

GOOD GOVERNANCE: CHALLENGES AND PROSPECT FOR INDONESIA

TATA KELOLA PEMERINTAHAN DI INDONESIA: KENDALA DAN PROSPEKNYA*

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ABSTRAK

Karya tulis ini membahas tentang perkembangan pelaksanaan tata kelola pemerintah yang baik di Indonesia pasca lengsernya Suharto. Meskipun pemerintah telah mencanangkan berbagai tindakan, masih ada berbagai hambatan dalam implementasinya. Hambatan-hambatan ini meliputi lambatnya reformasi birokrasi, resistensi pegawai pemerintah terhadap perubahan, warisan aturan yang bersifat otoriter dan sentralistik serta kurangnya kepemimpinan yang efektif.

Kata Kunci: tata pemerintahan yang baik, demokratisasi, hambatan

ABSTRACT

This paper discusses the development of implementation of good governance in Indonesia following the stepping down of Suharto. Even though the government has designed several measures, there are still several barriers at the implementation level. These barriers include the slow bureaucratic reform, resistance of government officials on change, authoritative and centralistic regulations left by previous regime and lack of effective leadership.

Keywords: good governance, democratization, barriers

INTRODUCTION

Background

The 1997 Asian financial crisis has made the term “good governance” a popular topic for discussion in Asia and particularly in Indonesia. The term “good governance” has been popularized in Indonesia mainly due to the strong push by the World Bank and other international organizations, particularly those active in the areas of development assistance and finance.¹ The absence of good governance in both government and private sectors has been blamed for the severe economic crisis.²

In this respect, good governance has also become important for aid donors and international financial institutions (IFIs) not only as

a precondition to their lending procedures, but also to make sure that financial assistance is properly allocated.³ The reason for this push towards governance is attributed to the findings that the effectiveness of financial aid depends on “a good policy environment”.⁴ According to the international development donor agencies, corruption and ineffectiveness of the government was the major constraints in achieving the expected benefits. Thus, this insight has contributed to the increasing attention among donors with good governance and its linkage to development, democracy, and economic growth in developing countries.⁵

Despite the core principles of “good governance” having been implemented quite intensively in Indonesia through various innovative policies, so far there has been only limited improvement. What are the range of barriers to the implementation and enforcement of these policy reforms?

Research Purposes

1. To provide an analysis of good governance implementation in the context of the democratization process and its impact on economic development in Indonesia in the last ten years.
2. To identify the barriers of the implementation of good governance in Indonesia.

Research Methods

This research applied qualitative analysis, mainly uses secondary sources (data, document, and literature) from local and international institutions.

Governance, Democracy, and Sustainable Economic Development

As stated above, there is the increasing attention among agencies that the principles of good governance link in to sustainable development and democracy. While some scholars argue that there is no direct, proven relation between democracy and economic growth many donors agencies consider there is a positive connection and firmly advocate it as a condition of aid.⁶ It is therefore useful to consider some brief definitions of the term ‘governance’ in more detail and how the concepts are used among the international financial institutions and other donor agencies. It then explores the linkage between good governance, democracy, and sustainable economic development, before turning to the detail of its application in Indonesia’s context.

Discussing the relationship between governance, democratization, and economic growth, it is necessary to grasp the basic principles of these terms. Numerous definitions of governance exist and most refer to the World Bank as first instigator when it attributed the African development crises of governance in a 1999 report.⁷ In this regard, the World Bank defines governance as: “.... the manner in which power is exercised in the

management of a country’s economic and social resources”.⁸

On the other hand, from the viewpoint of the United Nations Development Programme (UNDP), governance is “the exercise of economic, political, and administrative authority to manage a country’s affairs at all levels. It comprises mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences”.⁹

Governance is “good” when a State efficiently distributes and manages public goods to respond to the citizens’ problems.¹⁰ The World Bank Institute identifies five main aspects of good governance: (1) Voice and accountability, which includes civil liberties and political stability; (2) Government effectiveness, which includes the quality of policy making and public service delivery; (3) The lack of regulatory burden; (4) The rule of law, which includes protection of property rights; and (5) Independence of the judiciary; and control of corruption.¹¹

In practice, the concept of good governance could be achieved through many tangible things, including free, fair, and regular elections; a representative parliament that makes regulations and provides supervision; and an independent and accountable judiciary that interprets laws, promotes human rights and the rule of law. Moreover, good governance also emphasizes the importance of devolving power and resources to local governments. Decentralization will give citizens and civil society organizations a greater opportunity to play an active role in governance and to set priorities for the most vulnerable people in the society.¹⁰

Even though the content of “good governance” differs among the international organizations, transparency, accountability and participation are considered to be among its key principles. These elements, especially transparency, have been included into the International Monetary Fund’s (IMF) 50-point Letter of Intent, aimed at improving public policy in Indonesia to recover from economic crisis.¹

For economic growth to be sustainable in the long run, it is important that the government improve the quality of governance. In the case

of Indonesia, for example, the stock market crash in 1998 was because the government could not service its debt payments as previously mentioned. As no transparency and freedom of the press, citizen had no information to understand these risks and to hold their leaders accountable. As a consequence, Indonesia's GDP recorded negative growth of over 13% in 1998; and it was the sharpest among the four countries affected by the Asian economic crisis.¹²

Good Governance in Indonesia

There are, at least two important reasons to evaluate the practice of 'good' governance. First, it will assist aid donors and reformers in their determination for the next development projects. Second, "good" governance evaluations will affect the business climate and investment levels. As such, it is widely believed that aid flows have a more positive impact on development in countries which apply "good" governance.¹³ While there are a number of different tools to assess and monitor governance performance, one that is widely used and recognized as the most effective measurement tool across the world is the Worldwide Governance Indicator (WGI).¹⁴

Elements of Good Governance

Tabel 1 shows Indonesia's individual score in each component since 1996 to 2009. From this figure, it can be seen that during the past decade there has been significant transformation of governance in Indonesia. In its report, the World Bank notes that Indonesia has made a substantial improvement following the end of the New Order era in 1998.¹⁵

Voice and accountability measures "the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media".¹⁶ The political change marked by the resignation of President Suharto in 1998 provided significant momentum for change in the relations between state and society in Indonesia and opened the possibility for the introduction of governance reform.

Although President B.J. Habibie was running the government with relatively low political legitimacy, during his Presidency there were at least three important political policies issued, namely: releasing political prisoners to respect for human rights, removal of repressive laws to give freedom of association, freedom of speech, freedom of the press; and the organization of an agenda of free and fair multiparty-elections.¹⁷ With those policies, dozens of new public organizations both, non-government organizations and civil society organizations, have emerged. Various printed and electronic mass media and new political parties have also developed. These media outlets have given opportunities for independent public organizations and opposition political parties to take a part in the public discourse.

With regard to political stability, the rating remains low although there has been a slight improvement since 2000. A series of discontents uprising and separatism in Aceh and Papua, as well as a periodic sectarian conflict have marked Indonesia's transition to a more democratic society in the last ten years. For example, the incidence of violent conflict between Christians and Muslims in Maluku had killed as many as 9,000 and displaced half a million from their

Tabel 1. Worldwide Governance Indicators For Indonesia (Percentile Rank)

Indicator	1998	2000	2002	2003	2004	2005	2006	2007	2009
Voice and Accountability	16,3	37	38,5	38	38,5	44,2	42,8	43,3	48,3
Political Stability	9,1	6,3	9,1	3,4	6,3	14,4	13,9	18,3	24,1
Government Effectiveness	20,4	36,4	34,5	34,5	44,7	39,7	45,1	46,4	46,7
Regulatory Quality	38,5	36,1	25,9	27,8	26,8	36,6	43,9	44,2	42,9
Rule of Law	22,4	24,8	17,6	19	27,6	24,3	28,1	30	34,4
Control of Corruption	13,1	16	10,2	15,5	19,9	20,9	25,2	33,3	28,1

Source: World Bank (www.worldbank.org/wbi/governance)

home.¹⁸ This sectarian strife has spread to many different places in Maluku, North Maluku, and Central Sulawesi provinces. Inter-ethnic violence also spilled over between indigenous Dayaks and migrant Madurese which have broken out in West and Central Kalimantan provinces in early 2001.¹⁹ Another concern is the possible terrorist attack. A terrorist bombing on Oct. 12, 2002, at a nightclub in Bali killed more than 200 people, mostly tourists, probably is the main reason why the rating remains in the bottom grade.

The next indicator is government effectiveness. The indicator shows some improvement since 1998. It is commonly believed that the civil service in Indonesia is unresponsive, non transparent, inadequately skilled and corrupt.²⁰ Due to the strong belief of the Yudhoyono administration that success of development also depends on the quality of the administration, effectiveness and the performance of the bureaucracy, for this reason, gradual and planned bureaucracy reform has been and is still being carried out to improve the performance of the bureaucracy and to create good and clean governance. Such reform, according to one of the President's public statements, covers the balanced improvement of the work system, performance measurement, and discipline implementation as well as remuneration.²⁰

In the field of regulatory quality, which is defined as "the ability of government to formulate and implement sound policies and regulations that permit and promote private sector development",¹⁶ the trend remains unsatisfactory. The investment climate, including foreign direct investment (FDI), has remained sluggish. Numerous measures to attract foreign investment have been intensified including further simplifications in investment licensing procedures, but the results so far have been disappointing.²¹

The Asian Development Bank (ADB) indicates that the major constraint to increase investment in Indonesia is the lack of certainty, especially regarding justice, the enforcement of property rights, and the upholding of the law.²² The problem of low levels of foreign investment is also worsened by the fact that most investors confirm they are faced with an increase in constraints after the introduction of regional autonomy. This study also emphasizes that firms

operating in Indonesia face problems related to economic policy, corruption, and regulations. ADB survey also indicates that the taxation is the main concern and more than 11 percent of the firms report that interactions with the tax officials resulted in informal payments.

The next indicator is the rule of law. Here, there has been a slight progress. Since 1998, Indonesia has enacted legal and judicial reforms to increase judicial independence and accountability. These reforms include: (1) the one roof system to transfer the administration of the appeal and district courts that was previously carried out by the Department of Justice to the Supreme Court; (2) a new commercial court system to handle bankruptcy and insolvency applications; (3) a Judicial Commission to oversee the selection of judges and monitor the performance of judges so that they conform to a code of ethics; (4) a Constitutional Court with the jurisdiction to assess whether legislation conforms with the constitution, and (5) a National Law Commission whose task is to develop a plan to reform the legal system.²³

Although attempts have been made at reform, the impact of these initiatives has been limited.²⁴ There are, at least, three reasons that have brought the judicial system to the brink of complete dysfunction: the endemic corruption within the judicial institutions, the low level of judiciary's competence, and the difficulty to enforce of judicial decision.²⁵ In fact, corruption is "a necessary source of revenue within the system itself; there is a strong and to some extent necessary practice of extortion to allow the system to work at all".²³ In terms of the poor quality of the judiciary and court officials, it is related to the weak career development system.²⁶ To date, there are no adequate instruments for assessing the judiciary's performance and competence. In many respects, the Supreme Court leaders are highly dependent upon the recommendations of their staff in making promotions and transfers.

The situation in regard to combating corruption is that there has been some actions and some progress in reducing the corruption level. The Law on the State Organization Clean and Free from corruption, collusion and nepotism (Law No 28) and the Anti-Corruption Law (Law No 31) passed

in 1999, provides for stiff penalties for corruption to a maximum of 20 years imprisonment or up to Rp 1 billion in fines.²⁷ In addition, An Anti-Corruption Commission and an Anti-Corruption Court were created in 2002. The Commission has conducted or is in the process of conducting numerous investigations affecting high-profile figures such as lawmakers, judges, police, and other government officials.

Unfortunately, corruption remains widespread. Most experts believe that corruption is getting worse with decentralization and bureaucratic inefficiency remains problematic.²⁸ The reasons behind the ineffectiveness in minimizing corruption, among others are: low pay of the government employees and political leaders, the big opportunities for corruption in many public sectors, and the low probability of detection and punishment of corrupt offenders.²⁸

Barriers to Implementation of Good Governance

Though improvements have been made, there are still numerous problems which make the implementation of good governance in Indonesia a challenge. At national and local levels, effective governance remains elusive due to weaknesses in performance and responsiveness. Government, at all levels, often fails to provide essential services that they are supposed to provide, particularly in the health and education sectors, and they are relatively closed to demands from the general public.²⁹

Several major problems and variables that impede the implementation of good governance can be elaborated as follows. First and the most critical impediment, is the slow progress of civil service reform. The current government remuneration system is commonly blamed for rampant corruption in the bureaucracy. Generally, the salary of government officials is substandard and it is not enough to cover their day to day expenses such as food, shelter, education, and transportation.³⁰ This causes dissatisfaction among civil servants and, in turn, they lose their focus on the job because they always think how to find an opportunity for additional income within or outside the office. Seemingly, then, it triggers “creative options” to manipulate system.³¹

Moreover, the low salary level has led to a reluctance young people with the professional ambition and high motivation to join the bureaucracy.³² As a result, Indonesian civil service is filled mainly by those who are attracted by job security, a pension guarantee and the possibility of taking part in lucrative corrupt activity. According to the former minister in charge of the civil service, “only 45 per cent of Indonesian bureaucrats know what they are doing and do their jobs properly”. In his view, the education level and work ethic of civil servants in Indonesia is low and they are commonly characterized as inadequately skilled, unmotivated, unsupervised, and non accountable.³³

This situation minimizes the capacity and capability of human resources. The low quality of government officials is related to human resources management particularly in the recruitment, appointment, and promotion system. Instead of being filled through open performance based selection, most positions in the civil service are offered for sale.³² Prices are more expensive where positions have many projects and the compensation is good.³⁴ The practice of buying and selling positions is possible because of the lack of transparency in the selection and appointment for the core positions. These unethical practices undoubtedly create inefficiencies and room for corruption since investments to obtain positions need to be paid back during their career.

The current civil service structure is also characterized by a lack of rewards and a punishment system. In the absence of this kind of system, civil servants are unlikely to increase their discipline and innovation. Thus, it is hard to believe that government officials will use their skills in the interest of public if there are no appropriate incentives to do so.³⁵ Under such conditions, it is not surprising that there is a strong resistance and reluctance to adopt new systems of good governance. In short, the current system of national administration and the civil service system are incapable of providing institutions which are conducive to good governance or improved performance. So, it is necessary for Indonesia not only to reform government human resource management but, also how “public institutions are structured, operate, and financed”.³²

Second, the norms and practices within an organizational structure can cause reluctance to change.³¹ The bureaucracy was a crucial instrument to the Suharto system of government. But instead of serving the general public, they extorted rents from small domestic and foreign companies and the general population.³⁴ Thirty two years of Suharto regime is closely linked with bad governance, popularly known as KKN (corruption, collusion, and nepotism) in Indonesia, whereas his successors have pushed for practicing good governance that is transparent, accountable, professional, and participative. Hence, these opposite roles make for a problem for bureaucrats to change their normal procedures.

Indonesia, as a new democracy often has to face a disconnection between new democratic leadership and the administration that are still working under “old paradigms” or “doing business as usual”.³² The dramatic political change, unfortunately, has not been followed by cultural change in the bureaucratic system. As Duncan and McLeod³⁵ argue “inefficient institutions can be very difficult to change. This is partly because the institutions adopted by a country tend to be determined by predominant belief system”. The political culture of government officials in Indonesia is that the lower officers have to respect the higher authorities. The popular adage of “keep your boss happy” (asal Bapak senang) which means not to upset or cause any problems since it might lead the higher authorities into trouble, has made the strong sense of camaraderie and “esprit de corps” among civil servants.³⁶

What makes the situation worse is the failure of the justice sector, including the judiciary, prosecutors, police and lawyers, to combat corruption. The lack of political will to enforce the law makes corruption difficult to cope with. Although the government is currently committed to combat corruption through various legal instruments, it has not been successful in dealing with this systemic problem. One principal source of public corruption is lack of transparency in government procurement, licensing, and decision-making processes. Currently, foreign and domestic businesses face a much more complicated regulation in dealing with a range of national and local governmental authorities than in the past.

Third, although the implementation of decentralization offers the opportunity for the community to be involved in decision making and monitoring process, the past experience of the top-down and centralistic development policies and programs that disallowed any possibility for differentiated models has left a passive society.³⁷ The centralistic and overpowering bureaucracy in the past has led to uniformity, standardization, and discouragement of local initiative, and perhaps most serious of all, created a deep distrust in public institutions.³⁶

Indeed, when new rules and concepts are introduced, citizens involvement and cooperation to make claim for better service and to help government in good governance implementation is identified as an important aspect of good governance.³⁸ This is especially true in Indonesia where there is strong aspiration to eradicate authoritarianism and build a democratic society.¹ Thus, there is a need for further socialization and dissemination of good governance concepts and the form of these aspects in every day. The implementation of these aspects should be clearly shown to society so that there is the same understanding between society and regional government.³¹ This adequate information dissemination could raise awareness of the necessity of good public sector governance among civil servants and citizens and at the end, hopefully, build trust among them. If properly implemented, this would encourage people to contribute and participate in monitoring the performance of regional government to fulfill its responsibility in delivering adequate services.³⁹

Fourth, is the leadership factor. In a paternalistic society, like Indonesia, the influence of leadership has the important role in organizational behavior and work performance.⁴⁰ Strong leaders are necessary due to the Indonesian hierarchical and bureaucratic culture of leaders and subordinates. Moreover, government leaders, as noted by Erawan⁴¹ do not work in a political or historical vacuum and there are various heritages and social conditions. This means that they must consider existing conditions such as politic, economic, and social circumstances in determining local policy. More important, the ability of local leaders to produce innovative programs, stay away from

short term demands, build coalitions with other political parties, and create popular support for their reform has played a central role in the degree of successful programs. In Gorontalo and Solok, the provinces that have been awarded as best practice examples of good governance implementation, the local leaders have encouraged their staff to have innovations and honest behavior, especially regarding the implementation of certain regulations.³¹ As a result, this had led to the quick transition of staff's leadership mentality.

Finally, there is still no common guideline from all the stakeholders on the processes and goals or end results of the governance reform.¹⁷ It is recognized that there is a need for an implementation guideline for each aspect, based on echelon levels and job description.³¹ Currently, there is confusion among all government levels, especially those in the middle and staff level, on how to implement good governance in their daily work and ensure high results.

The consequences of the absence of the blueprint on the direction, triggers other problems, which include difficulties in developing clear goals, how to measure success, the programs are fragmented between actors and institutions, and in the long term, it can be frustrating for both government officials and society.¹⁷ As shifting to a new system is not an easy job, the implementation guideline which contains ways and examples of this new service delivery practice on daily basis is necessary.³¹

Another additional problem is the absence of a national public service standard. Due to Suharto's past leadership, which was characterized by red tape in public administration services, a minimum public service standard is required. These standardization programs might include processes within that service, a standard time frame and documentation is required for a particular service, and the authorities or level of government official that is responsible for the kind of services.³¹ After 32 years of public service that ignored the needs of the citizens and had excessive regulations, the absence of a minimum standard of service has caused confusion and uncertainty within regional governments on how to perform public services delivery in the "correct" way.³¹ As a consequence, this uncertainty has left

government officials learning by doing to find the "right" public administration procedure standard. This is causing confusion within the regional government itself and in turn, has a multiple effect within citizenry, where confusion impedes good governance implementation.

Conclusion

This paper has explained the efforts of the Indonesian Government towards creating good governance principles. The core of the argument is that while there has been significant improvement in some areas, the good governance practices in the context of the quality of public service is still demonstrating fundamental flaws. In the case of Indonesia, democracy and good governance have their own impetus.

Looking back over the last decade since the transition began in 1998, Indonesia has embarked on a commitment for democracy and a less centralized government. As part of the recovery phase, the introduction of good governance through numerous innovative policies in both the private and public sector has ranked Indonesia at the top among the Asian countries in terms of civil liberties and political rights.⁴² Furthermore, according to USAID report, the institutional structure of democracy is now in place in Indonesia.³¹ The media and civil society are free and play a significant role in promoting transparency, the parliament now has power to scrutinize the executive branch, government has been decentralized, and local government leaders are now directly elected.

In the same vein, the World Bank Government Index notes that Indonesia has improved on one governance indicator (voice and accountability), but has had less progress on five other aspects (political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption). This means that the concept of good governance has not optimally been implemented yet in Indonesia. The reasons are fairly clear, transformation from more than thirty two years of rigid centralized planning which has created an imbedded culture of collusion, corruption, nepotism, and a weak rule of law to a decentralized and democratic society is not an easy task.

Although there is a strong intention of implementing good governance principles to create more democratic society in Indonesia, in reality the implementation is still not at optimum levels. The biggest obstacle is a minimum commitment to reform the bureaucratic system, some resistances from government officials and the failure to provide a blue print for all stake holders. The scarcity of effective leaders who can create innovative programs without being captured by short term consideration provides additional and significant challenges to the implementation good governance principles in Indonesia.

As the essence of good governance is government agencies' conduct in implementing innovative policies and programmes to increase the quality of delivering service to its people which in turn, increase the standard of living,³¹ the failure of government to achieve macro economic stability and economic growth to a pre-crisis level, can be a source of dissatisfaction and democratic set back. In the current rapidly changing globalised economy, it would be hard to expect high economic growth without the rule of law. In short, there is still plenty of room for further work. The transition process is quite difficult and very complex so that it needs a gradual approach, involving more integrated capacity building in particular for local government, civil service reform, and fighting corruption.

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