WHY STAGNANT? BEHIND THE SCENES IN INDONESIA'S REFORMED STATE ASSET MANAGEMENT POLICIES

Authors

Diaswati Mardiasmo , Law and Justice Research Centre, Faculty of Law QUT. Email: d.mardiasmo@qut.edu.au

Prof. Charles Sampford, Law and Justice Research Centre, Faculty of Law QUT. Email: c.sampford@griffith.edu.au

Dr Paul Barnes, School of Public Health, QUT. Email: p.barnes@qut.edu.au

Abstract

This study seeks to answer the question of "*why is policy innovation in Indonesia, in particular reformed state asset management laws and regulations, stagnant?*" through an empirical and qualitative approach, identifying and exploring potential impeding influences to the full and equal implementation of said laws and regulations.

The policies and regulations governing the practice of state asset management has emerged as an urgent question among many countries worldwide (Conway, 2006; Dow, Gillies, Nichols, & Polen, 2006; Kaganova, McKellar, & Peterson, 2006; McKellar, 2006b) for there is heightened awareness of the complex and crucial role that state assets play in public service provision. Indonesia is an example of such country, introducing a 'big-bang' reform in state asset management laws, policies, regulations, and technical guidelines. Two main reasons propelled said policy innovation: a) world-wide common challenges in state asset management practices - such as incomplete information system, accountability, and governance adherence/conceptualisation (Kaganova, McKellar and Peterson 2006); and b) unfavourable state assets audit results in all regional governments across Indonesia.

The latter reasoning is emphasised, as the Indonesian government admits to past neglect in ensuring efficiency and best practice in its state asset management practices. Prior to reform there was euphoria of building and developing state assets and public infrastructure to support government programs of the day. Although this euphoria resulted in high growth within Indonesia, there seems to be little attention paid to how state assets bought/built is managed. Up until 2003-2004 state asset

management is considered to be minimal; inventory of assets is done manually, there is incomplete public sector accounting standards, and incomplete financial reporting standards (Hadiyanto 2009). During that time transparency, accountability, and maintenance state assets was not the main focus, be it by the government or the society itself (Hadiyanto 2009).

Indonesia exemplified its enthusiasm in reforming state asset management policies and practices through the establishment of the Directorate General of State Assets in 2006. The Directorate General of State Assets have stressed the new direction that it is taking state asset management laws and policies through the introduction of Republic of Indonesia Law Number 38 Year 2008, which is an amended regulation overruling Republic of Indonesia Law Number 6 Year 2006 on Central/Regional Government State Asset Management (Hadiyanto, 2009c). Law number 38/2008 aims to further exemplify good governance principles and puts forward a 'the highest and best use of assets' principle in state asset management (Hadiyanto, 2009a).

The methodology of this study is that of qualitative case study approach, with a triangulated data collection method of document analysis (all relevant state asset management laws, regulations, policies, technical guidelines, and external audit reports), semi-structured interviews, and on-site observation. Empirical data of this study involved a sample of four Indonesian regional governments and 70 interviews, performed during January-July 2010. The analytical approach of this study is that of thematic analysis, in an effort to identify common influences and/or challenges to policy innovation within Indonesia.

Based on the empirical data of this study specific impeding influences to state asset management reform is explored, answering the question why innovative policy implementation is stagnant. An in-depth analysis of each influencing factors to state asset management reform, and the attached interviewee's opinions for each factor, suggests the potential of an 'excuse rhetoric'; whereby the influencing factors identified are a smoke-screen, or are myths that public policy makers and implementers believe in; as a means to explain innovative policy stagnancy. This study offers insights to Indonesian policy makers interested in ensuring the conceptualisation and full implementation of innovative policies, particularly, although not limited to, within the context of state asset management practices.

Key Words: Policy innovation, Indonesia, state asset management, good governance, wicked problem, strategic plan

INTRODUCTION

Research Background

The practice of state asset management is gaining a momentum in importance across governments worldwide (Conway, 2006; Dow, Gillies, Nichols, & Polen, 2006; Kaganova, McKellar, & Peterson, 2006; McKellar, 2006b), whereby there is an increase in the realisation that maximum performance of state assets is crucial and necessary for performing public service – hence governments have demonstrated enthusiasm in reforming its state asset management policies.

The practice of state asset management differs between countries, yet despite the variance in state asset management policies, common challenges - such as incomplete information system, accountability, and governance adherence/conceptualisation – are identified (Kaganova, McKellar and Peterson 2006). Such common challenges has resulted in a surge of reform in state asset management practices, aiming for a best practice that integrates good governance principles (Cornish & Morton, 2001; Kaganova & Nayyar-Stone, 2000; McSweeney, 1999; Woodhouse, 2004).

Indonesia exemplified its enthusiasm in reforming state asset management policies and practices through the establishment of the Directorate General of State Assets in 2006. The Directorate General of State Assets have stressed the new direction that it is taking state asset management laws and policies through the introduction of Republic of Indonesia Law Number 38 Year 2008, which is an amended regulation overruling Republic of Indonesia Law Number 6 Year 2006 on Central/Regional Government State Asset Management (Hadiyanto, 2009c). Law number 38/2008 aims to further exemplify good governance principles and puts forward a 'the highest and best use of assets' principle in state asset management (Hadiyanto, 2009a).

Indonesia is chosen as a country case study for two reasons:

Firstly the re-introduction of good governance principles after the Asian Financial Crises in 1997 is an ongoing process in Indonesia, and is a main objective of the current presidency (Susilo Bambang Yudhoyono) regime. This has resulted in a push for policy innovation, whereby conceptualising good governance principles within all areas of government responsibilities (including state asset management) is emphasised. The Indonesian government has identified slow implementation of innovative policies and have acknowledged the 'lingering effect' of Soeharto's governing regime within the bureaucracy's 'mindset'; however yet to identify tangible impeding influences and/or construct relationships on how these impeding influences play a role in policy innovation implementation.

Secondly a review of state asset management practices (of various countries) and the literature on an integrated governance and asset management approach show that although Indonesia is acknowledged to have interesting complexities within its application of reformed state asset management practices (Kaganova, 2006; MacAndrews, 1998; MacAndrews & Saunders, 1997), there is an absence of studies on Indonesia's state asset management practices – both prior to and after introduction of state asset management reform in 2006. The dearth of research in Indonesia's state asset management approach suggest the contribution of this study – that of theoretical and practical.

Research Purpose

The purpose of this research is to create an understanding of the influences that play a role in Indonesia's conceptualisation and implementation of reformed state asset management policies, ultimately providing an explanation of why there is stagnancy in said reform. To achieve this purpose, three research objectives are identified.

1. Identify and explore influences that play a role in Indonesia's conceptualisation and implementation of reformed state asset management policies

2. Evaluate and determine the validity of identified influences through statistical and qualitative methods.

LITERATURE REVIEW

State Asset Management in Indonesia

The definition, or what is considered to be 'state assets', is found to be varying between authors (of state asset management literature) and governments around the world. Kaganova and McKellar (2006) believes that state asset management does not directly address the ownership or management of "public" housing, basic infrastructure facilities, or parkland; where their work is focused state assets such as urban non-residential real estate, including vacant land, owned by governments and their various authorities or entities. Schulte and Ecke (2006) identified that public housing and basic infrastructure facilities (in the form of buildings) are assets that allow the government to provide basic public service.

The Indonesian government also has its own categories on what is considered to be state assets. It characterises state assets as fixed assets, which includes building, land, roads, and bridges; and categorises water, drainage, energy provision, maritime transport and security, transportation, irrigation, roads and railroads, electricity, telecommunication as public infrastructure (Hadiyanto 2009). *Based on the above information this paper categorises state assets as: public housing, public buildings, parklands, and vacant lands.*

The following sub-sections provide a discussion of state asset management policies, viewpoints, objectives, and related opinions in Indonesia; prior and post reform.

Pre-Reform.

Indonesia's economy and development is largely shaped by the Five Year Development Plan (or otherwise known by Indonesians as REPELITA) since its first inception in 1969, with Indonesia being in its 8th Five Year Development Plan (REPELITA). Since the introduction of the Five Year Development Plan the management of Indonesia's economy has been directed to few targeted strategic goals such as:

1. Strengthening the economy through its fundamental income of the agriculture sector, with the aim of forwarding its infrastructure and technology sectors to further increase national income.
2. Increase state capability and capacity in primary, secondary, and tertiary industry in order to fulfil the society's needs as well as for export purposes.

3. Invest the national budget on public infrastructure by building at a national level. Examples include assets that will allow the government to perform its function (i.e provide public services to the society) and contribute to sectors such as education, housing, health, transportation, communication, and financial services.

4. Maximum benefit from natural resources by competent exploitation and marketing, and if possible increasing its value through secondary operation processes.

Based on the list of Five Year Development Plan strategic goals above, two main observations regarding state assets and its management are made.

Firstly state assets (in the form of public infrastructure) is recognised in the five year plan, however there is only acknowledgement of building and acquiring further assets (to enable performance of government functions) without an acknowledgment (or planning) of how to manage and maintain said asset. Therefore it can be observed that within the five year development plan itself there is an absence of ownership and maintenance 'culture'.

Secondly state assets are not recognised as a source of income and wealth, which is exemplified by the absence of inventory system and formal asset management practices within the national development plan. It can be observed that this to a certain extent explains why there is low ownership and maintenance culture, as the object (i.e state assets) is not considered of high value that potentially contributes to the nation's wealth and income.

Over the past four decades the context of state asset management in Indonesia is not far from the constitution that was the regulation of the day or period and the main objectives (or mission and vision) of the central government (Hadiyanto 2009). Up until 2003-2004 state asset management is minimum, in the sense that inventory of assets is done manually, there is incomplete public sector accounting standards, and incomplete financial reporting standards. It is acknowledged that the years of 1970s-1990s is known as the year of development, where there was euphoria of building and developing state assets and public infrastructure to support the role of government or government programs of the day. In the late 1990s the central government started to acknowledge the importance of accountability and financial reporting, as well as compliance reporting. Hence the central government introduced a simplistic inventory system for state asset management– manually executed and based on single entry bookkeeping.

The simplistic state asset management practice was evident during the Soeharto period, for approximately 32 years of his regime. However during that time transparency, accountability, and maintenance state assets was not the main focus, be it by the government or the society itself. The state government focused on building and purchasing, however did not have the framework to manage acquired state assets. For example, during Soeharto's regime, there was no requirement for asset reporting or inventory keeping of state assets. This knowledge leads to several conclusions:

1) Confirms Wardhana's (2009) statement that there has been an absence of 'caring' culture within the Indonesian government in terms of state asset management. It also details that an information system dedicated to state asset inventory and reporting have thus far been incomplete.

2) To a certain extent the absence of state asset maintenance is not 'only' the government's responsibility. The public/society plays a role, in terms of being swept up in the creating and building euphoria, taking for granted state assets that were built and utilising it without consequence, and not insisting on financial and accountability reports from the government in regards to the assets (Wardhana 2009).

Wardhana's (2009) comments suggest that historically there has been, to a certain extent, a slight neglect of state asset management. The mentality to care and look after assets is shown in the commitment to establish a strong rule of law and management of the assets, which in Indonesia is obviously lacking. This brings further implications in regards to state asset management such as: low knowledge in the field of state asset management, low human capital in terms of a specific department in the field of state asset management, low 'caring' culture, and most importantly incomplete state asset management related regulations and policies.

Post-Reform.

Hadiyanto (2009) documented reform in state asset management dating back to 2004, with *Law No 1 Year 2004 on State Treasury* as a reform locomotive. The establishment of Law 1/2004 was deemed to be the highest decree, managing the function of state asset management as part of the treasury. At the time, state asset management was defined as budgeting, financing, and controlling (Hadiyanto 2009).

State asset management reform continued with the introduction of *Law No 6 Year 2006 on Central/Regional State Asset Management*, which, along with the establishment of the Directorate

General of State Assets, is deemed to be the establishment of state asset management reform in Indonesia (Hadiyanto 2009). The introduction of *Law No 6 Year 2006 on Central/Regional State Asset Management* exhibited a change of paradigm from the definition and perspective of state asset management as per *Law No 1 Year 2004 on State Treasury.* Changes include:

a) Widening the scope of state asset management to budgeting, acquisition, utilisation, maintenance and monitoring, valuation, disposal, change/hand over, administration/inventory, control mechanisms, and capacity building function.

b) Introduction of an asset manager role, whereupon the Directorate General of State Assets is appointed as the central government's state asset manager, in a bid to ensure professionalism in state asset management practices.

c) Integration of managerial and reporting aspects in state asset management in financial reporting as part of accountability.

State asset management reform in Indonesia is further marked by the establishment of The Directorate General of State Assets (DJKN) on 7th December 2006. Hadiyanto (2009) believed that the directorate general of state asset have a heavy and difficult task of re-awakening and improving a state asset management practice that has been neglected for several decades. The establishment of a department that specialises in state asset management shows a realisation of the importance of state assets and is a positive start to state asset management reform; however this also indicates a heavy task that involves addressing a myriad of complexities and issues. One could argue that the establishment of Directorate General of State Asset (DJKN) indicated a change in the mindset of Indonesian government in terms of state asset management (Hadiyanto 2009).

It has been identified that issues within past state asset management practices in need of dire solution are those that are related to governance principles, which is strongly supported by the commission of corruption eradication (BAPPENAS 2006). According to Hadiyanto (2009) a conventional approach is not sufficient; there is a need for a thorough and massive reform, particularly in the form of implementing a new set of rules and regulations. Wardhana (2009) supports this notion, especially since there is an entrenched culture and political history in state asset management practices, where a low 'caring' culture is evident. Hence the Directorate General of State Asset introduced a **Roadmap to Strategic Asset Management**, which is designed to be

viewed as the compass in an attempt to establish a state asset management practice that is sound and modern.

The idea of strategic asset management is supported by Marlow and Burn (2008) as they found that setting such a direction has assisted in establishing a more efficient and effective water waste management system in many countries such as the USA, UK, Australia, and New Zealand. Hadiyanto (2009) provided the definition of strategic state asset management as the integration of functions such as planning, budgeting, maintenance, and accountability of state asset management that puts forward the principle of 'the highest and best use of assets'. This definition is within the corridor of asset management definitions, such as the definition offered by Komonen, Kortelainen, and Raikkonen (2006); Lin, Gao, Koronios, and Chanana (2007), and Jabiri, Jaafari, Platfoot, and Gunaratram (2005). The concept of ensuring accountability and the highest and best use of asset is also in line with how Loistl and Petrag (2006) and in particular Cornish and Morton (2001); Woodhouse (2004 and 2006), and Marlow and Burn's (2008) description of the integration of governance principles with asset management principles.

Table 1 details the roadmap, outlining planned actions and goals of the Directorate General of State Asset.

Table 1. Directorate General of State Asset Road Map to Strategic Asset Management

Year	Action Plan
2006	Conceptualisation of the directorate general Establish formal laws and decrees to legitimate the establishment of the directorate general Prepare resources (i.e human capital, financing, administrative matters, etc)
2007	Finalise and complete organisational attributes Initiate inventorying process of all state assets and build necessary database
2008-2009	Continue inventory process and building of database Establish an internal control mechanism and aspects of state asset management practices

	Establish an efficient and effective state asset management practice that is accountable
2010	Integrate planning – budgeting and planning of state assets
	Optimise state asset management practices buy aiming for highest and best use of asset

Source: Hadiyanto 2009

Alongside the Strategic Asset Management Roadmap as per Table 1 few supporting steps are identified by Hadiyanto (2009) and Pardiman (2009) to ensure the implementation of said roadmap. These are:

1. The first year of the establishment of the Directorate General of State Asset was dedicated to complete the three main components of a newly established organisation: governing decrees or regulations, systems and work procedures, and human capital and technology infrastructure. It is noted that this stage should be completed, especially as the Directorate General of State Asset was established in 2006 and the time of data collection (of this study) is 2010. On the contrary, this stage is evidently continuing to be in process, with the Directorate General of State Asset identifying the need for 'more time' (Hadiyanto 2009).

2) A database documenting all state assets with up-to-date, accurate, and reliable information. This is deemed to be a heavy task for the directorate since the inventory system for state assets has been effectively non-existent or only at bare-thread minimum (i.e manual recording and single entry bookkeeping since 1994). Incomplete state asset management information system is also evident in other countries (Bizet 2006; Jowett 2006; Kaganova and McKellar 2006), which suggests that Indonesia is not alone in their absence of an information system.

3) There needs to be a set of **strategic goals** in reaching optimum state asset management such as:

a) *The highest and best use of asset*. This means re-evaluation of current state assets when a need for an asset is identified, in terms of whether there is already an asset within the inventory database that would be able to fulfil the need. This is in contrast with previous practices, where previously there was a tendency to acquire a new asset (build, buy, or rent) when a need is identified (Pardiman 2009). The new system also looks at alternative ways of 'recycling' an asset, whether it is through pure 're-use' by the government, contracted out to a third party, or in partnership with another party (the most common being private public partnership). The main hindrance in this goal however, as

identified by Hadiyanto (2009), is the practiced mindset of acquiring a new asset when a need is identified. It is thought that this practiced mindset is a result of the building euphoria that was common practice during the Soeharto era of the past 32 years (Hadiyanto 2009), which suggest that reaching the goal of the highest and best use of asset will require a transformational change in the mindset of state asset managers.

b) *Three measures of efficient and effective national budget*. This include: a decrease in capital expenditure and maintenance, an increase in non-tax income through utilisation of state asset, and increase in miscellaneous income through underlying assets in the form of state asset certificates.

Complexities and Challenges of State Asset Management Reform in Indonesia

Indonesia, due its unique country characteristics, have identified specific complexities and challenges in its state asset management practice; past and present. Identification of these provides further understanding of factors that potentially play a role in full implementation of state asset management reform.

The Indonesian government has considered the below points to be crucial in improving current state asset management practices (Hadiyanto 2009):

a) Increase in society participation – there is a need for the society to increase their level of custodianship and ownership of state-assets.

b) Increase the level of coordination and participation between different institutions

c) Establishment of continuous financial support (that is of consistent amount) from the government to finance maintenance of state assets.

d) Provision of data and information system that is accurate, real, and accessible.

e) Establish a set of norms, standard, guidelines, and manual within the context of state asset management practices.

f) Stronger rule of law in the rules and regulations that govern state asset management practices.

g) Further alignment with good governance principles and incorporation of such principles in state asset management rules and regulations.

Mardiasmo (2009) warns that the implementation of a 'reform', no matter in what area, will take time to eventuate, as Indonesia itself is still going through a thorough economic, political, and societal reform – thus any type of reform will be impacted by such dynamics. Hadiyanto (2009)

agrees with this as the possibility of revising state asset management practices due to internal and external factors is still very high. Ritonga (2009) further explains that standardisation will have to be done in a certain stages, which is considered to be a norm in any reform that is implemented in Indonesia. This is true based on the findings of Mardiasmo (2007) within the context of good governance implementation in Indonesian regional governments, where there was a need to roll out the implementation plan in various stages during a long term timeframe. To a certain extent Ritonga's (2009) opinion contrast that of Hadiyanto's (2009), in terms of Indonesian governments preferring a big bang shock therapy in reforms. However it is possible that Hadiyanto (2009) is referring to the initial stage of ideas and beginning/short term of the reform, whereas Ritonga (2009) refers to the actual implementation of medium/long term of the reform.

The Directorate General of State Asset has identified a few challenges in implementing the new strategic asset management mindset and the directorate general's roadmap. The Directorate General of State Asset have also identified that the current roadmap is not absolute in nature and that it can be adapted or revised depending on future developments (Hadiyanto 2009). Below are two main challenges that may impact state asset management practices in Indonesia.

A. Indonesia is Continuously Reforming

In regards to implementation of state asset management reform (in the form of strategic asset management and road map as per Table 1), it is important to remember that Indonesia itself as a country who is continuously reforming many facets of governing and the society – as a response to the 1997 Asian financial crises (Mardiasmo 2010). Therefore the possibility of revising practices due to internal and external factors is very high. It is also noted that the political condition in Indonesia is also going through a reform and is therefore very dynamic. The democracy in Indonesia can at times cause disruptions to government agency reforms and implementation of new policies and regulations, whereupon reform for state asset management is forecasted to be no different – low political security and stability will no doubt disrupt the implementation of any new policy/regulation (Mardiasmo 2009). For example, if due to the new presidential regime there is a change in priorities and the establishment (or the denouement) of a government agency there will also be a multiplier effect on state asset management practices.

B. Unfamiliarity with the Role of State Asset Manager

A complexity identified by Hadiyanto (2009) in introducing state asset management reform is related to the Directorate General of State Asset role as a state asset manager. Although that is a common role for an authority that manages a certain asset, the definition of what is an asset manager and its specific role is at times uncertain. Cornish and Morton (2001) for example separated the ownership and control of an asset into three tiers: asset owner, asset governor, and asset manager. According to Cornish and Morton (2001) the asset owner is typically the owner of major sets of utility assets, whose main strategic objective is to seek profit or expand its service. The asset owner does not normally wish to, or have the expertise to, concern itself with the detailed financial, regulatory, or technical management of the assets. Rather the asset owner needs an effective asset governor who can reliably deliver their strategic objectives at a certain level of efficiency frontier. The asset manager handles the day-to-day and floor level operations of the asset division whilst ensuring that all decisions made are in line with the vision of the asset governor and asset owner.

The Directorate General of State Asset identified itself as state asset manager for the central government in Indonesia's state asset management reform, however without clear definition of what is deemed to be a state asset manager within this context and what is its specific role (Mardiasmo 2010). Hence it is questioned whether the directorate general embraces the meaning and function of an asset manager based on its definition in asset management literature (for example as per Cornish and Morton 2001; Kommonen, Kortelainen and Raikkonen 2006; Cagle 2003; etc).

METHODOLOGY

In order to achieve the purpose of this study a qualitative orientation is taken. Qualitative research is a descriptive and interpretive method of gathering and analysing data, which is particularly useful if the purpose of the research is to gain further in-depth understanding of a particular phenomenon or to explore relationships between identified influences (Denzin and Lincoln 1994; Ezzy 2002; Golden-Biddle and Locke 1997; Padgett 2004; Silverman 1997; Sofaer 2002; Willis 2007). Case studies are chosen in this methodology design as it provides a method for investigating complex social phenomena, such as decision making, and can holistically encompass many aspects and characteristics of real-life events (Yin 1994).

One of the crucial aspects in case study research is choosing the appropriate case study that will provide suitable context to achieving the purpose of the study (Yin 2003a). The number of cases that is considered to be appropriate to achieve the objective of the research is also crucial; however this depends on the research aims and the point at which theoretical saturation is reached. Eisenhardt (1989) argued that understanding and theory generation can be achieved by examining as few as four cases, where additional cases becomes irrelevant once theoretical saturation is reached.

In regards to this study's research design, the epistemology that underpins the study is that of social constructivist, therefore generalisability in the positivist epistemology and statistical methods (Lee and Baskerville 2003) sense is not aimed for. The purpose of this study is to obtain deep understanding of the phenomena and theory build from descriptive empirical data. This research does not claim or aim for statistical generalisability; thus Eisenhardt's (1989) approach is taken and four case studies were chosen to be the sample of study.

To achieve the objectives of this study it is essential to choose an organisation (i.e a case study) within Indonesia that has the responsibility of managing state assets. A main variable considered in the implementation of reformed state asset management is decentralisation and regional autonomy regime, as it has the potential to add complexity in ensuring equal understanding and implementation of public policy reform (Siddik 2009). Decentralisation policy in Indonesia indicates regional independence in terms of policy making and economic autonomy (Devas, 1997; Federspiel, 2005; Schroeder, 2003). Each region has the independence to enact policies based on the level of benefits reaped, where central government acts as an advisory as well as a control mechanism (Crane, 1995; Kristiansen & Trijono, 2005; Silver, 2003; Tambunan, 2000). Geographical distance is found to dictate the level of central-regional government interaction, quantity and quality of face-to-face consultation, and the number of regional government officials attending workshops/training at central government offices (Mardiasmo 2007). Thus *geographical distance* is considered a variable in the adaptation and implementation of policies by regional government.

Regional governments established after the introduction of decentralisation and regional autonomy (in 2001) tend to embrace innovative ways of implementing government procedures, due to dissatisfaction to previous practice (i.e during Soeharto's regime) in governing (Indrawati, 2005; Kivimaki & Thorning, 2002; Mishra, 2005). Mishra (2001; 2002) concluded that newer regional

governments would be more open to implementing good governance principles in their public policy drafting and implementation as this is perceived as an innovative way of governing. Therefore the 'age' of a regional government has arisen as a potential variable. The 'age' of a regional government refers to when the regional government is established, divided into two main 'age groups': prior to the introduction of decentralisation and regional autonomy in 2001 (hence identified as an *'old' regional government*) and post decentralisation and regional autonomy (hence identified as a '*new' regional government*).

The identification of *geographical distance* and *age of regional government* captures the unique relationship between central and regional government of Indonesia. These two influences are utilised to contextualise the research issue, where a two dimensional four cell matrix (thus a two by two matrix) is used. The Johari Window compares two influences on each axis, in which each category is reflected within its quadrants (Davis, 2005; Horine, 1990; Sole, 1997).

The Johari Window is illustrated in Figure 1.

	Near to Capital	**Far from Capital**
Old	Case study 1 (DKI Jakarta Region)	Case Study 2 (DIY Yogyakarta Region)
New	Case Study 3 (Directorate General of State Assets)	Case Study 4 (Gorontalo Region)

Figure 1. The Johari Window as a Sampling Method

Figure 1 identifies the four case studies sampled for this research. It is acknowledged that the Directorate General of State Assets is not a province/regional government; however its inclusion is justified as it is a government department that acts as a state asset manager for the central government, whereby the Indonesian government consider the management and governing of central government as equal to a province and as an individual entity, due to its size and complexity (Mardiasmo 2004; Hadiyanto 2009). DKI Jakarta and DIY Yogyakarta were both established post-Indonesian Independence Day in 1945, and Gorontalo Region was established in 2000/2001 as a response to the introduction of decentralisation and regional autonomy regime – hence all three

regions satisfy the 'old and new' category. DKI Jakarta is located in Jakarta province, where central government is also based, and thus satisfies the 'near to capital' category. DIY Yogyakarta and Gorontalo Region are located in Sulawesi Island and East Java Island respectively, satisfying the 'far from capital' category.

Data Collection and Analytical Approach

According to Yin (1994) case study research can achieve construct validity through a case study tactic of using multiple sources of evidence, establish a chain of evidence, and have key informants review draft case study report. Therefore this study will employ a data collection approach that involves multiple specific methods within one case study (Hall and Rist 1999; Janesick 1994). This study employs three methods: semi-structured interviews with key informants, document analysis of state-owned asset management policies and performance / reporting documents, and on-site observation within identified case studies. The use of these three methods is to assist in achieving triangulation of conclusions and the corroboration of the theory developed (Yin 1994).

The analytical approach of this study is that of a thematic analytical approach. Thematic analysis is a process that can be used with most qualitative methods, allowing for the translation of a wide variety of types of qualitative information such as interviews, documents, and observations; into more meaningful relationships and patterns through an encoding process (Boyatzis 1998). Thematic analysis can be utilised for a number of overlapping or alternate purposes (Boyatzis 1998), however the main justification for utilising a thematic approach in this research is that it allows for a way of making sense out of seemingly unrelated material. This is particularly useful in this research as at a glance state asset management and good governance may not seem to be related (Mardiasmo, Tywonial, Rosqvits, Kivits 2008), in the sense that their relationship and its implications on public service provision and government department outcomes is unknown. Thematic analysis is particularly useful at the early stage of research inquiry process, such as the pilot stage, however it is also useful at all stages – thus it suits the research design of this study.

One of the analytical tools that are available is that of Miles and Huberman (1984), who provided several potential techniques utilising tabulation, creating flowcharts, chronological ordering, and matrices. These methods are recognised in playing a role in the summation and classification of the data, as well as providing a visual illustration of the relationships that exists between concepts. Miles and Huberman's (1984) techniques are seconded by Boyatzis (1998), who recognised that to make results from qualitative research in a thematic process, one must employ different ways of

organising and presenting data. Therefore the potential in using Miles and Huberman's (1984) techniques is recognised as it will assist in answering some of the questions being asked in this research.

FINDINGS AND DISCUSSION

Research Participants

.As outlined in methodology section of this paper, this study involves the participation of four case studies. The number of interviews involved within each case study is outlined in Table 2, categorised by echelon level as per Indonesian public service regulations.

TABLE 2. NUMBER OF INTERVIEWS INVOLVED IN STUDY

Regional Government	High Level Govt Official	Middle Level Govt Official	Low Level Govt Official
DIY Yogyakarta	5	9	8
DKI Jakarta	3	4	4
Gorontalo	7	9	11
Directorate General of State Assets	2	4	4

As evident in Table 2, there is a slight discrepancy in the number of government officials interviewed; due to time restrictions, availability of government officials, and willingness of government officials to participate.

Throughout the data collection process of this study, interviewees identified numerous influences that play a role in the conceptualisation and implementation of state asset management reform in Indonesia. Interviewees had a tendency of viewing these influences as 'impeding influences', in the sense that these influences contribute to the challenges of achieving a state asset management reform that fully incorporates good governance principles and is equally adopted/implemented by all regional governments within Indonesia. These 'impeding influences' are presented in Figure 2, along with the number of interviewees who has identified it as a contributing challenge to state asset management reform.
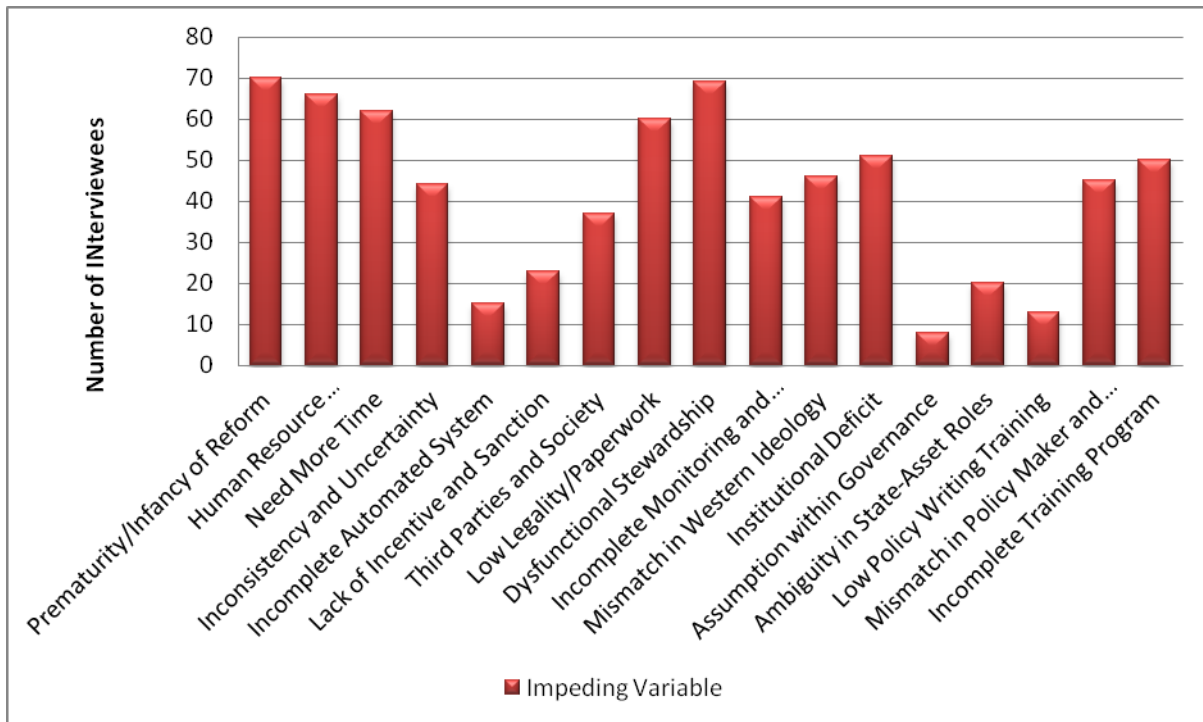
It is clear, from Figure 2, that the following influences have been identified as the main impeding influences to state asset management reform by regional government officials:

- Premature/Infancy of Reform
- Human Resource Capacity and Capability
- The Notion of 'needing more time'
- Low legality/paperwork
- Dysfunctional Stewardship

Premature/Infancy of Reform

Indonesia's state asset management reform was introduced in 2006 through Law 6/2006, with regional state asset management conceptualised and 'enforced' in 2007 through Law 17/2007. The reform was revised in 2008, with the introduction of Law 38/3008. As data collection/interviews were performed in July 2010, interviewees reasoned that the state asset management reform is 'new' or 'premature' for it was introduced a mere two years (at most, from its latest revision in 2008) prior to the study. Interviewees have associated the new state asset management practice with high uncertainty, for due to its perceived radical and 'big bang' reform nature, there is much confusion surrounding answers to questions such as what is state asset management, who are the

state asset managers, what is best practice within it, how to implement it on a day to day basis, etc. Thus interviewees believe that the reform is still premature, due to the myriad of questions unanswered, and that there is a need for policy makers to continuously revise laws and policies of the reform.

Box A provides accounts from interviewees supporting the validity of the pre-maturity of state asset management reform as an influencing factor:

Box A Support for Prematurity of State Asset Management Reform as an Influencing factors

"...that the rules and regulations that govern the management of state assets can still be classified as something that is relatively new. This includes everything that governs state asset management – the constitution, the umbrella laws, the regional level regulations, and even the technical guidelines. All of this is relatively new and can still be classified as "pre-mature", where there are many changes and updates to laws, rules and regulations, and technical guidelines..."

"...asset management is still a new topic in Indonesia and to be honest there is a need for higher level of knowledge specifically on the matter (instead of it being done by accountant and auditors). It can also be a hindrance, because people may say 'we don't have the necessary laws and guidelines yet' and use it as a potential 'excuse' or reason as to why a particular policy is not being implemented..."

"...It still a challenge for us to conceptualise state asset management best practice, we still need to work on many areas such as: the operational steps of state asset management, inventory, reporting, handling of expenditures, etc. I think we are working on a format that is more online, so that the process becomes more automatic..."

Human Resource Capacity and Capability

The 'people', or state asset management related actors, are identified as an influencing factors to state asset management reform by 89% of interviewees. Within this influencing factors (human resource) characteristics such as: commitment, level of knowledge, willingness, personality, and capability/competence, and sense of stewardship; are included. In fact, dysfunctional sense of stewardship as an influencing factors is supported by 93% of interviewees and incomplete training

in state asset management laws, policies, and implementation as an influencing factors are supported by 68% of interviewees. As dysfunctional sense of stewardship and incomplete training in state asset management matters are considered by interviewees to be part of human resources (state asset management related actors) characteristics, these figures adds to the validity of the 'people' as an influencing factors to state asset management reform.

Mardiasmo (2010) in his opening speech upon accepting his new position of the head of the internal audit body proclaimed that "no law, no intention, no reform, can be implemented without good people – the people is the key as they are the doers". This proclamation is found to be echoing in all government officials' opinions, where there seems to be a converging opinion that the key issue in public policy reform is the people who are deemed to be implementers.

Interviewees of this study provided several reasoning as to why "the people" is a valid influencing factors. One of them is the disparity in state asset management knowledge between government officials, where it is argued that the disparity in knowledge have resulted in a discrepancy in expectation and outcome. Interestingly, the mismatch between policy maker and implementer gained 61% of interviewee support (Figure 2), which suggests that there is agreement surrounding the mismatch as a product of disparity in state asset management knowledge.

Another argument in "the people" corner is the disparity in government official's willingness or commitment to good state asset management practices, in particular willingness or commitment to change from 'old ways of doing things'. It is explained by interviewees that there has been a culture of neglect in state asset management, where due to this culture the treatment towards state assets more often than not has not been based on principles such as efficiency, or based on particular laws, technical guidelines, etc – rather it has been based on best potential advantage for the government official him/herself. Upon reflection, the 'old way of doing things' may be the reason behind such a high support for dysfunctional sense of stewardship (93% as per Figure 2), for in previous state asset management practices government officials did not view state assets as a good that needs to be managed in an efficient and wealth preservation manner, rather they view state assets as a free good whose management can be manipulated to suit the individual advantage.

The challenge that 'the people' provide in state asset management reform is explained by interviewees in Box B:

Box B. Support for The 'People' as an Influencing factors

"...An important thing about this diagram though is that it outlines or identifies the kind of personality or capability that is needed in government official personnel – one that is committed, competent, and performs the activities in a conducive way. It is the combination of these three main personalities that I find to be difficult – to find it in one person, or each person within a team. Hence perhaps this is what is hindering the whole thing, the inability, or the rareness in finding these three personalities in one person – or finding all three at the highest level is probably even a better description!

"...The key reason here is human resources, or perhaps not human resources, but the human nature of our government officials. I think from the supporting infrastructure etc we already have everything that we need, however when it comes to the humans/government officials who are supposed to implement the policies, they start to look right and left to see where can they make extra money..."

"...So in a sense we are already heading towards a good system, a system of safe keeping or metal box for example, but then again you have a government official/human who guides the safety box and has the key – yet this person might be easily swayed, and if they have a negative thought then negative things can happen quite quickly. So really the main impediment here i think is the people..."

The Notion of 'Needing More Time'

Time is considered to be an impediment to state asset management reform by government officials, with 83% support. The concept of 'I need more time' is divided into three senses:

a) The time that has passed between the procurement and/or acquirement of a new state asset and the introduction of state asset management reform,

b) The time that has passed between the establishment of a region (both that is considered to be new after 2001 and old prior to the decentralisation regime) and the introduction of state asset management reform,

c) That ultimately there is need for 'more time' to ensure uniform understanding and implementation of state asset management.

It is argued by government officials that the time that has passed between the procurement and/or acquirement of new state asset and the introduction of state asset management reform is an impediment as the 'older' the state asset is (in age) the more likely that it is subjected to the 'old' practices of state asset management and not yet treated as per the state asset management reform national umbrella laws (introduced in 2006). Interviewees suggest that the longer the time lapsed the higher the chance that the condition of a state asset is unknown, its utilisation rate and by whom is unknown, certificate ownership lost or not yet completed, and maintenance of state asset to be behind schedule. However if the state asset was procured 2006 onwards there is a higher chance of it being recorded and in the inventory system, with complete certificate ownership, utilisation plan, and maintenance strategies – as these 'new' state assets would have been subjected to new rules and regulations. It is claimed by government officials that it is the 'older' state assets that are problematic in, as due to old regional state asset practices more often than not these state assets are not recorded / in the inventory.

The time that has passed between the establishment of a region and the introduction of state asset management is considered to be a variable in the implementation of state asset management reform, as it is perceived that newer (i.e post 2001) regional governments (such as Gorontalo) would have less state assets (in terms of amount and history) and thus have a more manageable state asset size than regional governments established prior to decentralisation regime (such as DKI Jakarta and DIY Yogyakarta). This is perceived to be an advantage in terms of recording, inventory, recalling information, tracking down utilisation, and creating ownership certificates.

The third sense of 'time' as an influencing factors to state asset management implementation is, to a certain extent, related to the pre-maturity or newness of state asset management reform - in the sense that not enough of time has passed since the introduction of the reform and the present study. Interviewees believe that 'more time' and a 'step-by step' approach is needed for activities such as drafting specific laws, increasing knowledge and understanding, complete socialisation, and implementation workshops. This view of 'I need more time' is supported by 84% of interviewees, claiming that every type of big bang reform in Indonesia is never fully implemented within the space of years but decades – due to the slow process of mind-shifting from old ingrained ways of doing things and new approaches. Therefore 84% of interviewees are concluding that current state asset management practices are a 'good start' to the reform, however there is still need for further future developments.

Interestingly 16% of interviewees contradict this view, claiming that 'I need more time' is 'an excuse' for non-implementation, where it has been proven by many cases that new rules and regulations are implemented at a speedy manner if it was to 'fix something bad' – for example the speedy establishment of the corruption watchdog when Indonesia was claimed to be synonymous with corruption practices. These views are captured in Box C.

Box C. Opposing statement to 'I need more time' as an Influencing factors

"...its not that we need more time to implement this state asset management reform, its more about whether we want to implement the new laws and policies and way of doing things. I mean yes it does take some time for it to be fully understood and implemented, but not decades, saying that i need more time is just an excuse because that person doesn't want to do it, or the new way of doing things does not support their own personal views..."

"...we don't need more time, we've had four years! We can implement it if we want to, or if we think there is something bad – look at the corruption eradication for example, they quickly put people in jail when they were charged with corruption...but then again they did this because we needed to prove ourselves to be corruption free, we needed to fix our image. So if there is something that needs to be fixed, change will happen quickly..."

"...thats just an excuse. We already have an automated system (SIMDA –red) from the internal audit body, all we have to do is follow that and implement it, is not like we don't have to make everything by ourselves. The internal audit body have already provided us with the system, all we need to do is implement. Why do we need more time?..."

Box C illustrates strong comments of opposing statements in the face of 'I need more time' as an influencing factors, where they argued that "if we want it badly enough then we would have done it sooner". These arguments portrays 'I need more time' to be a smokescreen to the real reason for non-implementation, for it alludes that the argument of 'I need more time' is an 'excuse' – not a valid influencing factors.

Low Legality/paperwork

The legalities and ownership certificates, or rather lack of legal paperwork, has been identified as a challenge in implementing state asset management. It is noticed that when interviewees are asked to identify any challenges in understanding and implementation of state asset management reform that lack of legal paperwork is always mentioned first. This is further reflected in the high level of support for incomplete legal paperwork as an impediment variable, amounting to 81% of Interviewees.

Interviewees are concerned by the lack of legal paperwork, in the form of ownership certificates of state asset management, as these certificates dictate responsibility, details state asset condition, and provide other crucial information. Without ownership certificates regional governments are not able to prove their ownership of a state asset, enter information or do inventory, nor can they answer questions relating to the condition and utilisation of the state assets from the external audit body. The lack of legal papers or ownership certificates as a main impediment is illustrated by interviewees in Box D;

Box D Support for Incomplete Legal Paperwork as Impediment Variable

"...I think in terms of SAM in gorontalo we don't have that many problems yet, but I think the main problem in gorontalo is the same with any other region and that is ownership, in the sense of proof of ownership/certificates. At the moment it is not abnormal for the physical product to be missing or for the ownership certificates to be missing. Lots of land in the regional government area that is not owned by the regional government themselves however is owned by the central government Sometimes those land that has been built on, the status of the land themselves is unknown..."

"...Ownership certifications, or proof of ownership, I believe is something that at the end of the day will always be questioned about, i think its part of accountability. But i think this is what most people still don't really care about. In the system of procurement or acquirement of an asset I don't think that people are too worried or concerned or pay a lot of attention to this. As a result there are many assets that does not have ownership certificates or their ownership is unknown, and at the end of the day is the region that will be swamped with problems and work – they have to work out or solve the ownership certificates problem..."

Dysfunctional Stewardship

Low stewardship and/or dysfunctional perception of custodianship have been identified by interviewees as a potential influencing factors to state asset management. This is supported by 93% of interviewees, which leads to the belief that it is indeed a valid influencing factors. Here, low level of stewardship or dysfunctional perception of custodianship refers to state asset management actors viewing the state assets in their care as a free good, not a good that needs to be managed in a best practice manner to ensure optimisation of utilisation or wealth creation. State asset management actors do not feel a sense of belonging towards the state assets in their care, viewing that it belongs to another party (though who is unclear) and thus it is not within their interest to ensure best practices in managing the state asset. How this hinders state asset management reform is captured in Box E.

Box E Support for Low Stewardship / Dysfunction Custodianship as Influencing factors

"...In regards to stewardship, I strongly agree that we are lacking this particular feeling. For example a government vehicle. If something happens to the vehicle while a government official is using it, then the government official should replace and ensure that the vehicle is no longer broken – this is of course other than filing paperwork for insurance to look after the damages. So people (government officials) can no longer just use state assets to their heart's content – perhaps the government vehicle is used by his nanny or a distant family cousin or his neighbour for example. People at the moment do not want to be responsible, the do not want to pay if some sort of damage has happened..."

"...I think the main problem here is that people take assets for granted. They think its a free good, comes out of the government's pocket/money and not theirs, and therefore they don't have a high level of responsibility towards it. They think if something is broken, oh well, just buy a new one using the government's budget. They don't think about preserving it for best use or that it is wealth creation, they just use it however they want. So thats a big problem, if people don't feel like they are responsible for assets then how are we going to get them to change their mind? And follow the new rules and regulations?

Acknowledging the negative impact that low level of stewardship or dysfunctional custodianship may have on regional state asset management, few government officials attempted to provide a justification as to why there is dysfunctional custodianship of regional state assets and have put forward suggestions in order to increase stewardship. One of the reasons put forward is the fact that there is no 'ownership giving / transition' ritual or ceremony, where there is no formal process in which regional state assets are delegated or bequeathed to regional heads or government official – thus no symbolised transfer of responsibility so to speak. This has resulted in regional heads or government officials not feeling the responsibility of being 'trusted' with a state asset. It is even identified that at times, due to the lack of this symbolic process, regional heads are unaware of the new state assets that exists in his/her jurisdiction.

DISCUSSION AND CONCLUSION

The findings section has highlighted and discussed main influencing factors to state asset management reform that are identified by interviewees, which include: newness and pre-maturity of state asset management concept, the perceived impact of 'time', the people, dysfunction custodianship/low stewardship and, incomplete legal paper and ownership certificates of state assets.It is interesting to observe inconsistencies and contradictions between views surrounding each impediment variable, which suggests that there could be an underlying, more basic and simple, explanation to why state asset management reform is not yet implemented fully.

An inconsistency is found between opinions of different echelon levels in a regional government regarding why certain influencing factorss exist.

For example in discussing dysfunctional custodianship or low stewardship; lower level echelons argue that this is evident in state asset management practices due to the challenges in changing a culture and 'way of doing things' as Indonesia has a history of neglect in relation to its state assets. Therefore they believe that "that is how things are" and that changing a culture would take decades as opposed to years, and would also need to be devised in a step-by-step manner to ensure full implementation. High level echelon government officials however disagree, to a certain extent. They agree that culture change is a difficult and challenging process; however this is not the main reason behind low stewardship or a dysfunctional sense of custodianship, rather it is caused by the differing levels of commitment and willingness in taking responsibility of the state assets within

one's jurisdiction. High level echelon government officials argue that despite the potential challenge within change, if the policy implementers are willing and committed to take drastic action and admit responsibility, stewardship and custodianship will eventuate.

Another example is an inconsistency of opinion regarding human resource capabilities.

Lower level echelon government officials provided the reasoning of low training, socialisation programme, and information dissemination; and the unexplained overlap in state asset management legal products. They believe that thus far there is not enough information regarding state asset management to appease their anxieties and uncertainties concerning the change in state asset management related activities. It is also believed that there are too many state asset management legal products (both from central and regional government) and that there is confusion on which one to follow.

High level government officials however partially rejects this argument, as although they believe there is a need for continuous training and socialisation of state asset management reform; there are scheduled training and socialisation programs from central government on a bi-monthly basis (which is open to any regional government), regional governments provide their own seminars concerning state asset management implementation to members within the office, and there is an assistance team from the internal audit body to oversee/accompany the process of understanding and implementing state asset management reform.

Lastly, an inconsistency is found within the interviewee's opinion themselves throughout the interview, in particular in their indecisiveness of what is considered to be a main impediment to state asset management reform, and the cause of each influencing factors. It is found, more often than not, that interviewees were able to champion for a particular angle of argument depending upon the 'bait' that the interviewer provided during the interview process. It is also found that interviewees were able to provide supportive or disagreeing comments for a particular impediment variable, which shows that there is a lack of certainty among interviewees – which has the effect of unconvincing arguments regarding the reasons as to why state asset management reform is facing challenges.

The inconsistencies and contradictions found (as per above) throughout the interview process resulted in further questions of whether the impediment variables provided are, in fact, the reality of why state asset management reform is not yet implemented (or is facing challenges). It is

questioned whether the impediment put forward are in fact the myths that government officials believe in, in order to justify the lack of implementation of state asset management reform policies. The notion of 'the myths that we believe in' was recently discussed by Bessant (2010) in her work concerning the reasons for lack of implementation of public policy in both developed and developing countries.

Bessant (2010) further elaborates that due to the myths that government officials live or believe in, more often than not government officials are caught up in the fantasies of policy making – referring to the ideal world of their policy objectives but not considering the reality in which they are living in. Hence other government officials who are relegated the job of implementing these policies are not able to make a connection between the policy and the reality. Furthermore, Bessant (2010) spoke of a multiplier effect of the myths that government officials believe in, whereby between the policy makers and the policy implementers there is an 'imaginary institution' who is going to translate policies into reality, provide needed support, and play the role of monitor and controlling of said policies.

The contradictions of interviewee opinions regarding influencing factors to stagnant reformed state asset management, coupled with the ideas of Bessant (2010), provokes the thought that perhaps influencing factors are part of the myths that government officials live/believe in, where they are in fact an 'excuse rhetoric' that is provided by government officials to justify the lack of reformed public policy implementation. Here 'excuse rhetoric' is likened to the term 'rhetorical question' – whereby more often than not the answer to the question is implicitly found in the question asked. This paper thus entertains the possibility of an intricate construct of 'excuse rhetoric' reality as the reason for Indonesia's stagnant state asset management reform. Therefore Indonesian state asset management policy makers and implementers need to further understand and take into account such intricate construct of reality in future state asset management policy revisions.

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