

ONE-STOP SERVICE AT MUNICIPAL LEVEL: A BUSINESS REFORM IN INDONESIA

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Abstract

In 2013, Indonesia was ranked 128 of 189 countries in ease of doing business aspect. Many improvements should be undertaken such as doing innovation through One-Stop Service (OSS) in the field of licensing. This article analyzes the implementation of OSS in Indonesia, particularly in Bangka Regency and South Tangerang City. The research method is a qualitative approach. Data are collected by interviews, observations, and related documents. The study shows that OSS can improve public service in Indonesia as the services become more effective and efficient. However, there are some problems in implementing OSS such as the rule of law, human resources, and infrastructures. OSS makes the business reform runs well and increasing the investment growth.

Keywords : innovation, public service, business

The ease of doing business is an important issue in Indonesia currently. Indonesia is often seen as a less pro-investment. The reason is investment climate in Indonesia is not supported by the provision of simple licensing regulations. Many investment rules are assessed incriminating investors. There is no clarity in terms of time, costs, and procedures. This has resulted in 2013; Indonesia occupied rank 128 from 184 countries in terms of ease of doing business. This position is certainly not very encouraging. Although there have been numerous attempts to repair and provide ease of doing business for

entrepreneurs, but the position of Indonesia is still less than other asian countries.

Results of the latest survey issued by the World Bank on the ease of doing business around the world named "Doing Business 2014" places Indonesia at number 120. Despite the nation's rank increased and better than previous year, it is still considered to be low as the Philippines managed to soar from being 138 last year to 108 this year. Even, comparing to several other ASEAN countries, Indonesia is still left behind. Singapore was at the first place followed by Malaysia, and Thailand ranked at 18, Brunei Darussalam at 59, and Vietnam at 99. This survey included 189 countries around

the world. The Indonesia Investment Coordinating Board (BKPM) head Mahendra Siregar said the government would continue to improve the ease of doing business and reiterated his confidence in the steps the country has taken for the future. Next year, Indonesia is targeting a place in the top 100. The latest progress is Commencing on 26th January 2015, BKPM implementing One Stop Service (OSS) Center which is an

integrated services between BKPM with some ministries/ institutions. Implementation of OSS Center is intended to provide quick, simple, transparent and integrated license services. (<http://www.bkpm.go.id>). That innovation was conducted to enhance both domestic direct investment (DDI) and foreign direct investment (FDI). Total investment realization in Indonesia in 2014 based on sector is shown below:

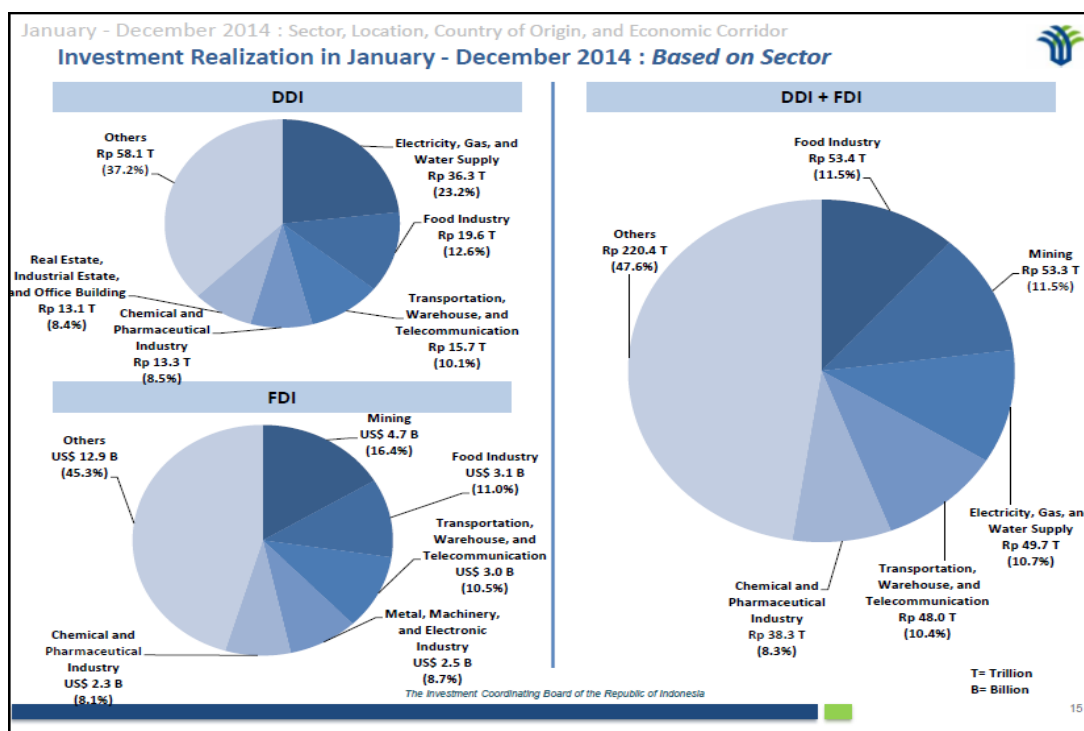


Figure 1: investment realization in Indonesia January –December 2014: based on sector
source: <http://www.bkpm.go.id>, February 2015

Based on the data, we can observe that the lowest DDI is on the real estate, industrial estate, and office building (8,4%).

The various obstacles faced by investors in Indonesia which deals with licensing issues. Licensing issues is important because it is

related to the ease of starting a business. This effort includes the permissions problem simple or complex procedures, costs, and time. To resolve the issue of various Government innovation efforts at local and central level, for example by making easier permissions.

One of them is through the establishment of one stop service. In this way then the investor does not need to be through many doors when taking care of licensing effort.

As a matter of fact, there are still many regional heads who have not demonstrated the commitment of carrying out of licensing in the field of one-stop services. The licensing authority area attraction still occurs in areas that are already shaping the institutions of one-stop services.

Some sectors are still under the control of the technical department directly under the

control of the head area. This is compounded by the lack of form of the institutions where there is still one stop service separation between licensing services with investing.

The separation is surely aggravating investor because it has to deal with two different agencies. This is very inefficient in terms of time or cost. Further, the ease of doing business in several provinces influences the investment realization. Next table shows us the realization investment in Indonesia based on location.

Table 1. investment realization di Indonesia (January-December 2014) based on location

January – December 2014: Sector, Location, Country of Origin, and Economic Corridor

Investment Realization in January - December 2014: Based On Location



DDI				FDI			
NO	LOCATION	INVESTMENT (Rp Billion)	PROJECT	NO	LOCATION	INVESTMENT (US\$ Million)	PROJECT
1	East Java	38,132.0	303	1	West Java	6,561.9	1,671
2	West Java	18,726.9	258	2	Special Territory of Jakarta	4,509.4	3,053
3	Special Territory of Jakarta	17,811.4	118	3	East Kalimantan	2,145.7	191
4	Central Java	13,601.6	121	4	Banten	2,034.6	709
5	East Kalimantan	12,859.0	40	5	East Java	1,802.5	497
6	Banten	8,081.3	100	6	Central Sulawesi	1,494.2	58
7	Riau	7,707.5	76	7	Riau	1,369.6	129
8	South Sumatera	7,042.8	42	8	Papua	1,260.6	42
9	Aceh	5,110.3	75	9	South Sumatera	1,056.5	114
10	South Sulawesi	4,949.5	48	10	West Kalimantan	966.1	158
11	West Kalimantan	4,320.9	54	11	Central Kalimantan	951.0	126
12	North Sumatera	4,223.8	107	12	West Nusa Tenggara	551.1	167
13	Lampung	3,495.7	35	13	North Sumatera	550.8	249
14	South Kalimantan	2,616.5	32	14	South Kalimantan	502.5	78
15	Southeast Sulawesi	1,249.9	13	15	Central Java	463.4	224
16	Central Kalimantan	980.4	14	16	Bali	427.2	582
17	Jambi	907.9	42	17	Riau Islands	392.1	128
18	Special Region of Yogyakarta	703.9	14	18	South Sulawesi	280.9	58
19	West Sulawesi	690.1	7	19	Southeast Sulawesi	161.8	77
20	North Kalimantan	642.8	3	20	Lampung	156.5	50
21	Bangka Belitung Islands	615.4	7	21	West Papua	153.3	42
22	West Sumatera	421.1	22	22	West Sumatera	112.1	72
23	Bali	252.8	20	23	North Kalimantan	108.3	18
24	Papua	249.9	17	24	Bangka Belitung Islands	105.0	34
25	West Nusa Tenggara	212.5	10	25	North Maluku	98.7	23
26	North Maluku	156.4	1	26	North Sulawesi	98.5	69
27	West Papua	100.1	12	27	Special Region of Yogyakarta	64.9	48
28	Central Sulawesi	95.8	8	28	Jambi	51.4	42
29	North Sulawesi	83.0	15	29	Aceh	31.1	49
30	Gorontalo	45.1	1	30	Bengkulu	19.3	17
31	Riau Islands	28.5	35	31	West Sulawesi	16.2	7
32	Bengkulu	7.8	1	32	East Nusa Tenggara	15.1	57
33	East Nusa Tenggara	3.5	1	33	Maluku	13.1	33
	TOTAL	156,126.2	1,652	34	Gorontalo	4.1	13
					TOTAL	28,529.7	8,885

The Investment Coordinating Board of the Republic of Indonesia

Source : : <http://www.bkpm.go.id>, February 2015

Based on the table, The East Java Province seems to be the best place for Domestic Direct Investment (DDI) and the West Java Province is the best place for FDI.

This article examines the implementation and impacts of one-stop service in Indonesia, and the constraints of one-stop service.

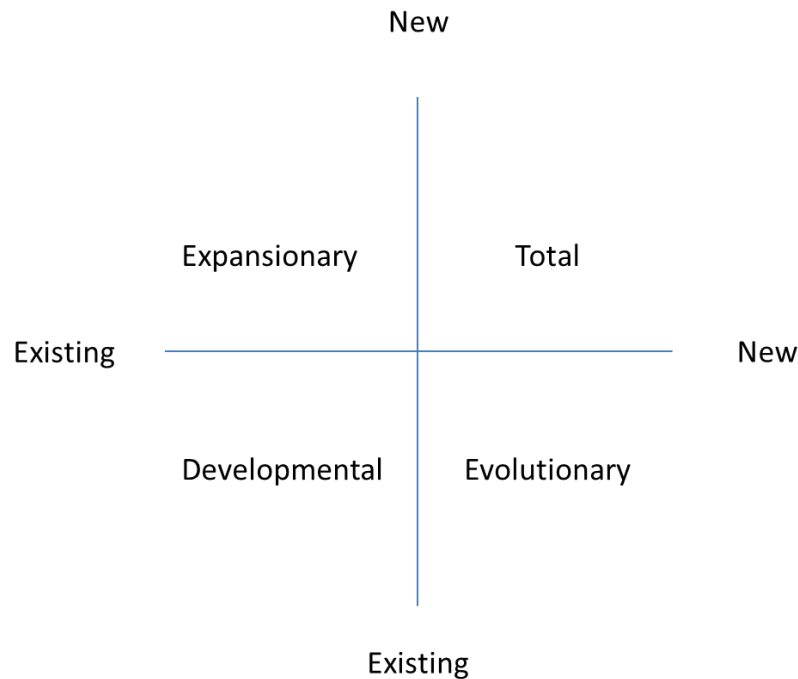
THEORETICAL FRAMEWORK

Innovation in the business process service is essential to improve the quality of service itself. Five types of innovation according to Baker and the IDeA (in Prasojito et.al., 2007) includes innovation related to:

- 1) strategies or policies such as mission, objectives, strategies and new considerations
- 2) Services/products such as change the features and design of service
- 3) submission service such as changes or new ways of delivering services
- 4) processes, such as internal procedures, policies and new forms of organization of interaction system
- 5) new ways or knowledge-based improvements in interacting with other actors as well as changes in how to run a government.

Changes in the provision of public services is a phenomenon that involves many elements. Osborne and Brown (2005: 5) state that these changes include: a) the design of service; b) the organizational structure of public service providers; c) management of organizations that providing public service; d) capability that required in the provision of public services. Moore (1994; 1995) expressed that public value management with emphasis on strong ideological positions of market versus state provision should be used. Meanwhile, According to Hefetz and Warner (2004), the social values inherent in public services may not be adequately addressed by economic efficiency calculus of market.

Further, Osborne and Brown confirms that innovation is a more specific form of the changes and is not related to the public service in the past. They define innovation as a renewal of the system that already exists in the form of the application of new ideas. Three fundamental elements that exist within an innovation is an actor (innovators), processes, and outcomes (learning outcomes). Osborne (1998) develops an innovation typology as follows:



x-axis : services of the agency
y-axis: needs of the client (end-user) group

Figure 2. A typology of public services innovation (Osborne,1998)

According to Osborne, This typology leads to four types of organisational change:

- (1) total innovation, involving discontinuous change which is both new to the organisation, or may even be the creation of a new organisation itself, and serves a new user group.
- (2) expansionary innovation, where the change involves offering an existing service of the organisation to a new user group.
- (3) evolutionary innovation, where the change involves providing a new service to the existing user group of an organisation.
- (4) developmental or incremental innovation, where the services of an organisation to its existing user group are modified or improved.

In order to survive in an ever-increasingly competitive environment,

organisations stand under constant pressure to innovate on services, products and processes to keep up with the needs of the market. Besides, innovation involves finding new ways to provide and capture value, aiming to form a new basis for competition. In order to do this, the firm must focus on understanding customer needs and identify ways to meet these while also understanding how business partners are able to add value to the offering (Pavie, 2013). innovation is also driven organically by organisations and networks with the requisite ambition, curiosity and skills. It thrives on variety and experimentation. It cannot generally be delivered in penny packets from the centre. And thus from perhaps 2006 onward New Public Management in England began to

collapse under its own weight. The voluntary sector became a more and more powerful voice in and around government. Patterns of public service design and reform became more eclectic and broadly-based (Housden, 2014).

While, there are some models of public sector change. One of them is Means-End Model. Means-end interventions are based on finding the root causes of existing problems, developing a range of possible solution strategies, selecting the “best” alternative, selecting a trial intervention and assessing its outcomes in relation to expected results, and evaluating the feasibility of the intervention in terms of achieving a tangible goal or outcome (Rusaw, 2001). Means-end models require methodical thinking, environments that are predictable, and tools that will accomplish identified purposes.

In this article, we use *Reengineering* as one of the Means-end models. In a review of case study research from several information resources management documents, Caudle (1994) examined the uses of reengineering in several government organizations. Caudle noted several conditions that government managers confronted in using reengineering interventions. First, government work processes and subprocesses had to be defined in relation to a specific customer served. This was difficult because public employees provide service not only to specific customers and clients but also to the larger society, in terms of being accountable for use of public resources. This

had the effect of requiring the opening of decision-making processes to public scrutiny and inviting oversight from several legislative and judiciary bodies.

Further, the short tenure of politically appointed managers presented narrow “windows of opportunity” in which to develop long-term goals and to produce tangible results. In addition, vague organizational missions and inability to develop exact and quantifiable performance measures of service to achieve the mission created problems for identifying and evaluating expected improvements. Finally, the fragmented human resources systems limited the abilities of managers to hire, train, and reward individuals conducting reengineering projects. The various structural impediments identified made it difficult for managers to coordinate and integrate services and products.

However, the public service is inherently a political creation, and also inherently involved in politics, simply because it is the structure that delivers *services publiques* to the citizens – it plays a role in determining who gets what from the public sector. That said, however, the pattern of political development has been to shield the civil service from overt political control in order to enhance its efficiency and to ensure its fairness in dealing with citizens (*Peters & Pierre, 2004*). Furthermore, Peters and Pierre said that most importantly, politicians may politicize the public service in order to change policy. It is often argued by ministers that when

they assume their post in a ministry they are confronted by a cadre of public servants, often from top to bottom of the structure, who are committed to a certain way of doing things. The capacity to make at least some appointments is a means of addressing this problem and of perhaps being able to put a particular stamp on policy.

Findings and Discussion

Many areas in Indonesia have been doing innovations to improve public service in the area of licensing. For example, authors' research which was carried out in the two regions namely Bangka Regency in Bangka Belitung Province, and city of South Tangerang in Banten Province. Innovation in the field of licensing is done by applying an integrated service system or one-stop services. One-stop services system actually has been also done in other areas in Indonesia. For example, best practices in Sragen Regency and Jembrana in Indonesia. One-stop services is based on the regulation of the Minister of Internal Affairs No. 24 /2006. Licensing services in Indonesia according to the regulation should be implemented through one stop service. This policy aims at improving the quality of public services as well as providing a broader access to the public to obtain public services.

In additional to the regulation of the Minister, various rules have been issued by the Indonesian Government to encourage the carrying out of licensing services effective and

efficient. Such as Act No. 25/2007 about Investing, the Presidential Regulation No. 27 Year 2009 about One-Stop Services in the field of capital investment, regulation that issued by the Head of Board of National Capital Investment No. 6 in 2011 about the procedures for implementation, construction and Integrated Services and reporting one stop service in the field of capital investment. One Stop Service is also regulated in Government Regulation No. 96 in 2012 on the implementation of Act No. 25 of 2009 about Public Service. These rules are described in a range that is the manifestation of one-stop services where several types of service management processes are integrated in one place.

Some areas had been considered as best practices in terms of one-stop services implementation. In those regions, the one-stop services has a goal to enhance the effectiveness of the licensing services and capital investment. One of the districts that are often made references to other parts of Indonesia in the implementation of one-stop services is Sragen Regency. In this area, one-stop services is implemented by the agency named Board of Integrated Licensing and investment. In 2012, the agency served 70 types of permissions and 2 non-service. The establishment of one-stop services is backed up by a desire to realize services for fast and efficient society. This institution was originally named Office of Integrated Services that was formed based on

Regional Rule No. 15 of 2000 (Prasojo, et al., 2007: 67).

While in other places such as the city of South Tangerang, public service functions in the field of licensing services implemented by one special agency. Tirtariandi's research (2012) shows that this agency has not yet been a real one stop service institution. For example, in terms of time of completion the permissions. For example, the building permit. according to Standard Operating Procedure (SOP) owned by the agency, time limit is 30 days. This is contrary to the regulation of Minister of Internal Affairs No.24 of 2006 which states that the period of completion of the licensing services and non-licensing set is 15 working days counted from the receipt of the application file and all its furnishings. Then the applicant must still ask for land allocation recommendations from the Department of City Planning. Comparing with other regions, for example in the Sragen, the applicant is only dealing with the one-stop services agency and does not need to go to the technical service. The one-stop services institutions will take care of all matters relating to the granting of the licence.

Theoretically, as Osborne and Brown said, changes in the provision of public services include many aspects. One of them is the design of service. In Indonesia, many cities have done innovations of the service design. In particular, the local government of South Tangerang City actually has done many innovations to improve the climate of business. Regarding the Standard

Operating Procedures (SOP), the government should improve it. The design of service must be better than the current SOP. The building permit should be finished under 30 days so that the SOP will be in line with the regulation of Minister of Internal Affairs.

Case of one-stop services elsewhere such as in the City of Surakarta is also similar. Formerly, the government does not combine the office of capital investment and the licensing agency. In 2011, the major Joko Widodo (Jokowi) combined those two agencies with the aim of facilitate the investors take care of permissions in the field of capital investment (<http://cgi.fisipol.ugm.ac.id>).

Early research data that were obtained related to one stop service in the Bangka Regency showed that by 2013 the licensing service functionality is implemented by the Office of One-Stop Services (OSS). While the capital investment undertaken by the Investment Agency. The OSS has run its task well since 2008. The licensing volume has been increasing. But the function of coordination seems to be crucial problem because of its status.

However, some innovations in licensing services have been done, as follows:

- 1) The local governments implement Standard of Operating Procedures (SOP) and Standard of Minimum Service Delivery that refer to government rule.

Before SOP applied, the licensing service in Bangka Regency was not in compliance with

the applicable legislation. For example, a building permit service still exceeded 15 working days. As the two standards are available, investors will get certainty in his business when the building began. In line with the Theory of Osborne and Brown, changes in public services include design of services. The design of services have been revised in order to ease the investors to start their business. According to the new standard, building permit service only takes 10 days.

2) Minimizing the number of licensing service charged.

In order to push the pace of investment in Bangka Regency, Bangka Government had set a number of licensing the service fee only includes 5 types of licensing for examples Building Permit, Permit of interference (HO), and the business license. Referring to the opinion of Baker and IdeA, it is included into the innovation of strategy or policies. It is related to the new strategy and new considerations. By minimizing any charges, it will push the rate of investment.

3) Launching for a Desentralization of One-Stop Services

The latest innovation launched in Bangka is the Integrated Administrative Service. This public service programme started from the application to the stage of publication of documents done in one place which is followed by the certainty of terms, time and cost. The purpose is giving easier access to community especially the businessmen to obtain licensing

services. In addition, it also increases the participation of businessmen so that more orderly business license to the certainty and security in this endeavor as well as shorten the range of service bureaucracy and closer to the community. Some types of licensing services implemented by this programme e.g. the list of companies, small scale industries, small-scale beauty salons, building permit up to 150 square meter building, etc.

4) Short Messages Services

The next Innovation is the SMS service. The messages that are sent to the applicant such as a notice of surveying locations, notification of fee, as well as a notification that the file permissions are already completed.

5) Performance and front office officials stressed the private services office.

The next innovation that is no less important is the performance of the officers. In Indonesia, the problem of the appearance of officers especially in the front office greatly influences the perception of the service users. Officers in the field of the licensing services provided with uniforms and attitude resembles that of the clerk at the offices of the private sector. This will cause the convenience for users of the service.

Other regions such as the city of South Tangerang, also doing some innovations such as holding roving service mobile units. Then the provision of a user friendly website of licensing service. Then other innovations are repairing building and infrastructures, starting

from service room equipped with smooking room, mothers room, and others. In addition to the computerized system that connected between the computer service. Those innovations are aimed at increasing the amount of investment.

What about Jakarta as the capital of Indonesia?. This city is identical with bureaucracy reform that has been doing by Jokowi-Ahok. The government has just decided that one stop service is began from the district and village. People don't need to go to the office of one stop service in the municipality, but they can apply for any documents through the sub-district and village office.

Ease of Doing Business

To reinforce the importance of exposure one-stop services, we can see a ranking of cities in Indonesia in connection with the ease of running a business. Indicators surveyed were: (1) Licensing of business establishment (2) processing of building permits and (3) the registration of the property. For example, Licensing of business establishment. This ranking is based on an average of the

percentage rating of the city for a time, the cost of procedures and the minimum paid-in capital to established enterprises. Generally, inefficient bureaucracy is believed to be the top problem faced by businesses ini Indonesia (Haryono, 2011).

Ranked the best city is Yogyakarta. This can be achieved because of the Licensing Department of Yogyakarta only implements 1 procedure for 3 types of licensing paralelly, namely trading business licence, the list of companies, and site license. Pribadi (2013) found that there is a relationship between organizational structure and public satisfaction in Yogyakarta. The structure of the Licensing Department of Yogyakarta made the public service satisfaction has been in the relatively high level. While the hardest is the City of Manado. Among the 20 cities in Indonesia that is examined, established businesses spend an average of 9 procedures, 33 days and cost 22% of the national per capita income. It is longer one month than Malaysia .

Ranking of cities in indonesia on the ease of business establishment is as follows:

Table 1. The Best And The Worst Cities in Indonesia in Ease of Doing Business

Rank	City
1	Yogyakarta
2	Palangka Raya
3	Surakarta
4	Semarang
5	Banda Aceh

6	Gorontalo
7	Balikpapan
8	Jakarta
9	Denpasar
10	Mataram
11	Palembang
12	Bandung
13	Pontianak
14	Surabaya
15	Batam
16	Pekanbaru
17	Makassar
18	Jambi
19	Medan
20	Manado

Source: <http://www.doingbusiness.org>

Referring to that table, it seems the cities that have carried one-stop service rank better positions in the ease of doing business as Yogyakarta and Surakarta. Starting a business in Indonesia can be compared to other countries in Southeast Asia. For examples, Philippines also has eased business start up by setting up a one-stop shop at the municipal level.

Constraints of One-Stop Service

The application of one-stop service in Indonesia has some constraints. For example, the variety of agencies. In South Tangerang City, there are two agencies that undertake the investment function. In order to solve this problem, President Joko Widodo inaugurated one-stop service at Investment Coordinating

Board in January, 2015. It was established to issue business permits, which were released by 22 ministries and institutions.

The other constraint of one-stop service is the implementation of technologies that have not been evenly distributed in many regions that impose the one-stop service system. For examples, the implementation of technologies in South Tangerang City has some constraints.

CONCLUSION

One-stop service is a very successful breakthrough to increase investment in Indonesia. Although there are many obstacles in implementing it, some best practices have shown that one-stop service has increased the amount of investments and encouraged the ease of running a business in Indonesia

However, some improvements have to do to make better public services. Better regulations, good coordination, improvements on the human resources, and the use of technology are also needed.

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