well as act based on personal thoughts given the occurring situation and condition, without any pressure from other parties and/or abuse of authority. Holders of discretionary power are expected not to take actions based on personal interest, but to fulfill requests and serve the community optimally. In addition to focusing on the awareness of each power holder, the government must also consider and evaluate: (1) losses caused by the exercise of discretion to public security; (2) the legitimacy of a person's office that justifies them to execute discretionary power; and (3) assessment of the situation and actions taken by the holder of discretionary power to ensure that there is no abuse of authority. Further provisions on the exercise of discretion in Indonesia can be seen in Law No. 30 of 2014, especially in Article 22 to Article 32.

5.2. Good Use of Authority

Based on Law Number 30 of 2014 on Government Administration, there are three sources of authority, namely attribution, delegation, and mandate. Attribution is defined as the granting of authority to Government Agencies and/or Officials by the 1945 Constitution of the Republic of Indonesia or a Law. Attribution authority cannot be delegated, unless regulated in the 1945 Constitution of the Republic of Indonesia and/or a law. Delegation is the delegation of authority from higher Government Agencies and/or Officials to lower Government Agencies and/or Officials with responsibility and accountability shifting entirely to the recipient of the delegation. Mandate is the delegation of authority from higher Government Agencies and/or Officials to lower Government Agencies and/or Officials with responsibility and accountability remaining with the one giving the mandate. In other words, a mandate occurs when a government organ allows its authority to be exercised by another organ on its behalf.

Basically, looking at Law Number 5 of 1986 (Jo Law No. 51 of 2009), government officials (both at the highest and lowest levels) have two functions. These functions are the commanding function (*bestuursfunctie*) and the service function (*vervolgens functie*). In carrying out their functions, government officials do not only implement laws, but also take other actions that are not regulated by laws. For this reason, the developed general principles of good governance (AUPB) are then used as a guideline for government officials in performing their duties and authorities in carrying out government activities. The validity of a government decision or action will be measured based on its alignment with laws and AUPB.

AUPB consists of eight principles, namely legal certainty, benefit, impartiality, accuracy, non-abuse of authority, openness, public interest, and good service. In addition to the eight principles, there are also additional principles such as the principles of orderly state administration, accountability, proportionality, professionalism, and justice. The Judicial Sector Support Program (JSSP, 2016) then explains the eight principles as follows:

1. **Principle of legal certainty**

This principle prioritizes the basic elements of laws and regulations; propriety, stability, justice, and policies of state administrators or government administrators. As an embodiment of this principle, it is expected that a person's rights that have been obtained through a government decision will be respected. Thereby, decisions that have been made by the government are not to be revoked, unless there are important reasons which have been proven through a valid judicial process to serve as the basis for revocation. In addition, this principle also expects that the materials contained in government stipulation be composed of clear and unambiguous words.

2. **Principle of public interest**

The principle of public interest is closely related to the function of government officials as public servants. In carrying out this function, government officials must prioritize public welfare by understanding and accommodating the expectations and desires of the community in general. In addition, government officials are also expected to always put public interest above personal and group interest as well as based on the principle of social justice for all Indonesian people. This is related to the purpose of development activities to improve the welfare of the entire community and guarantee the fulfillment of public needs.

3. **Principle of openness**

The principle of openness emphasizes the obligation of the state or government to be open regarding the community's right to obtain correct, honest, and non-discriminatory information, while still respecting the protection of personal, group rights, and state

secrets. This principle encourages opportunities for the people to provide responses, criticize, and evaluate the government constructively. In implementing this principle, officials are expected to be able to provide information without favoritism, by considering the nature of confidentiality. It should be noted that openness may not exceed the limits of personal or group human rights and must always protect state secrets and safety so that they are not exploited by unauthorized parties.

4. Principle of expediency

The principle of expediency focuses on the usefulness of government stipulation. The stipulation must be able to be enjoyed by all interested parties in a fair, equal, balanced, and uniform manner, namely, there is no condition where the interest of one party is more prioritized and/or dominates the interest of other parties. This principle is closely related to the principles of justice and proportionality.

5. Principle of impartiality/non-discrimination

This principle means that government agencies and officials are obligated to consider the interest of all parties involved and to act fairly and non-discriminatorily when making decisions, treatment, or actions. Every citizen is entitled to receive fair and non-discriminatory services from the state or government, as mentioned in the 2009 PB Law.

6. Principle of accuracy

Based on this principle, every state or government official is obligated to be careful and meticulous when making decisions or taking actions. State or government officials are expected to always take actions based on complete information and documents, so that legality is guaranteed and they do not harm the parties involved. The implementation of this principle requires state officials to have an obligation to listen, namely to take into account various aspects comprehensively.

7. Principle of non-abuse of authority

This principle requires that decision making by officials or agencies be based on the authority that has been granted by the state and is in line with the objectives for which that authority is given. Further explanation regarding abuse of authority is explained in the next section.

8. Principle of good service

Good service is related to timeliness, procedures, and costs; conformity with service standards; as well as conformity of implementation with laws and regulations.

Law Number 5 of 2014 supports ASN to carry out government functions and to exercise authority properly. This will provide protection for the community from being used as government objects, instead of as subjects who are actively involved in government administration. In addition to being based on AUPB, Article 2 regarding the Principles of State Civil Apparatus explains that the implementation of ASN policies and Management needs to be based on the principles of 1) legal certainty, 2) professionalism, 3) proportionality, 4) integration, 5) delegation, 6) neutrality, 7) accountability, 8) effectiveness and efficiency, 9) openness, 10) non-discrimination, 11) unity and integrity, 12) justice and equality, and 13) welfare. According to Article 3, ASN as a profession is based on 1) basic values, 2) code of ethics and code of conduct, 3) commitment, moral integrity, and responsibility for public services; 4) academic qualifications, 5) guaranteed legal protection in performing duties, and 6) position professionalism. Article 12 states that ASN play a role as planners, implementers and supervisors of the implementation of general government tasks and national development through the implementation of professional policies and public services, free from political intervention, and from the practices of corruption, collusion and nepotism.

5.3. Abuse of Authority

In terms of the concept of administrative law, abuse of authority is an incident when the authority holder uses their authority to achieve goals that deviate from the purposes given to that authority (Simanjuntak, 2018). In other words, the authority holder violates the principle of specialization. Referring to Law of the Republic of Indonesia Number 30 of 2014 on Government Administration, there is no specific definition of the term abuse of authority. However, there are three activities that fall into the category of abuse of authority, namely the following activities:

1. Exceeding authority, namely when the authority holder takes a decision or action that exceeds the term of office, time limit, and/or boundary of authority, and/or is in conflict with the provisions of laws and regulations.
2. Mixing authority, namely taking a decision or action that exceeds the scope of field or material of the authority given and/or conflict with the purposes of the authority given.
3. Acting arbitrarily, namely when the authority holder takes a decision or action without any basis for authority and/or is in conflict with a court decision that has permanent legal force.

Decision of the Supreme Court Number 572 K/Pid/2003 states that there are three characteristics of abuse of authority: (1) met opzet or committed intentionally, (2) diverting the purpose of authority, and (3) existence of negative personal interest. To measure abuse of authority, the type of authority attached needs to be known first. If the type of authority is bound authority, then laws and regulations can be used as a benchmark. If the authority is free or discretionary, then the benchmark is the general principles of good government.

Open government is an important agenda for the government to make decisions and provide efficient services, as well as protecting against abuse of authority and corruption. According to OECD (2021b), open government constitutes the transparency of government actions, accessibility of government services and information, and government responsiveness to new ideas, requests and needs. The three matters above will be beneficial to the government and community by increasing the evidence base for policy formulation, strengthening integrity, preventing corruption, and increasing public trust in the government.

Open government currently has a broad meaning that is able to provide a sign of a transparent, accessible and responsive government system. Information is disseminated from the government and from outside the government through different sources. The community must have easy access to services and information as well as to provide opinions in the policy formulation process. The free flow of information will come from the government to the public and third parties and vice versa.

The Ombudsman also states that abuse of authority is a form of maladministration. According to Regulation No. 26 of 2017 by the Ombudsman of the Republic of Indonesia, forms of maladministration include protracted delays in public services, failure to provide services, incompetence, abuse of authority, procedural irregularities, requests for compensation, inappropriate actions, partiality, discrimination, and conflicts of interest. The Ombudsman can act as one of the mechanisms for public accountability and supervision of public services, among others through the ombudsman's public service complaint channel. This is regulated further in Chapter 4.

CHAPTER 6 PUBLIC SECTOR POLICY GOVERNANCE PROCESS

Public sector organizations are obliged to uphold the concept of value for public money. Value for public money is a management concept for public sector organizations that is based on three main elements, namely economy, efficiency, and effectiveness (Mardiasmo, 2018). Economy is the acquisition of input of a certain quality and quantity at the lowest price. Economy is a comparison of input with input value expressed in a monetary unit and is related to the extent to which public sector organizations can minimize the input resources used, namely by avoiding wasteful and unproductive expenditure.

Efficiency means achieving maximum output with certain input or using the lowest input to achieve certain output. Efficiency is a comparison of output/input related to performance standards or targets that have been set. Input constitutes resources used to implement policies, programs, and activities. Output constitutes the outcomes achieved by programs, activities and policies.

Effectiveness refers to the level of achievement of program outcomes against the set targets. In simple terms, effectiveness is a comparison of outcomes and output. Outcome is the impact resulting from a particular activity (Mardiasmo, 2018). However, based on the NPS concept, the three elements are not sufficient for public sector policy making oriented towards the interest of the community at large (Denhardt and Denhardt, 2015). Two other elements really need to be added, namely equity and equality. Equity refers to the existence of equal social opportunities to obtain quality public services and economic prosperity. In addition to equity, the use of public resources needs to be done equally. The use of public money should not only be concentrated in certain groups, instead should be done equally.

Furthermore, policy effectiveness cannot be understood only from a technical perspective, but is also determined by various factors such as the aspects of commitment, coordination, and cooperation; constituting the policy arena/region; to power asymmetry in the community. It is so because many policies have been planned based on best practices, but are unable to produce the expected outcomes. Given the circumstance, a public sector policy governance process that can produce effective policies is needed in order to achieve development goals.

The governance process includes three major steps, namely: planning, doing, and evaluating. This process is a cycle that causes the division of the public sector into three levels: policy, policy – administrative, and administrative. The policy – administrative level has a strategic role, namely bringing together political actors (ministers and institutional leaders) with administrative actors (bureaucracy). Coordination of vertical and horizontal activities is therefore required at that level.

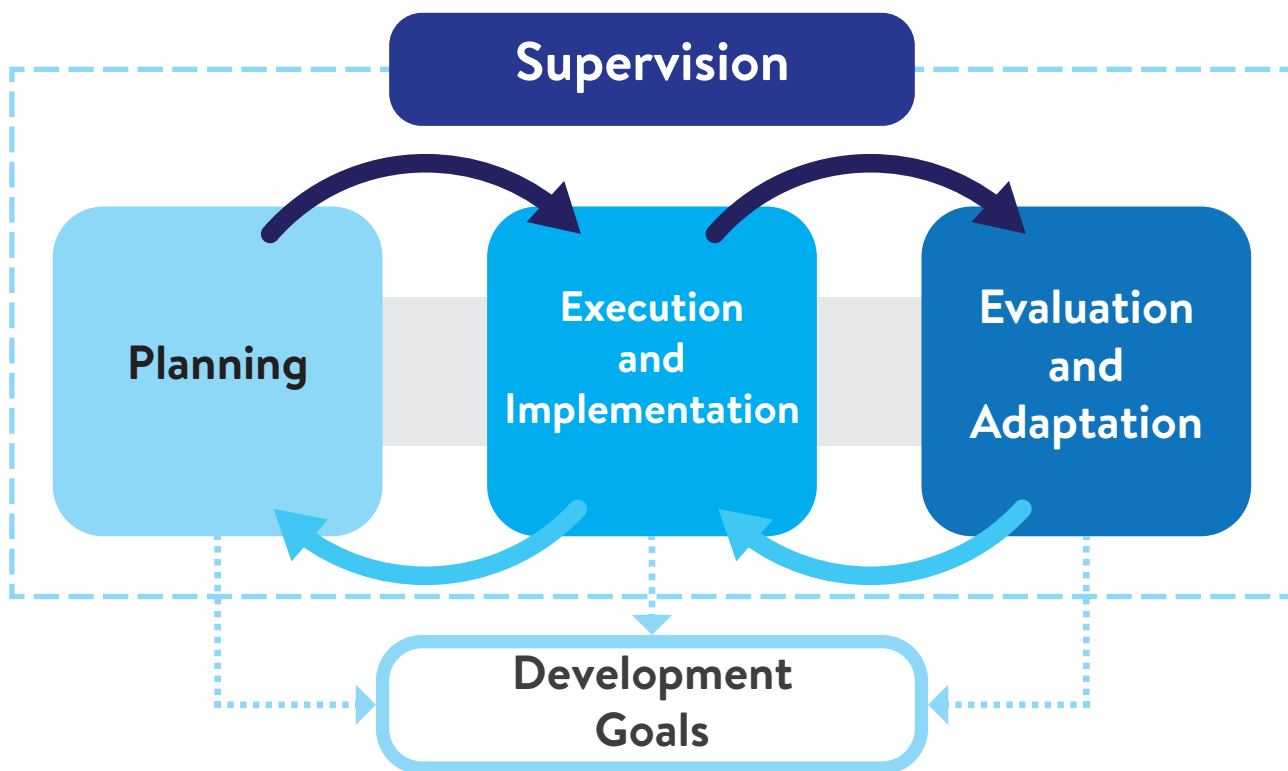


Figure 6.1. Public Sector Governance Work Process

The following discusses a more detailed explanation of each stage in producing superior policies, which is illustrated in Figure 6.1. The aspect of supervision has been discussed in sub-chapters 3.3. Strengthening External Accountability, 3.4. Increasing Internal Responsibility, and 6.3.5 Value for Public Money Audit.

6.1 Policy Planning

Policy planning is a crucial aspect in the public sector governance process to produce superior policies because it will influence the purposes, targets, and implementation of a policy.

6.1.1. Policy Planning Guidelines

There are at least five stages that need to be carried out by public institutions to produce superior public policies, namely: (1) diagnosis of policy prerequisites; (2) identification of the authority of each relevant public unit/institution; (3) identification of policy targets; (4) designing policies; and (5) identifying potential involvement of policy-related parties. The guidelines for public institutions to implement those five stages is as follows:

1. **Diagnosis of policy prerequisites:** Aims to identify environmental conditions that will influence policy planning. There are three main prerequisites for a policy, namely long-term commitment, coordination between policy makers, and cooperation between public institutions and the community. To ensure that those three prerequisites can be achieved, public institutions which plan policies must be able to ensure that all stakeholders are committed to the resulting policies. This is important because a policy, especially a development policy, has a long-term perspective and implementation. Therefore, the commitment from stakeholders is needed to ensure policy stability.

In addition, there must be good coordination among stakeholders. This is important because achieving development targets requires the involvement of various parties to make the policies that have been issued a success. Without coordination, it will be difficult to implement policies optimally. It is therefore important to ensure policy coordination when a policy is formulated. Coordination can be encouraged by developing institutional arrangements that facilitate the creation of coordination between interested parties.

Lastly, public institutions which plan policies must also ensure that there is cooperation between stakeholders to ensure the proper implementation of a public policy. Public policy will not be effective if there is no cooperation from all institutions, interested parties and the community at large.

2. Identification of the authority of each public unit/institution involved. Identification of authority is critical because public institution policies have a broad scope and there are cross-sectoral policies in certain cases, so they can be planned by more than one public institution. In carrying out this stage, every public institution that is planning a policy needs to identify the authority of each public unit/institution involved; identifying control over resources, including market control by companies; ensuring that every individual and the community have equal access to policy planning; and ensuring that the policy does not contain the principle of collusion, namely when the policy is only beneficial to one small group at the expense of many groups.
3. Identification of policy reforms. This stage is the process of preparing the aspects of implementing policy reforms. Every policy issued by a public institution must include the aspect of incentives from stakeholders, so that the commitment to a policy is maintained. Incentives have an important role in maintaining the commitment of interested parties to a policy in the long term. Nevertheless, the provided incentives must be in line with the principles of efficiency and effectiveness and not sacrifice the aspect of justice.

The issued policies must also be able to provide encouragement to the community to move in a better direction together. For example, public policies include awards given to parties who demonstrate honest, and professional behavior. In addition, the policy must be inclusive from the planning stage. This means that the policy being planned must be able to be debated and contested. This is important to increase the legitimacy and cooperation of the parties in order to successfully implement the policy. If interested parties and the community at large are not involved in the policy formulation process, there will be less incentive to comply with the policies being prepared. Therefore, it is important for public institutions to provide as much space as possible for the community at large to debate and contest the policies that are being prepared.

4. Designing policy coverage. This stage is carried out to identify the best mechanism for intervention. The guidelines for implementing this stage is that each public institution must identify intervention steps and regulatory changes that can solve the problem functionally. In designing policies, each unit of the public institution involved in policy making, needs to use the three levels of governance to assist in potential policy reforms.

The three levels of regulation are divided into first level rules (R1), middle level rules (R2), and higher-level rules (R3) (World Bank, 2017). First level rules refer to specific policies, such as budget allocation policies. Second level rules refer to the form of organization, such as the independence of the judiciary and the central bank. Third level rules relate to

“rules about changing rules”, such as constitutional and electoral laws. In practice, some functional issues may require a combination of reforms at all three levels of regulation.

5. Identifying potential involvement of policy-related parties: This stage is carried out to identify actors who need to be involved to ensure policies can be implemented effectively. Every public institution that plans policies needs to carry out mapping of the actors involved in implementing/preparing policies; identifying steps to invite state institutions, private sector, and the community to understand and support the policies being prepared, and then implement them, as well as utilize international actors/institutions to gain support from parties related to the policies being prepared.

6.2 Policy Implementation

To be able to implement policies properly, authorized public sector institutions must have the ability to identify issues, to develop appropriate policies to solve those issues, and to be able to convert policy plans into concrete actions. Public sector institutions must have sustainable political commitment, leadership, effective coordination, and innovation. Effective change, regulation, and budget initiators are the keys to successful policy implementation. In addition, public sector institutions need to increase transparency and involve various stakeholders in the policy implementation process. It is important because the policy development and implementation processes are related to various parties and interest, thus they can create an environment that is prone to opportunities for corruption and fraud. Figure 6.2. below shows the mechanism for managing policy implementation and monitoring policy as well as governance.



Figure 6.2. Mechanism for the Management of Policy Implementation and Performance Monitoring

6.2.1 Importance of Leadership, Capacity, and Ability in Implementing Public Policies

It is important for public sector institutions to develop a framework that can encourage the creation of responsive, adaptive, capable and trustworthy public services, referring to the seven basic values of governance and the core value of “BERAKHLAK” (Service Oriented, Accountable, Competent, Harmonious, Loyal, Adaptive and Collaborative). This is due to the important role of ASN in the policy implementation process. ASN must be able to realize political leadership in the form of initiatives that can be properly implemented and managed. Some of the abilities that ASN need to have are among others the ability to be able to provide advice and analysis of policies in a timely manner; the ability to be able to collect ideas from the community effectively in order to deliver better public services; ability to collaborate; ability to understand and execute commissions and contracts; the ability to be able to maximize the potential of digital transformation; as well as the ability to identify contradictions to policies in relation to trade-offs, resource allocation, and issues that may arise after policy implementation.

To support the maintenance of qualified leadership capabilities, capacities, and abilities for ASN in implementing public policies, a system of capacity development for public servants developed by public sector organizations is needed. For example, public sector organizations can develop ASN competencies periodically through programmed training aimed at improving the abilities required by ASNs to serve the community. It is important for public sector organizations to determine the types of skills that need to be honed, by balancing the development of “hard skill” and “soft skill” competencies, to be able to produce professional ASN. OECD (2017) defines the professionalism of an ASN as someone who meets the qualifications, is impartial, adheres to good values, is ethical, and is supported by strategic abilities and innovative thinking. In addition to developing programmed training, public sector organizations are also expected to have a performance and ability-based assessment system, so that public sector organizations can place their members into fields of work that suit their abilities and encourage the implementation of assessment and development of ASN capabilities on an ongoing basis.

6.2.2 Improving Public Services Through Digital Government

The development of digital public services can be used strategically for public sector institutions to produce public governance outcomes that suit the needs. Public sector institutions must develop a digital governance environment that can create opportunities for stakeholders to collaborate and participate in the policy-making process. With this culture, public sector institutions, private sector, and community organizations can mutually define political priorities actively and collaboratively as well as can design and deliver public services together. This is consistent with the core value of BERAKHLAK which also prioritizes collaboration between various parties to create public policies that accommodate the interests of the community at large. In developing a digital government strategy, the OECD (Organisation for Economic Co-operation and Development) provides recommendations to ensure the application of digital technology in a coherent manner across the government, develop business cases to be able to obtain funding and implement digital technology projects in a sustainable manner, strengthen institutional capacity in order to manage and monitor project implementation, as well as carry out digital technology procurement based on the assessment of assets owned.

6.2.3 Procurement of Goods/Services Open to the Public as a Strategic Lever in Achieving Policy Goals

According to OECD (2019), the existence of a system for the procurement of goods/services open to the public (public procurement) can help achieve policy goals, such as environmental protection, innovation, job creation, and development of MSME. OECD provides recommendations to public sector institutions to evaluate the implementation of procurement of goods/services open to the public in accordance with national priorities, to develop appropriate strategies to be able to integrate policy goals with a system for the procurement of goods/services open to the public, and to implement an impact assessment methodology for measuring the effectiveness of procurement of goods/services open to the public in achieving the goals of a policy.

The recommendation to carry out the procurement of goods/services open to the public is among others caused by the fact that the procurement of goods/services is an area that is vulnerable to corruption. Around 10-25% of the value of contracts for the procurement of goods/services could be manipulated by corrupt acts (UNODC, 2020). This also applies in Indonesia, as shown in the following Figure that the procurement of goods/services is the second largest type of corruption cases in Indonesia (KPK, 2021).

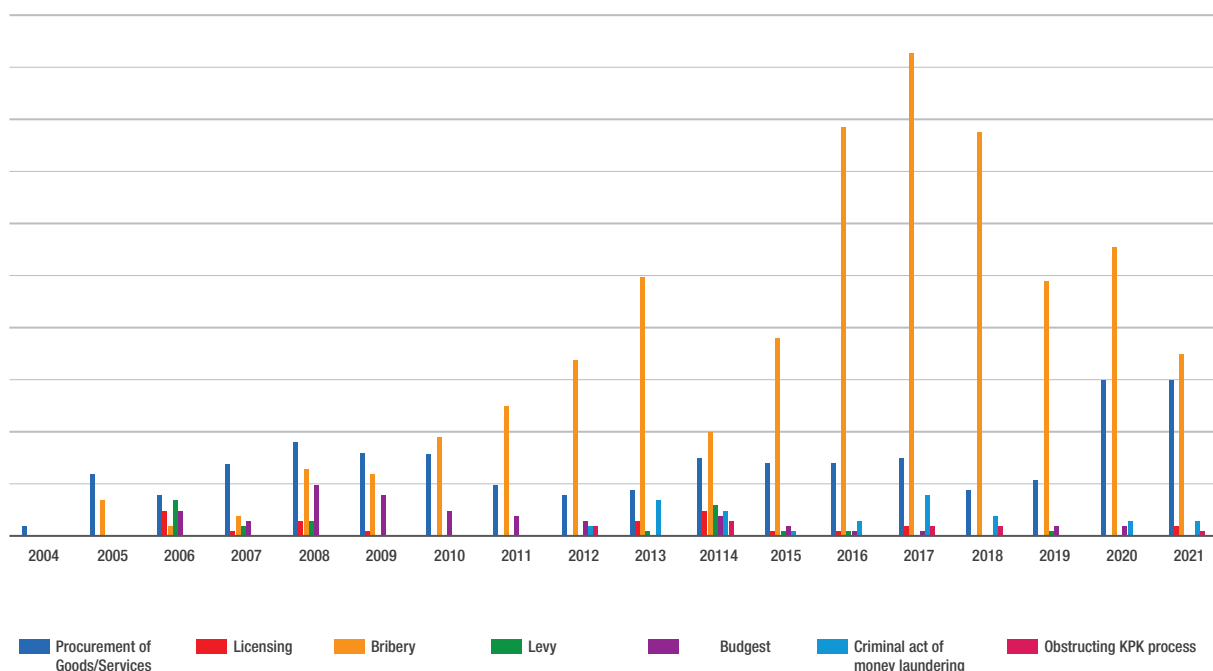


Figure 6.3. Corruption Statistics By Case Type (KPK, 2021).

6.2.4 Prioritizing Based on Existing Risks

Every public sector institution bases decisions and policies on credible and accountable data. In addition, every public sector institution that will make decisions and policies needs to identify various risks that may arise in achieving the final outcomes of decisions and policies. After identifying risks, each public sector institution must prioritize various policies and decisions as a basis for managing the identified risks.

All processes carried out by public sector institutions, starting from compiling data, identifying risks, to determining risks that need to be prioritized must be communicated clearly so that the parties and actors related to the policy can jointly manage the arising risks at the implementation stage. Allocation of resources in order to achieve the final outcomes and goals of policies and decisions must be carried out efficiently.

6.3 Monitoring and Evaluating Policy and Governance Performance

According to OECD (2018), performance monitoring is an ongoing function that utilizes systematic data collection for certain indicators so that the government can provide indications of progress and achievement of goals in the use of public funds related to the policies being implemented. Performance monitoring is an important means for the government to determine progress and achieve the policy goals set.

Monitoring policy and governance performance ensures that public policy implementation is carried out properly. Policy monitoring information can improve the quality of planning, decision making, and performance. In addition, this information can be a means to improve the implementation process and function of public sector organizations by providing a broader view for the government in order to be able to increase the efficiency and capacity of public sector organizations. Information that is open and accessible to anyone will also increase government accountability to stakeholders related to the use of resources for internal processes, output, and outcomes of a policy.

In the long term, the accumulation of data and information during implementation through monitoring and evaluation can complement the information obtained from the evaluation process. With the existing evaluations, the accumulation of data and information will help formulate and make policies, for example related to performance-based budgeting implementation policies. Policy monitoring is able to identify areas that require further examination and evaluation as a basis for data-based evaluation. In a data-based review, qualitative data will contribute to describing the context for the development of performance indicators, which will help the organization to improve or adjust key performance indicators (KPI) or establish new indicators.

Policy makers must determine the elements to be monitored and how to track them. Therefore, the government is obligated to:

1. Set policy goals and targets in planning documents.
2. Define performance indicators in accordance with the policy goals.
3. Ensure performance indicators are measurable and relevant to the goals as well as support the existing accountability systems.
4. Develop a data collection system for all of the identified indicators, which provides relevant and accurate data for Ministers, other government officials, and ASN.
5. Carry out progress reporting every two years and ensure that the report is accessible to the public and serves as a basis for discussion of policy implementation politically and at the top administrative level.
6. Implement a centralized control process and strategy review.
7. Involve the public and business community in the monitoring and evaluation process by ensuring transparency and access to information as well as provide input regarding the implementation of performance and challenges faced.

6.3.1 Monitoring and Evaluating Government-Wide Policy Priorities

Monitoring policy priorities across the government is one of the main priorities to ensure that operational and strategic objectives are achieved, and policy implementation is carried out in an effective and coordinated manner. The main objectives of monitoring are to ensure that the desired impacts and implemented policies are aligned, as well as that there is coordination across multidimensional policies, and to demonstrate progress and achievements to stakeholders. A survey of the organization and function of the Centre-of-Government (CoG) conducted by OECD in 2017 shows that monitoring is carried out by special monitoring units such as Delivery Units (DUs) (OECD, 2018). DU can be a strategic tool and should adopt an approach to the whole government in order to monitor and evaluate policy performance. Therefore, DU can be equipped with key performance indicators (KPI) to link policies with the resulting outcomes.

6.3.2 Monitoring and Evaluating Financial Performance and Budget Realization

Efficient policy making can help the government in assessing the level of effectiveness of public sector organization expenditures to achieve strategic goals, as well as to allocate financial resources if there are unexpected events or budget allocation errors at the policy implementation stage. Performance targets and control mechanisms must be clear and feasible to be able to monitor government performance properly. This will enable government officials to monitor the performance of each public sector organization. In addition, the relationship between the government's strategic objectives and the results of those expenditures must be identifiable.

A country's national agenda must pursue and reflect the Sustainable Development Goals (SDG) agendas, so that every decision can be assessed based on its achievements and level of contribution in realizing the SDG agendas. This alignment enables the government to assess whether financial allocations and expenditure decisions contribute to achieving the SDG set.

6.3.3 Measuring Regulatory Performance and Ensuring Policy Implementation

Measuring regulatory performance is a tool to sharpen the policy-making process and delivery of public services by helping the government identify barriers and improve regulations in general. Specifically, measuring regulatory performance is capable of maximizing the benefits of policy implementation, reducing compliance costs, and ensuring transparency and public access to existing regulations. The government must establish mechanisms and institutions that provide supervision of policy procedures and objectives as well as support and implement policies to improve the quality of a country's policies. Inspection is one of the main methods to ensure that regulations are enforced and complied with. Inspections need to be planned, targeted, and communicated properly to ensure that policy implementation is carried out effectively. Ethical standards and independence among others also constitute the main factors that determine how policy inspectors carry out the mandate they receive.

There are 11 principles developed by OECD that determine the basis for effective and efficient policy enforcement and inspections in achieving the best compliance outcomes and high policy quality, namely 1) evidence-based enforcement, 2) selective, 3) focus and proportionality of risks, 4) responsive policies, 5) long-term vision, 6) coordination and consolidation, 7) transparent governance, 8) information integration, 9) clear and fair processes, 10) implementation of compliance, and 11) professionalism.

6.3.4 Developing Robust Governance Indicators

The use of key performance indicators (KPI) by the government enables the measurement of the country's development in achieving the strategic SDG agendas. Some of the KPI set can also measure the impacts of government reforms in increasing the government's capacity to achieve the country's development goals. OECD (2018) recommends indicators that are in accordance with the SMART criteria: specific, measurable, attainable, relevant, and time-bound. The governance indicators are as follows:

1. Input indicator: measures the quantity and type of resources invested by the government to achieve certain public policies such as the number of employees, money, time, equipment, and so on.
2. Process indicator: refers to the actual use of process and is often implemented by assessing the effectiveness of individuals involved in policy making.
3. Output indicator: refers to the quantity, type, and quality of goods or services produced by government policies and can contain operational objectives.
4. Outcome indicator: measures the influence and strategic changes resulting from policy implementation. The outcome indicator is generally divided into two, namely short-term or direct effects, and long-term effects.
5. Impact indicator: measures the progress achieved towards broad goals. The impact indicator also measures the benefits obtained from government policies and provides an important mechanism for aligning policies made with other regulations and national development.

6.3.5 Value for Public Money Audit

Value for public money audit constitutes one of the forms of performance evaluation of government organizations that aims to account for the use of public funds. Value for Public Money Audit is an audit carried out to evaluate the implementation of public sector institutions based on the principles of economy, efficiency, effectiveness, equality, and equity as described in the previous section of this chapter.

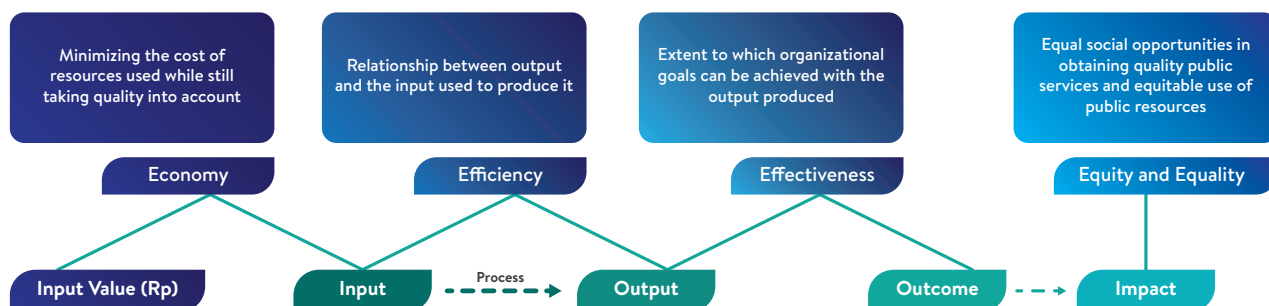


Figure 6.4. Value for Public Money Scheme (adapted from Mardiasmo, 2018)

Audit of economy and efficiency (management audit) is carried out with the purpose of assessing the saving and efficiency of licensing, protection, and use of resources; analyzing the causes of wastefulness and inefficiency; as well as assessing the entity's compliance with laws and regulations related to saving and efficiency. Audit of effectiveness (program audit) is carried out to determine the level of achievement of the desired program outcomes or benefits that have been determined by laws or other competent bodies; effectiveness of the entity's activities, implementation of programs, activities, or functions of the agency concerned; and the entity's compliance with laws and regulations related to the implementation of programs or activities.

The implementation of the Value for Public Money Audit can be carried out by external auditors (such as BPK) or internal auditors (such as APIP, BPKP, or Inspectorates at the appropriate government level). The purpose of implementing the Value for Public Money Audit is to increase the accountability of public sector institutions which is crucial for the implementation of regional autonomy and fiscal decentralization. Matters covered in a performance audit of state financial management are in the form of among others audit of budget preparation and implementation; audit of receipt, distribution, and use of funds; as well as audit of asset and liability management.

The urgency of implementing the Value for Public Money Audit is driven by changes in the political, economic, and social order in Indonesia. Globally, there has been awareness of the implementation of the Value for Public Money Audit as a result of economic globalization, trade liberalization, and economic openness. Domestic challenges in the form of equal distribution of income, poverty eradication, human resources (HR) development, and so on, indirectly require government employees/apparatus to be more open, transparent, and responsible for the decisions they make. Government employees/apparatus are required to be more open, transparent, and responsible for the decisions they make. One of the efforts to improve the three characteristics is by giving authority to auditors to carry out the Value for Public Money Audit in regional governments' work units. It is also expected that the implementation of the Value for Public Money Audit can be useful as an instrument for supervising and preventing the emergence of corrupt practices, inefficiency, and fund leaks that may occur in the flow of transfer from the central government to regions; so that regional governments can carry out their public service functions seriously based on the concept of value for public money.

6.4 Governance Reporting

Accountability, transparency, and openness are some of the principles of good governance that should be applied in the implementation of public sector governance. In fulfilling those principles, public sector organizations need to ensure fiscal transparency as a form of budget openness and accountability to the community. OECD (2002a) explains that public sector budget transparency is carried out by providing full disclosure regarding relevant fiscal information in a timely and systematic manner.

In more detail, OECD (2002b) explains that public sector organizations can report Pre-Budget Reports, Budgets, and Monthly Reports, Mid-Year Reports, End-of-Year Reports, as well as special reports such as Pre-General Election Reports and Long-Term Reports (reports that assess the sustainability of government policy in the long term). Budget constitutes the main document in implementing government policy. A budget must be reported comprehensively and include all government revenues and expenditures so that it can be used as a means for assessing government policy choices.

Other reports such as Monthly Reports and Mid-Year Reports are useful for reporting progress in budget implementation. The End-of-Year Report is the main document for government accountability. The report must be audited by the Supreme Audit Institution, namely the Audit Board (BPK), and show conformity between government revenue and expenditure and provide relevant non-financial information such as economic assumptions, tax expenditures, non-financial assets, and so on.

In addition to financial reports, the government can also report information on performance (performance report). IPSASB (2015) explains that in the reports, public sector organizations provide information that explains effectiveness (explanation of the achievement of organizational goals), efficiency (comparison of achievements with the previous periods, expectations or other benchmarks), input, output, outcomes (impacts on the community and/or groups or institutions in the community), performance indicators (including effectiveness, efficiency, input, output, outcome and other qualitative descriptions), as well as performance objectives related to the previous points. In other words, performance reports must provide information on organizational goals, performance indicators, and the total costs required to provide services.

The principles used in reporting public sector performance information are:

1. The provided information must be useful and accountable for decision making.
2. If combined with the information available in financial reports, information on performance must be able to enable users to assess the financial performance of public sector organizations according to the context of performance in achieving organizational goals, and vice versa.
3. The available information must cover specific scopes such as the services provided by the organization, the nature of the organization, and the scope of regulations that apply to the organization's operations.
4. The available information must adopt qualitative characteristics such as financial reports.
5. Aggregation and disaggregation of performance information must be at a level that enables understanding of the performance and achievements of public sector organizations.
6. Considering the trade-offs between relevance and comparability according to organizational needs and environment.

6.5. Performance Accountability

Accountability is the ability of an organization to use existing budget effectively, efficiently, and economically at all governmental levels, both central and regional. Public accountability becomes crucial with the increase in public demand for public services. The government's seriousness in realizing accountability has also been included in Law 17/2003, Law 1/2004, and GR 8/2006. Based on Article 1 Chapter 1 of Presidential Regulation Number 29 of 2014, performance accountability is defined as a form of responsibility for the success or failure of government agencies in carrying out programs or activities as mandated by stakeholders in order to achieve the organization's mission in a measurable manner with performance goals/targets through the Government Agency Performance Accountability Report (LAKIP) prepared periodically. Therefore, government agencies must be accountable and responsible for the success or failure of programs through performance accountability reporting.

Government performance assessments can be carried out if there is a performance system that can ensure government governance and provide information related to government performance. The Government Agency Performance Accountability System (SAKIP) was thus developed to increase government performance accountability, as a consideration material for the government in decision making by measuring the performance and achievement of strategies for each institution through the use of the existing budget.

Based on Presidential Regulation Number 29 of 2014, the government agency performance accountability system (SAKIP) is a systematic series of various activities, means, and procedures designed for the purposes of determining and measuring, collecting data, classifying, summarizing, and reporting performance in government agencies, in the context of accountability and improving the performance of government agencies.

CHAPTER 7 GOVERNANCE OUTCOMES

As stated in the previous chapter, the results of public sector governance at the macro level have a long-term dimension. Therefore, some institutions create intermediate indicators to identify the governance progress they have achieved, relative to the state and other institutions. Institutions that implement governance will have superior performance in addition to the ability to adapt and maintain stability in the face of economic uncertainty. The indicators developed by UNDP are suitable for measuring governance outcomes at the meso level (UNDP, 2014).

In addition to general governance outcomes, public sector institutions also need to identify their governance outcomes originating from collaboration with other public institutions or agencies.

7.1 Joint Outcomes

One of the basic values of public sector governance is collaboration, and collaboration between government institutions to produce optimum policy outcomes for the benefit of the community at large is critical. Therefore, to be able to provide outcomes that can meet the expectations of the community at large, public sector institutions need to collaborate with each other. Ryan et al. (2008) states that public sector institutions are expected not only to co-exist (do work by itself), communicate (talk together), cooperate (gather), or coordinate (work together), but must reach the point of “collaborating” in providing public services. However, collaboration cannot happen suddenly, but rather requires an understanding that the faced problems cannot be solved using the traditional system tending to be individualistic and oriented towards the end outcomes only.

7.1.1 Public Sector Collaboration Process

The implementation of collaboration to achieve joint outcomes requires interaction between various public sector organizations and the establishment of the newest working method based on dynamics arising from certain preconditions that must be met. Figure 7.1. below illustrates the collaboration process of public sector organizations.

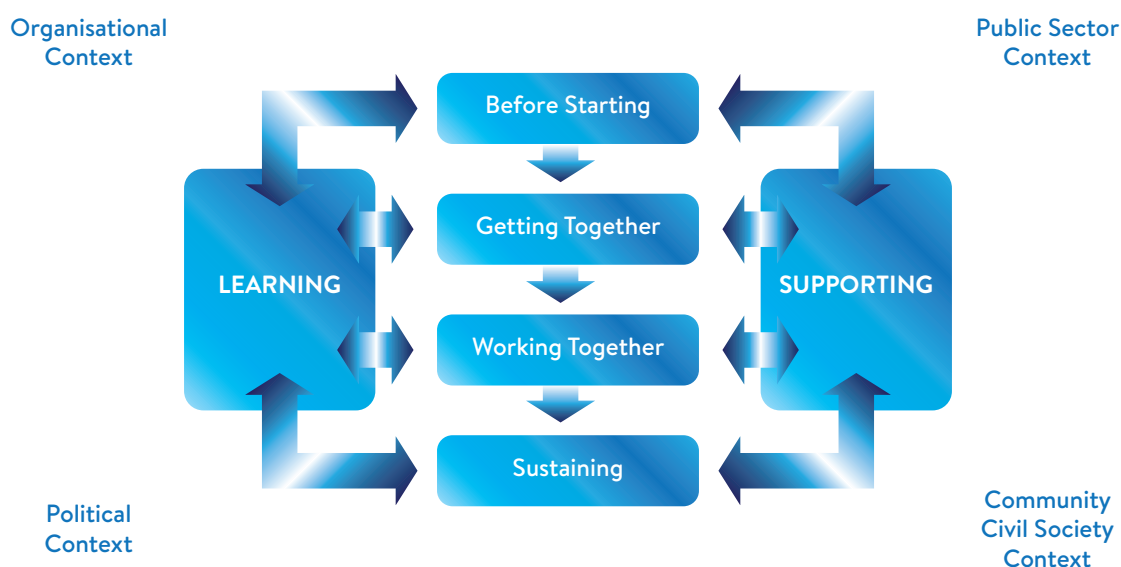


Figure 7.1. Public Sector Institution Collaboration Process (Ryan, et al., 2008)

7.1.1.1 Before Starting Stage

This stage constitutes a condition when ASN still work in a traditional-conventional manner, namely when the work elements are still relatively stable and can be handled using applicable standard operational procedures. To be able to transform towards a collaborative working method, public sector organizations must understand that the issue they are working on is a phenomenon that can no longer be tackled alone.

7.1.1.2 Getting Together Stage

In creating a collaboration with close relationships, energy and catalysts are needed. “Energy” is obtained from ASN and institutions having the will, strength, and credibility to be able to break down vertical relationships proportionally in order to form strong horizontal relationships. Thereby, it is expected an organizational culture that supports the collaboration process, namely a culture of reflection and learning, can be created. The party who serves as a “catalyst” is an initiator who is able to activate and channel quality, resources, thoughts, authority, and trust into a system and collaborative group.

At this stage, successful collaboration requires various elements, namely among others the division of roles and the formation of a network supported by officials who understand the balance of power between parties. In addition, an organizational culture that encourages bottom-up problem solving and does not define critical problems narrowly is also needed.

7.1.1.3 Working Together Stage

Every member of a public sector organization involved in collaboration must have permission and authority to carry out work using new methods and have the ability to expand boundaries within the organization by playing roles that are not only limited to formal situations. Nevertheless, there is basically no definite method for achieving successful group or process governance. It is so because it is impossible for one individual to have all the knowledge and resources needed, as well as because of the dynamic situations and conditions.

7.1.1.4 Support and Learning for the Sustaining Stage

To be able to maintain the developed collaboration, support and learning are most crucial. If these two do not work, then collaboration will return to an ineffective starting point. The existence of support means that there is a relationship between horizontal networks and vertical organizations that help each other in terms of training, financial resources, and administration. Learning means understanding that no one is “all-knowing”, thus an understanding that collective and continuous learning is needed to be able to solve complex problems is required. All parties involved in collaboration must understand that collaboration is not a relationship in a network or hierarchy, but rather a method for working horizontally and vertically at the same time.

CHAPTER 8 MULTILEVEL GOVERNANCE

8.1 Importance of Decentralization in Indonesia

The requirement for establishing a new strategy to face the new game era filled with new rules raises the awareness of the urgency of decentralization. The decentralization program is implemented to replace centralization in Indonesian government practices. The decentralization allows regional governments to have the power and authority to govern including the preparation of regional budgets (Blöndal, et al., 2009; Harun, et al., 2009, in Mardiasmo, 2018). In addition, decentralization also allows legislative control over regional government practices and resources so that regional governments are not completely controlled by the central government and have power (Blöndal, et al., 2009; Harun, et al., 2015 in Mardiasmo, 2018).

The stipulation of the People's Consultative Assembly (TAP MPR) has succeeded in creating a new strategy so that the country can emerge from the economic and confidence crisis and face the ongoing globalization cascade. The enacted law is capable of bringing about fundamental changes in the system of division and relationship of intergovernmental and financial authority between the central government and regional government as well as contains decentralization, namely the delegation of authority from the central government to lower governments. Figure 8.1. below illustrates the framework for decentralization and regional autonomy in Indonesia.

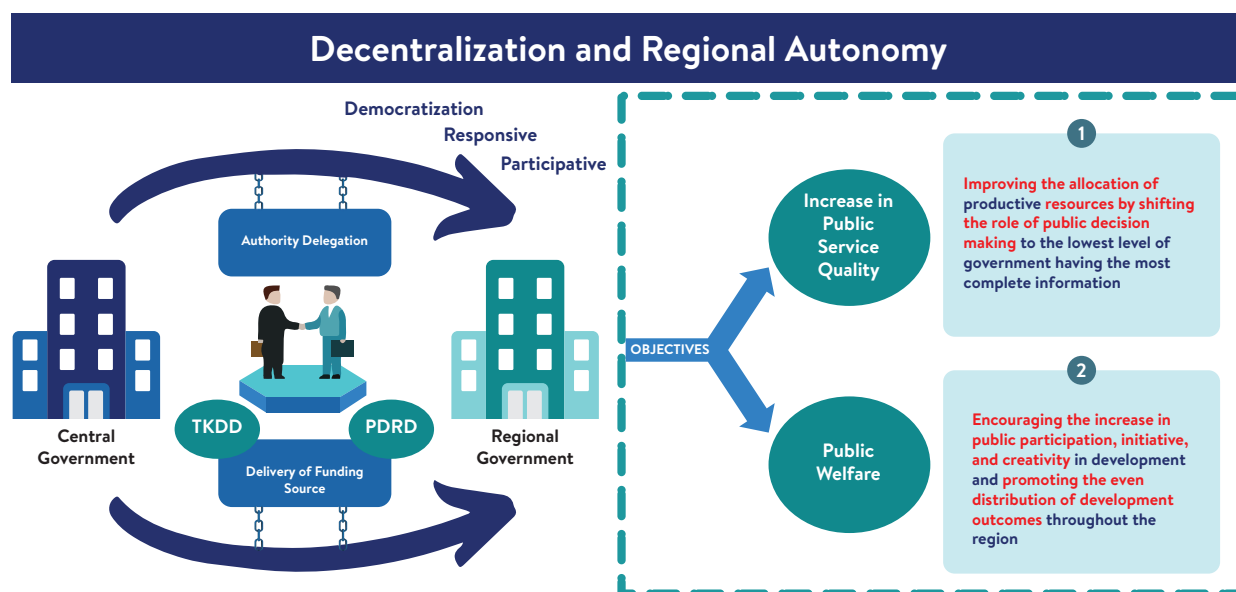


Figure 8.1. Decentralization and Regional Autonomy Framework in Indonesia

It is hoped that decentralization can encourage increased public participation, initiative, and creativity in development, as well as promote equal distribution of development outcomes (justice) in all regions by utilizing the resources and potential available in each region. It is also expected that decentralization is able to improve the allocation of productive resources by shifting the role of public decision making to the lowest level of government with the most complete information. Economic inclusiveness and public welfare will thereby be achieved in accordance with the principles set out in Figure 8.2. below.



Figure 8.2. Economic Inclusiveness and Public Welfare

8.2 Central and Regional Governments' Authorities

Government at various levels must be a catalyst by focusing on providing direction and not on production of public services. Governments at all levels must also focus on creating and modernizing the legal and regulatory environment, developing an atmosphere conducive to efficient resource allocation processes, developing the quality of human resources and infrastructure, protecting physically and non-physically vulnerable people, as well as improving and conservation of environmental carrying capacity (World Bank, 1997 in Mardiasmo, 2018). In addition, the government needs to carry out fiscal decentralization through financial balance between the central government and regional governments (provinces and regencies/cities) as well as between regional governments.

The implementation of decentralization in the form of delegation of responsibility from the central government to the regions gives regional governments complete authority to plan, implement, supervise, control, and evaluate regional policies in a responsible and proportional manner. The central government will then transform its role into a stimulator, facilitator, coordinator, and entrepreneur in the development process.

The initial juridical foundation for the development of regional autonomy in Indonesia is Law Number 22 of 1999 on Regional Governments updated with Law Number 23 of 2014 on Regional Governments and Law Number 9 of 2015. The laws above which have undergone several amendments seek to encourage community empowerment, initiative and creativity development, increase in public participation, and development of the role and function of the Regional People's Representative Council (DPRD).

Autonomy in regions and regencies is carried out by paying attention to the principles of democracy, public participation, equality, equity, and taking into account regional potential and diversity. The autonomy handed over to regencies and cities needs to provide broad, actual, and responsible authority or discretion to regional governments in a proportional manner. If public participation improves, decentralization and regional autonomy will then influence other components of government quality. This indicates that the responsibilities given need to be followed by fair regulation, distribution, utilization of national resources, and central and regional financial balance.

8.3 Regional Financial and Budget Management

To implement effective decentralization, careful management of regional finances and budgets is required. The regional budget or Regional Revenue and Expenditure Budget (APBD) is the regional government's work plan in the form of money (rupiah) in one period (one year). APBD is also one of the main policy instruments and occupies a central position in efforts to develop the capability and effectiveness of regional government. The regional budget is a means for determining the amount of revenue and expenditure, assisting in decision making and development planning, authorizing spending or expenses in the future, determining standard measures for performance evaluation, a means for motivating employees, and a coordination means for all activities of various work units.

The perspective of desired changes in regional financial management and regional budgets in efforts to empower regional governments includes:

1. Regional financial management must be based on the public interest (public-oriented), which can be seen from the large portion of budget allocation for the public interest and the extent of public participation in planning, implementing and supervising regional finances.
2. Clarity of the mission of regional financial management in general and regional budgets in particular
3. Decentralization of financial management and clarity of the roles of relevant participants in budget management, such as DPRD, regional heads, regional secretaries, and other regional officials.
4. The legal and administrative framework for financing or funding, investment, and management of regional money is based on the principles of market mechanisms, value for public money, transparency, and accountability.
5. Clarity of the financial position of DPRD, regional heads, and Regional Civil Servants (PNS) in terms of ratios and basic considerations.
6. Provisions on the form and structure of budgets, performance budgets, and multiyear budgets.
7. Principles of more professional procurement and management of regional goods.
8. Principles of regional government accounting, financial reports, the role of DPRD, and auditors/examiners in supervision, provision of opinions on financial reports and budget performance rankings, and transparency of budget information to the public.
9. Aspects of development and supervision which include the boundaries of development, the role of associations, and the role of community members in order to develop the professionalism of regional government officials.
10. Development of a regional financial information system to provide accurate budget information and development of the regional government commitment to disseminating information.

8.3.1 Regional Government Budgeting Process

The regional government's budgeting process consists of four stages: budget preparation and composition stage, budget ratification stage, budget implementation stage, and budget reporting and evaluation stage. However, before government agencies implement the regional government's budgeting process, regional planning documents, comprising the Regional Long Term Development Plan (RPJPD, with a period of 20 years and referring to the National Long Term Development Plan / RPJPN), the Regional Medium Term Development Plan (RPJMD, with a period of 5 years and referring to the National Medium Term Development Plan / RPJMN), and the Regional Development Work Plan (RKPD, with a period of one year and referring to the

Government Work Plan / RKP and national strategic programs) are first prepared.

Alignment between planning documents at various levels of government is very important in order to encourage massive development to achieve equal and fair welfare of the people. The alignment of those documents can be seen in Figure 8.3. below.

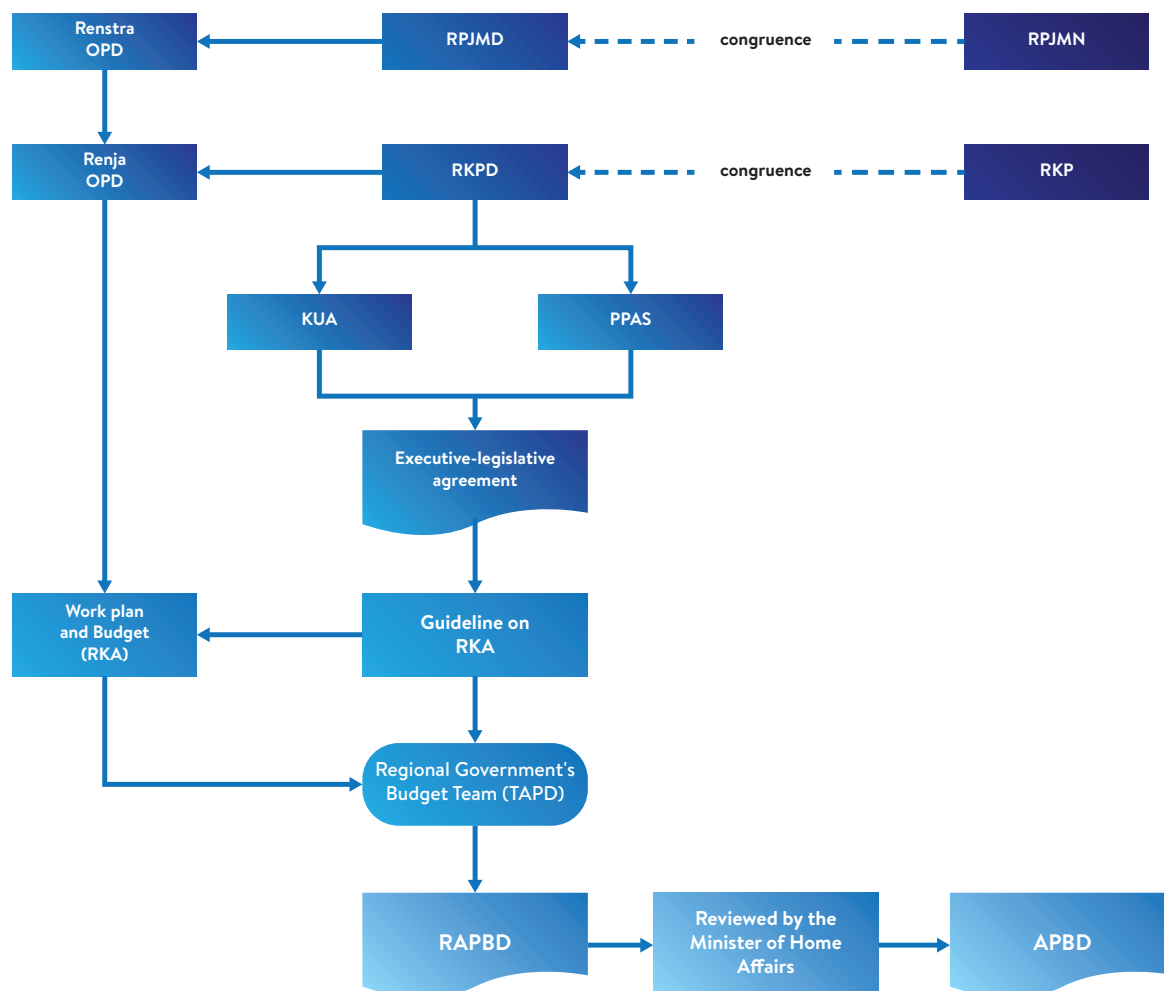


Figure 8.3. Relationship between National Development Planning Documents

After the regional budget planning document is established, the regional government together with DPRD then prepares and determines general direction and policies as well as APBD strategies and priorities. APBD coverage must include at least three aspects, namely the aspects of planning, control, and public accountability. In addition, it is also expected that budget is able to accommodate considerations from the results of government performance evaluations in the previous period, input from community aspirations, as well as an assessment of current conditions.

The budget cycle starts from the budget preparation and composition stage which is carried out by discussing expenditure estimates on the basis of estimated available revenue. The government needs to consider the uncertainty factor which is relatively high. Subsequently, at the budget ratification stage, regional heads are expected to have a good combination of managerial skills, political skills, and coalition building. This is due to the requirement for regional heads to be able to provide rational answers and arguments in responding to questions and objections from the legislature regarding budget. The next stage, namely budget implementation, requires an adequate and reliable accounting information and management

control systems to plan and control the agreed budget. The final stage, namely budget reporting and evaluation, is a stage related to public sector accountability.

8.4 Oversight, Control, and Audit of Regional Government's Performance

Three main aspects support the success of regional autonomy: supervision, control, and inspection. Supervision refers to actions or activities carried out by parties outside the executive (such as the community and DPRD) to monitor government performance. Control is a mechanism carried out by the executive (regional government) to ensure the implementation of management systems and policies so that organizational goals can be achieved. An audit is an activity carried out by a party who has independence and professional competence to check whether the outcomes of regional government performance are in accordance with existing standards or criteria.

At the technical-applicative level, monitoring by DPRD is carried out at an early stage. Control is carried out mainly at the intermediate (operational) stage, namely the management control and task control levels, while audits are generally carried out at the final stage. The audited objects include budget performance, performance budgets, and accountability reports consisting of APBD calculation notes, balance sheets, cash flow reports, and budget surplus/deficit reports.

Providing broad regional autonomy also provides authority and freedom (discretion) to regions to manage and utilize regional resources optimally. This must be followed by strong supervision and control. The supervisory function can be enhanced by optimizing the role of DPRD as a balancing force (balance of power) for regional executives and direct or indirect public participation through NGO and social public organizations in the regions (social control). Strengthening the control function can be done by creating an adequate internal control system and empowering regional government's internal auditors as well as regional government's internal supervisors.

Supervision by DPRD and the community needs to be carried out from the planning stage, instead of just at the implementation and reporting stages. In the autonomy era, DPRD is authorized to determine the direction and general policy of APBD. DPRD must determine the general direction and policies of APBD at the planning stage properly to avoid deviations at the implementation stage.

DPRD members must understand that the supervision of regional executives constitutes supervision of the implementation of the outlined policies, instead of audit. The audit function can be handed over to audit institutions having the authority and professional expertise such as the Audit Board (BPK), Finance and Development Supervisory Agency (BPKP), or independent public accountants. If DPRD desires it, the council can also ask BPK or other independent auditors to carry out an audit of the executive's financial performance.

DPRD can form an Ombudsman or oversight body to strengthen the supervisory function of the established Agency and to serve as an independent supervisor to supervise the administration of a public institution. The supervisory function will continue to be carried out by a body that has the authority and professional expertise so as not to busy DPRD with purely technical matters. The Council can thereby concentrate more on strategic and policy issues.

In addition to supervision by DPRD, empowerment of the government's internal supervisory institutions is also required. This is realized by assigning BPKP (Finance and Development Supervisory Agency) to supervise state/regional revenue and expenditure budgets, empowering

Provincial Inspectorates and Regency/City Inspectorates as internal auditor institutions at the regional government level, as well as establishing an Audit Charter as a commitment to assigning internal audit institutions that are validated and approved by the regional head. It is expected that the empowerment of those institutions can encourage comprehensive supervision in order to achieve consolidation and integration of central and regional as well as inter-regional development.

8.4.1 Mechanism for the Evaluation of Draft APBD by the Ministry of Home Affairs

Based on Presidential Regulation of the Republic of Indonesia Number 11 of 2015, the Ministry of Home Affairs of the Republic of Indonesia is stated to have various functions, among others related to coordination, development and general supervision, facilitation, and evaluation of the administration of regional government in accordance with the provisions of laws and regulations. In line with this function, Government Regulation of the Republic of Indonesia Number 12 of 2019 on Regional Financial Management and Regulation of the Minister of Home Affairs Number 13 of 2006 on Guidelines on Regional Financial Management explain the evaluation mechanism for Draft Provincial and Regency/City Regulations on APBD carried out by the Ministry of Home Affairs. The purpose of carrying out this evaluation is to achieve alignment between regional policies and national policies, alignment between public interest and the interest of the apparatus, as well as knowing the range of compliance and suitability of Provincial or Regency/City APBD with higher public interests and/or other regional regulations stipulated by the province or regency/city.

The mechanism for evaluating draft APBD at the provincial level starts from the submission of the Draft Provincial Regulation on APBD which has been approved together with DPRD and the Draft Governor Regulation on the Elaboration of APBD before it is stipulated by the governor to the Minister of Home Affairs. Those drafts are then evaluated by the Minister of Home Affairs. If the evaluation results indicate compliance with public interest and higher laws and regulations, then the governor is allowed to stipulate the drafts into regional regulation and governor regulation. However, if the evaluation results indicate that the drafts are not in accordance with public interest and higher laws and regulations, then the governor and DPRD are required to make improvements no later than seven working days after receiving the evaluation results. If the governor does not follow up on the evaluation results and instead continues to stipulate the draft regional regulation and governor regulation, then the Minister of Home Affairs is authorized to cancel the regional regulation and governor regulation as well as to declare the effectiveness of the previous year's APBD ceiling. As for the Regency/City level, the implementation mechanism for the evaluation of the Draft Regency/City Regulation on APBD which has been approved together with DPRD and the Draft Regent/Mayor Regulation on the Elaboration of APBD before being stipulated by the Regent/Mayor is in fact similar to the one at the provincial level. The difference is that the governor is the one who carries out the evaluation, before delivery to the Minister of Home Affairs.

8.4.2 Mechanism for the Evaluation of Regional Expenditures by the Ministry of Finance

The Ministry of Finance, in this case the Directorate General of Fiscal Balance, is tasked with carrying out the formulation and implementation of policies in the field of allocation and management of balance funds and other transfers to regions, as well as regional taxes and regional levies, in accordance with the provisions of laws and regulations. One of the functions of the Directorate General of Fiscal Balance, as stated in Article 33 of Presidential Regulation of the Republic of Indonesia Number 57 of 2020 on the Ministry of Finance, is to carry out monitoring, evaluation, and reporting in the fields of allocation and management of balance funds and transfers to other regions, and regional taxes and regional levies.

The Directorate General of Fiscal Balance, in this case specifically the Directorate of Evaluation and Information System, is authorized to evaluate the fulfillment of education expenditure, health expenditure, and mandatory expenditure sourced from the General Transfer Fund (DTU) in APBD for the relevant fiscal year as well as the Mandatory Expenditure Report which is sourced from DTU and has been submitted to the Minister of Finance (c.q. Director General of Fiscal Balance) and the Minister of Home Affairs (c.q. Director General of Regional Financial Development). This authority is set out in Regulation of the Minister of Finance of the Republic of Indonesia Number 207/PMK.07/2020 on Procedures for Postponing the Distribution of General Transfer Funds for Fulfilling Regional Governments' Obligation to Allocate Mandatory Expenditures.

The Directorate of Evaluation and Information System carries out the evaluation by comparing the calculation of the amount of education expenditure, health expenditure, and mandatory expenditure sourced from DTU which is budgeted in APBD for the relevant fiscal year with respect to the amount of education function expenditure, health function expenditure and mandatory expenditure sourced from DTU which should be budgeted for in APBD for the relevant fiscal year. In carrying out the evaluation, the Directorate of Evaluation and Information System is allowed to carry out independent mapping of expenditure outside program matters in the education and health sectors to be able to calculate the amount of expenditure on the education function and health function.

If the evaluation results indicate that the amount of education expenditure, health expenditure, and/or mandatory expenditure sourced from DTU is not met, then the Directorate of Evaluation and Information System sends a confirmation letter to the Regional Government. If the Regional Government disagrees with the evaluation results, it needs to submit a response letter with supporting data and evidence for calculating the amount of education expenditure, health expenditure, and/or mandatory expenditure sourced from DTU. However, if the Regional Government approves the evaluation results, a confirmation letter is not required. After the evaluation is approved, the Director of Evaluation and Information System then submits the proposed request for a postponement of DTU distribution to the Director of DTU who is then authorized to approve or reject the proposed request.

After obtaining approval from the Director of DTU, the Directorate of Evaluation and Information System then prepares a Decision of the Minister of Finance on the postponement of DTU distribution. In responding to the evaluation results and Decision of the Minister of Finance, the Regional Government then budgets the deficit in education expenditure, health expenditure, and/or mandatory expenditure sourced from DTU in changes to APBD for the current fiscal year and prepares changes to mandatory expenditure reports sourced from DTU based on changes to APBD for the Regional Government that does not fulfill mandatory expenditure sourced from DTU in APBD for the current fiscal year. The changes to APBD and Mandatory Expenditure Reports are then submitted by the Regional Government to the Minister of Finance (c.q. Director General of Fiscal Balance).

After submitting those changes, the Directorate of Evaluation and Information System then re-evaluates in mutatis mutandis way as the initial evaluation is carried out. If the evaluation shows that the amount of expenditure has been met, the Directorate of Evaluation and Information System will submit a proposed request for redistribution of postponed DTU to Proxy of Budget User of the State General Treasurer (KPA BUN) for DTU Management and forward it to KPA BUN for TKDD (Transfers to Regions and Village Funds) Distribution who will then carry out the redistribution of DTU to the Regional Government Concerned. It is expected that all of

these evaluation mechanisms are able to realize the compatibility of the direction of the DTU use policy with its implementation and equal financial capacity between regions in the context of implementing decentralization.

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MANAGEMENT OF THE NATIONAL COMMITTEE ON GOVERNANCE POLICY FOR THE 2021-2024 PERIOD

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National Committee on Governance Policy

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E-mail: info@knkg.or.id

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